
RISK FACTORS

An investment in our H Shares involves various risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our H Shares. Our operations involve certain risks and uncertainties, some of which are beyond our control and may cause you to lose all or part of your investments in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the market price of our Shares could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this prospectus.

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.

Our business growth significantly depends on our ability to continue to innovate and improve our existing products and expand our product mix. To remain competitive, we must maintain and enhance our core technologies to meet end market needs, technological advancements and industry standards. Product design, development, innovation and iteration are 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 accurately grasp market trends and customer needs and develop and introduce new and improved products in a timely or efficient manner or that new and improved products will achieve market acceptance.

Moreover, our products are used in a variety of end markets and applications. Technological advancements and new industry standards in these end markets may affect the application requirements of our end customers and their products. If we fail to develop new products or refine our technologies to match the different or additional requirements of our end customers, the sale of our products may decrease, and our business, financial condition and results of operations may be adversely affected.

Industry competitors continuously upgrade their product portfolios, which may render our products less attractive or even obsolete. There can be no assurance that our core technologies and products will maintain their competitiveness in the future compared to products developed by our competitors. Our growth is also dependent on our ability, and that of our distributors, to identify and penetrate new markets where we and our distributors have limited experience, but where significant investments and technological advancements are required to compete effectively. There can be no assurance that the markets we serve and/or target based on our business strategy will grow in the future, and that our existing and new products will meet the requirements of these markets.

Our inability to continuously develop our analog IC design and other technological capabilities could render our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments expected to drive our growth.

We are committed to continuous R&D for both new and existing products and technologies, enabling us to timely respond to technological developments in the markets we operate in. The

RISK FACTORS

development of advanced analog ICs is an inherently complex and lengthy process that involves significant engineering effort and long development cycles. We believe it is essential to continue to invest a significant amount of time and resources in our design and R&D efforts, including retaining a sufficient and number of experienced R&D talent, to maintain and improve our competitive position. If the anticipated benefits of these investments are not realized, or are delayed, our revenue and operating results may be adversely affected.

Furthermore, if we are unable to respond quickly and effectively to technological developments, we may lose our competitive position, and our products or technologies may become obsolete. If we fail to develop new products or refine our technologies to match evolving or additional requirements of our end customers, the sale of our products may decrease, and our business, financial condition and results of operations may be adversely affected.

Our business operates in a knowledge-intensive industry, and our failure to attract and retain talent could weaken our core competitiveness and adversely affect our business.

As our business operates in a knowledge-intensive industry, our talent is a cornerstone of our core competitiveness. Our ability to maintain continuous innovation, operational efficiency and market advantage depends on the collective expertise of our integrated teams across R&D, operations and sales. The market for qualified personnel is highly competitive.

If we fail to establish and maintain effective incentive systems, clear career development paths, or a positive corporate culture, we may be unable to attract or retain the talent necessary for our operations. The loss of key personnel or difficulty in recruiting new talent could weaken our competitive position and disrupt our operations. Furthermore, a significant increase in employee turnover could result in increased recruitment and training costs, and may harm the productivity of our remaining employees. Finding suitable replacements and integrating them into our operations and corporate culture requires significant time and resources, and there is no guarantee that we can do so effectively or in a timely manner.

We cannot assure you that we will be able to retain existing employees or attract sufficient qualified personnel to meet our business needs. Failure to do so could adversely affect our business, financial condition and results of operations.

We depend on a limited number of third-party suppliers to manufacture our products.

During the Track Record Period, we relied on a limited number of third-party suppliers, including foundries and OSAT providers, to manufacture our products. Purchases from our five largest suppliers in each year during the Track Record Period accounted for 92.4%, 92.3% and 91.0% of our total purchase amount for the years ended December 31, 2023, 2024 and 2025, respectively. See “Business—Supply Chain Management—Our Major Suppliers” for more details.

Our reliance on these major suppliers subjects us to concentration and counterparty risks. We cannot assure you that we will maintain our relationships with our major suppliers in the future. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the financial condition and results of operations of our major suppliers may result in a material adverse impact on their business with us.

RISK FACTORS

If a disaster or other business disruption were to occur at any of our foundries' or OSAT providers' facilities, procuring and transitioning to new suppliers would take a significant period of time to complete and would likely adversely affect our inventory, business, financial condition and results of operations. Moreover, any shortage of raw materials used by our foundries and OSAT providers may result in a shortage in the supply of our products. Therefore, we are vulnerable to the risk that our current foundries and OSAT providers may be unable to meet our demand.

Moreover, increased regulation or stakeholder expectations regarding responsible sourcing practices could raise our compliance costs. Any failure by our foundries and OSAT providers to comply with such regulations or meet these expectations could generate negative publicity that adversely affects our reputation. Given that we do not directly control the procurement or employment practices of our suppliers, we could be subject to financial or reputational risks arising from their conduct. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be compromised, our costs will increase, and our business, financial condition and results of operations will be adversely affected.

We have been and intend to continue investing significantly in R&D activities, which may adversely affect our profitability and operating cash flow and may not generate the results we expect to achieve.

We invest in R&D activities to develop and introduce new and enhanced products. For the years ended December 31, 2023, 2024 and 2025, our R&D expenses amounted to RMB737.1 million, RMB870.7 million and RMB1,045.2 million, respectively, accounting for 28.2%, 26.0%, and 26.8% of our total revenue for the respective years. The industry in which we operate is subject to rapid technological innovations. To expand our product portfolio and to remain competitive in the industry, we need to continue investing significant resources in R&D activities. As a result, we may continue to incur significant R&D expenses in the future.

However, we cannot guarantee that our efforts will be successful or deliver the effects, functions or benefits we expect. R&D activities are inherently uncertain. We may not be able to obtain sufficient resources, including R&D personnel and R&D equipment, to support the R&D of new or enhanced products. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our R&D outcomes. R&D activities are time-consuming and by the time our products are due for commercialization, new technologies could render our products obsolete, in which case we may not be able to recover related R&D costs, which could result in a decline in our revenue, profitability and market share.

Even if our R&D efforts successfully result in the development and commercialization of new products, these efforts may not contribute to our future results of operations within our expected time frame, or at all. The success and profitability of our new products are subject to various factors such as market demand, macroeconomic conditions or the pace of technological advancement, which are beyond our control. Therefore, the contributions from our R&D efforts may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, financial condition, results of operations and competitive position.

RISK FACTORS

The industry in which we operate is highly competitive. If we fail to compete against other market players, our business, financial condition and results of operations may be materially and adversely affected.

The analog IC industry in which we operate is highly competitive. We primarily compete with other companies that focus on developing and commercializing analog ICs. If we compete with players that have a longer operating history than we do, or if we do not have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond as quickly and effectively to new opportunities, technologies, industry standards, customer demand or regulatory requirements as our competitors.

We may also face competition from new entrants who may offer competitive products at lower prices in the future. Such new entrants may increase industry competition and adversely influence the sales, prices, and profit margins of our products and our market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining talent, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such potential competition, and we cannot assure you that such measures will be effective.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations may be materially and adversely affected.

Our business and results of operations are subject to general macroeconomic conditions and the inherent cyclicality of the semiconductor industry.

Our business and results of operations are susceptible to fluctuations in general macroeconomic conditions. Our customers' demand for our products is dependent on overall economic activity and consumer and business sentiment. Unfavorable economic conditions could reduce overall consumer purchasing power and business investment. A sustained economic downturn could therefore lead to a reduction in demand for our products, which would materially and adversely affect our revenue and profitability. In addition, adverse changes in trade policy may also affect our performance.

Furthermore, the analog IC industry, in which we operate, is characterized by significant cyclical fluctuations. These cycles are driven by a variety of factors, including shifts in end-market demand, the timing of major technological advancements, fluctuations in capital expenditure by industry participants, and inventory adjustments throughout the supply chain.

A downturn in the broader economy could coincide with or exacerbate a cyclical trough in the semiconductor industry, creating a compounded negative effect on our sales volumes and margins. We cannot assure you that we can effectively manage these risks. Any prolonged or significant downturn in the general economy or our industry could have a material and adverse effect on our business, financial condition and results of operations.

The markets for our products may not grow as anticipated, and we may be unable to capitalize on growth opportunities.

Our business, financial condition, results of operations and prospects depend in part on our ability to make timely investments in the correct market opportunities. We are pursuing opportunities

RISK FACTORS

primarily in the analog IC market where it is difficult to predict the timing and size of the opportunities for each of our products, particularly in end markets such as industrial & energy, automotive, networking & computing and consumer electronics.

Even if the end markets grow substantially, we cannot assure you that we will be able to pursue these opportunities. The markets in which we operate are constantly evolving. If one or more of these markets undergo a shift in customer demand, or if we fail to meet evolving technological developments and industry standards, our products may not be able to compete effectively or be integrated into our end customers' commercialized products.

Any deterioration in, or a slowdown in the growth of, such end markets could result in a substantial decrease in the demand for our products. If we fail to accurately predict market trends and effectively capitalize on growth opportunities, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to implement our growth plan and our business and results of operations may be adversely affected.

The success of our business expansion depends on our ability to efficiently execute our growth plan. We plan to continue our independent innovation and R&D, extend the end markets and applications of our products, expand into overseas markets and cultivate our talent team. Diversifying our product portfolio requires significant R&D efforts and expenses, and we may not be able to successfully upgrade our existing or develop new products.

To effectively manage our growth, we need to:

- monitor and control our expenses and investments in anticipation of expanded operations;
- improve our supply chain to support our growth;
- enhance our administrative infrastructure and systems;
- refine our talent management structure and recruit additional key personnel;
- improve our operational, financial and management internal controls and reporting systems;
- comply with different or additional laws and regulations; and
- timely address unforeseen challenges as they arise.

Our current and planned structures, systems and policies may not be adequate to support the long-term growth of our operations. If we fail to effectively and successfully manage our growth, our expenses may increase and we may not respond to challenges or execute our business strategies in a timely manner due to factors beyond our control.

We may not be able to develop business relationships with potential customers in our industry. If we or our distributors fail to identify and leverage new business opportunities, we may not be able to establish and expand our presence in additional end markets on our own or through our distributors.

In addition, developing overseas markets requires significant investment, which may adversely impact our current performance. We may not be able to identify profitable overseas markets. Even if

RISK FACTORS

we identify profitable overseas markets, we may not be able to enter into or compete effectively due to factors including, but not limited to:

- our or our distributors' limited business experience in the overseas markets;
- competition from local competitors with greater resources and more favorable market positions;
- different demand dynamics for our products;
- the diversity of end-customer preferences and demand, and our ability to anticipate or respond to them;
- compliance with applicable laws and regulations; and
- potentially adverse tax consequences.

Any of such circumstances could adversely affect our reputation, business, financial condition and results of operations.

Our failure to obtain, maintain and enforce adequate protection for our intellectual property and proprietary technology could adversely affect our business, financial condition, results of operations, competitive position and prospects.

Our success depends in a large part on our ability to protect our proprietary technology as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China and other jurisdictions. As of December 31, 2025, we had 588 granted patents in China and overseas, including 497 invention patents, as well as several other intellectual properties including but not limited to IC layout design registrations in China and overseas. See “Business—Intellectual Property Rights” for more details. The intellectual property application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner, if at all. In addition, we may, however, fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields.

Even if we have identified, filed and prosecuted our intellectual property applications, our applications may not be granted or our intellectual property may be invalidated for multiple reasons, including known or unknown prior deficiencies in the intellectual property application or the lack of novelty of the underlying technology. Moreover, the patent position of analog IC providers like us may be uncertain because it involves complex legal and factual considerations. As such, we cannot assure you that we will be able to discern the scope of the intellectual property protection or obtain adequate intellectual property protection with respect to our products.

In addition to patents, we rely on proprietary information (such as trade secrets, know-how and confidential information) to protect intellectual property that we believe is best protected by means that do not require public disclosure. We seek to protect this information by entering into confidentiality agreements with our employees, consultants, and other third parties. However, these agreements may be breached or otherwise fail to prevent disclosure or misappropriation of our proprietary information, and may not provide an adequate remedy in the event of unauthorized use. Moreover, our proprietary information may otherwise become known or be independently developed by our competitors.

RISK FACTORS

Defending our intellectual property and proprietary technology can be challenging. We may face claims of infringement or misappropriation of other parties' proprietary rights. Whether or not these claims are successfully asserted, we would likely incur significant costs and diversion of our resources with respect to the defense of these claims.

Any of the foregoing could materially and adversely affect our business, financial condition, results of operations, competitive position and prospects.

We may be involved in intellectual property litigation and disputes, which could be costly and time-consuming, and an adverse outcome could materially and adversely affect our business, financial condition and results of operations.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter such infringement or unauthorized use, litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights. This can be expensive and time-consuming. Any claims that we assert against perceived infringers could also result in these parties asserting counterclaims against us alleging that we infringe their intellectual property rights. An adverse result in any such litigation proceeding could put our patents at risk of being invalidated, held unenforceable or interpreted narrowly.

Separately, as the industry in which we operate is patent-intensive, third parties may claim that we infringe upon their intellectual property rights and initiate legal proceedings against us. Our efforts to identify and avoid infringement on third parties' intellectual property rights may not always be successful, as we may hire employees who previously worked for competitors, or competitors may have filed for patent protection which is not as yet a matter of public knowledge. Any claims of patent or other intellectual property infringement, regardless of their merit, could be expensive, time-consuming and divert our management's attention.

If we are found to infringe on the rights of others, we may be required to suspend our sales efforts for the relevant products, redesign such products, pay substantial damages, or enter into royalty or licensing agreements which may not be available on terms favorable to us. Conversely, if a defendant in a proceeding initiated by us were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and potentially all, of the patent protection on our products or product candidates. Any such outcome could materially and adversely affect our business.

We are subject to risks associated with potential acquisitions and investments, and any investments or future acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We expect to continue to evaluate and consider a wide array of investment and acquisition opportunities that we believe can extend and solidify our leading market position as part of our overall business strategy. In particular, as we intend to use a portion of the net proceeds from the Global Offering for such strategic investments and/or acquisitions to achieve our long-term growth strategies, we are exposed to the inherent risks associated with these transactions, especially significant valuation risks. See "Future Plans and Use of Proceeds" for details. While the cost of identifying and consummating such acquisitions may be significant, the ultimate value and valuation of these transactions are subject to high degrees of uncertainty, particularly within the semiconductor industry which is characterized by rapid technological advancements and volatile market sentiment.

RISK FACTORS

We may also have to obtain shareholders' approval as well as approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations. Obtaining such approvals and licenses may delay, if not halt, our acquisition efforts.

Future acquisitions and the subsequent integration of new assets and businesses into our own may entail a number of risks, including:

- difficulties in accurately assessing the fair value of potential targets, particularly those with significant intangible assets that derive value from novel tools or operate in niche markets, which may result in overpayment or impairment of goodwill;
- inability to realize the anticipated synergies, cost savings or efficiencies, which may lead to lower-than-anticipated returns;
- difficulties in integrating the acquired personnel, operations, and solutions into our operations;
- disruptions of our ongoing business, distractions of the attention of our management and employees and increases in our expenses;
- potential issues with technology, internal controls and financial reporting of the companies we acquire or invest in;
- actual or alleged misconduct or noncompliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets; and
- compliance matters including the anti-monopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions.

If we overestimate the value of a target company, rely on flawed valuation methodologies, or fail to identify key financial and operational risks during our due diligence process, we may overpay for such investments or acquisitions. If we fail to effectively manage these valuation uncertainties and other risks related to our future acquisitions and investments, we may not be able to realize the anticipated benefits of such acquisitions and our reputation, business, financial condition and results of operations may be adversely affected.

Any failure to offer high-quality support services for our customers may harm our relationships with them and, consequently, our business.

As we expand our business, we need to be able to continue to provide efficient customer support. We may not be able to recruit enough customer support specialists with sufficient experience in customer support service or enhance our infrastructure to efficiently process and respond to our customers' requests. As a result, we may not be able to respond to our customers' requests for technical support or maintenance assistance in a timely manner. Under such circumstances, we may fail to compete with changes and updates in the technical services provided by our competitors.

If we experience increased customer demand for support and maintenance, our operational expenses may increase and adversely impact our financial condition and results of operations. Our

RISK FACTORS

ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. If we are unable to provide efficient maintenance and support services with results satisfactory to our customers, our reputation and business may be harmed.

Increases in costs of the raw materials and other components used in our products would adversely affect our business, financial condition and results of operations.

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of the increasing demand from semiconductors and other manufacturers, certain basic materials and supplies used in production and manufacturing have from time to time, over the past several years, been in short supply or experienced price fluctuations, and could be in short supply or experience price fluctuations again if overall industry demand continues to increase in the future. Therefore, we may in the future experience increases in the cost of our products.

We price our products based on a variety of factors, including but not limited to, costs, gross margin and market conditions. Given the competitive nature and pressure of the market in which we operate, we may not be able to pass on the cost increase to our customers by increasing the price of our products. Therefore, a significant increase in the cost of our products may have an adverse impact on our gross margin, business, financial condition and results of operations. In addition, as our prices vary across our products, our products have different margin profiles depending on the amount, number, and type of components that we deliver. If we fail to maintain our product mix or maintain our gross margin and operating margin, our business, financial condition and results of operations would be adversely affected.

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

During the Track Record Period, a substantial portion of our revenue was derived from sales to our distributors. For the years ended December 31, 2023, 2024 and 2025, our total sales to distributors amounted to RMB2,388.8 million, RMB2,999.0 million and RMB3,609.9 million, respectively, accounting for 91.3%, 89.6% and 92.6% of our revenue for the corresponding years, respectively. See “Business—Our Sales Network—Our Distribution Channels” for more details.

Our revenue and sales volumes depend on our ability to maintain and expand our distribution networks. The effective management and expansion of our distribution network depend on our ability to (i) enter into renewal agreements with existing distributors on terms favorable to us and (ii) develop new relationships with additional distributors. 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. 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.

The effectiveness of our distributors in selling and distributing our products may also 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;

RISK FACTORS

- our distributors' abilities to expand end customer base and penetrate new markets;
- our distributors' strategies to extend geographical coverage of our products; 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.

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 primarily of raw materials, finished goods and work in progress. We have taken measures to optimize our inventory level and conduct regular inventory checks to reduce the risk of inventory obsolescence. See “Business—Logistics and Inventory Management—Inventory Management” for more details.

Our inventories were RMB901.4 million, RMB1,164.8 million and RMB1,448.2 million as of December 31, 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, our provision for inventories was RMB219.0 million, RMB266.6 million and RMB310.4 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 203 days, 214 days and 228 days, respectively. As our business expands, our inventory obsolescence risk may also increase with the increase in our inventories. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, outsourced processing materials and finished products. We manage our inventory levels taking into consideration, among others, internal forecasts of customer 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. Excess inventory may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, if our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. Therefore, our business prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to fully maintain quality control over our products. Any undetected defects contained in our products could result in accidents, reduce market adoption, damage our brand image, subject us to product recalls or expose us to product liability and other claims that could materially and adversely affect our business.

The quality of our products depends on the effectiveness of our quality control and quality assurance protocol, which in turn depends on factors such as the quality and reliability of equipment used, the quality of related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. Despite our efforts to implement stringent quality assurance protocols throughout our supply chain, we cannot assure you that our products will be free from defects. Any failure to execute our quality control and quality assurance protocol could render our products unsuitable for use or adversely impact our market reputation and relationship with business partners. Product defects may even lead to recalls.

Furthermore, product defects, whether actual or perceived, could harm our brand image and undermine customer trust, especially as we scale our presence across different markets and industries.

RISK FACTORS

Even isolated incidents may receive heightened scrutiny or negative publicity, particularly in sectors where reliability and stability are paramount. If we are unable to detect and address such issues promptly, or if our remedies fail to meet customer expectations, we may suffer a loss of reputation, reduced customer retention and diminished competitive positioning, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our products are primarily used by end customers across sectors and applications. Factors that adversely affect these industries and sectors or our end customer base therein may adversely impact our business, financial condition and results of operations.

Our products are primarily offered to end customers across end markets and sectors, including industrial & energy, automotive, networking & computing and consumer electronics. Therefore, factors that adversely affect these industries and sectors or our end customer base therein could also 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 these industries;
- rising material and labor costs relating to the design and production of analog ICs in these industries;
- the reduction or elimination of preferential tax treatments and economic incentives for manufacturers in these industries;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of these industries from China;
- a downturn in general economic conditions or major countries and regions that import products of these industries;
- increasing level of competition from analog IC providers in these industries in other countries and regions; and
- any financial difficulties, market share loss, or reputational harm to end customers that use our products.

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

We rely on distributors for the marketing and sales of our products. We enter into distributorship agreements with our distributors to regulate their conduct in the marketing and sales of our products. However, there can be no assurance that we will be successful in detecting any non-compliant activities by our distributors violating the provisions of our distributorship agreements or the applicable laws and regulations. Specifically, we may be exposed to the risks of misconduct and violations committed by our distributors. Misconduct and violations may occur in the form of unauthorized misrepresentation to our end customers and bribery or other unlawful payments during the course of their distribution.

In any such event, we may, as a result, incur liability to our end customers for claims of misconduct committed by such distributor. Any such claim could subject us to litigation and impose a

RISK FACTORS

significant strain on our financial resources and divert the management attention, regardless of whether the claims have merit. Additionally, such an event could result in complaints from our end customers and subsequent adverse impact on our business and reputation.

We may have limited control over the quality and availability of our suppliers.

We primarily partner with third-party foundries and OSAT providers for the production of our core products. The stability of operations and business strategies of these third-party providers are beyond our control. The lack of necessary materials, equipment, or services can disrupt the supply of our products. Additionally, we cannot assure you that we will be able to maintain good relationships or renew our agreements with these third-party providers on commercially reasonable terms, if at all.

If we fail to continue our cooperation with these companies, or if their business or operations are interrupted or fail due to factors beyond our control, including natural disasters such as earthquakes, drought and typhoons, and geopolitical challenges in locations where they operate, and we fail to find comparable alternatives on reasonable terms, our business and results of operations may be materially and adversely affected. Given that we do not directly control the procurement or employment practices of our foundries and OSAT providers, we could be subject to financial or reputational risks as a result of their conduct violating applicable laws and regulations. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, our costs will increase, and our business, financial condition and results of operations will be adversely affected.

We cannot assure you that the products and services provided by our foundries and OSAT providers are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers. In the event of any quality issues, we could be subject to complaints and product liability claims and we may not be able to seek indemnification from our suppliers. If we engage in legal proceedings against our suppliers, such proceedings may be time-consuming and costly regardless of the outcome. Any such issues may materially and adversely affect our business, financial condition and results of operations.

We are exposed to credit risks related to defaults of our customers and the recoverability of our trade receivables. If we fail to collect trade receivables from our customers in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of our products. As of December 31, 2023, 2024 and 2025, our trade and bills receivables amounted to RMB166.5 million, RMB232.8 million and RMB362.8 million, respectively. See “Financial Information—Discussion of Certain Key Items on Consolidated Statements of Financial Position—Assets” for more details.

We may not be able to collect any, if not all, such trade receivables due to a variety of factors that are beyond our control, including long payment cycle, adverse operating condition or financial condition of our customers, and our customers’ inability to pay caused by their end customers’ delay in payment.

We are subject to risks related to the prolonged cash conversion cycle.

During the Track Record Period, we experienced fluctuations in turnover days of inventories, which were 203 days, 214 days and 228 days in 2023, 2024 and 2025, respectively. In addition, our

RISK FACTORS

trade and bills receivables turnover days were 20 days, 22 days and 29 days in 2023, 2024 and 2025, respectively. However, our trade payables turnover days were 70 days, 60 days and 62 days in 2023, 2024 and 2025, respectively. The mismatch between our cash inflows and outflows may impact our liquidity and financial stability, resulting in the need to seek additional financing or use of working capital to cover operational expenses, potentially leading to increased financial costs or strain on our resources.

The extension of the cash conversion cycle was primarily driven by an increase in our inventory turnover days. The underlying reason for the longer inventory turnover days is mainly that we increased our inventory in order to better ensure stable supply for our customers. If our inventory turnover days and our trade receivables turnover days continue to increase or remain relatively high, it may increase the risks of inventory impairment and lead to a longer cash conversion cycle, which could further add pressure to our cash flow and working capital. Our financial position, business and results of operations might be adversely and materially impacted.

If we are unable to ensure the mass production or delivery of high-quality products on schedule, our business may be materially and adversely affected.

Mass production of our products is crucial to our future financial prospects. As an analog IC company, we operate under the fabless model, focusing on the R&D and design of ICs while outsourcing wafer fabrication to trusted third-party partners. We may face difficulties meeting our delivery deadlines when there is a surge in customer demand. If any of our third-party partners' production facilities experiences interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Failure to fulfill customers' requirements and quality control problems that occur in the manufacturing process could prevent us from meeting the stipulated delivery deadline. For example, a decline in yield rates would adversely affect our third-party partners' production efficiency and product quality. We may also experience delays in shipments caused by our third-party logistics service providers. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and damage our reputation and brand, affecting our business, financial condition and results of operations.

Further, if our third-party partners' suppliers experience any difficulties or shortages of raw materials, or if our suppliers are otherwise unable or unwilling to continue to supply in required volumes or at all, our supply may be disrupted, and we may be required to seek alternate sources of supply. The process would be time-consuming and could be costly and impracticable. Interruptions to supply will have an adverse effect on our ability to meet scheduled product deliveries and subsequently lead to the loss of sales.

We may be subject to product liability claims if our products contain defects. We could incur significant expenses remediating such defects, and, as a result, our reputation and market share may be adversely affected.

Products within the industry, such as the ones we develop, are complex and may contain defects. Despite the verification and testing procedures in place, our products may contain serious errors, defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by our end customers. Under these circumstances, we may incur additional remedial costs to recall or replace, and additional development costs to redesign, our products.

RISK FACTORS

Furthermore, because we may be subject to warranty and indemnification provisions based on certain of our agreements with our customers, we may be subject to claims or threats of claims by our customers for their financial loss related to defects in our products. Any such claims would be time-consuming and costly for us to defend and divert our management's attention, thereby adversely affecting our business, financial condition and results of operations. Additionally, our customers may terminate the business relationship with us altogether and as a result, our business and prospects may be adversely affected. These claims and terminations by our customers may generate negative publicity about us and adversely impact our reputation, business and results of operations.

Failure to fulfill our contractual obligations could adversely affect our liquidity and financial condition.

Our contract liabilities primarily arise from advance payments made by our customers to us before we fulfill our performance obligations. Our contract liabilities were RMB14.9 million, RMB18.3 million and RMB18.4 million as of December 31, 2023, 2024 and 2025. See "Financial Information—Discussion of Certain Key Items on Consolidated Statements of Financial Position—Liabilities" for more details. There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

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

Under the laws and regulations in the Chinese Mainland and Hong Kong, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, we carried out our operations mainly in the Chinese Mainland and Hong Kong. We could face material and adverse tax consequences if the relevant tax authorities determine that certain intra-group transactions of ours do not represent arm's-length negotiations and consequently adjust any of those entities' income in the form of a transfer-pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited time frame required by the relevant tax authorities, the relevant tax authorities may impose late payment tax or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer-pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operations may therefore be materially and adversely affected.

We may be subject to the risks associated with international trade policies, export controls, economic or trade sanctions, investment restrictions, geopolitics and trade protection measures such as unreasonable tariff arrangements, and our business, financial condition and results of operations could be adversely affected.

Our operations are subject to deterioration in the political and economic relations among countries and sanctions and export controls administered by government authorities and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased customs

RISK FACTORS

duties, tariffs, taxes and other costs and political instability. Margins on the sales of products that include components obtained from certain suppliers from other countries and regions could be materially and adversely affected by international trade regulations, including customs duties, tariffs and antidumping penalties. In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. It is possible that the extent and scope of such sanctions may escalate. 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 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.

In recent years, the U.S. has increased export control restrictions on China through the Export Administration Regulations (the “**EAR**”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (“**BIS**”). The export, re-export and/or transfer (in-country) of items subject to the EAR to restricted end users or end uses is generally prohibited unless the specified license requirements are met. For example, BIS has recently strengthened export controls on China, including designating certain Chinese entities or individuals onto its Entity List and other restricted lists that limit their access to certain goods, software, or technologies subject to the EAR. Our Sanctions Legal Adviser is of the view that, during the Track Record Period, our Company (i) did not purchase any items that are subject to EAR license requirements, (ii) did not experience any procurement restrictions as a result of U.S. export control restrictions, and (iii) did not sell any item that is subject to the U.S. export control. Nevertheless, these restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may affect our ability to acquire goods, software, or technologies that may be critical to our technology infrastructure, product offerings and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our reputation and business.

In addition, on August 9, 2023, the Biden Administration issued Executive Order 14105 on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern granting the U.S. government the authority to establish a program to prohibit or require notification of certain types of outbound investments by U.S. persons into certain entities located in or subject to the jurisdiction of a country of concern, and certain other entities owned by persons of a country of concern, involved in specific categories of advanced technologies and products. On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “**Outbound Investment Rule**”), which became effective on January 2, 2025. The Outbound Investment Rule targets investments by U.S. persons involving persons associated with “countries of concern,” currently including China (including Hong Kong and Macau), that engage in activities in certain sectors such as semiconductors and microelectronics, quantum information technologies or artificial intelligence (the “covered activities”). Persons of countries of concern that engage in covered activities are defined as “covered foreign persons.” The Outbound Investment Rule imposes prohibition or notification requirements on a wide range of investments by U.S. persons subject to the Outbound Investment Rule, which are defined as “covered transactions,” including acquisitions of equity interests (including purchases of shares in an initial public offering or contingent equity), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. See “Regulatory Overview—Outbound Investment Rule by the U.S. Department of the Treasury” for more details of the Outbound Investment Rule. As we are registered and have our

RISK FACTORS

principal place of business in China, we are considered a “person of a country of concern.” We do not engage in any “covered activities” subject to investment prohibitions as our business involving the design of ICs does not meet the standard of the design of advanced ICs under the “prohibited transaction” criteria. However, our design of ICs constitutes “covered activities” subject to notification requirements. Therefore, we are a covered foreign person and investments by U.S. persons in us would constitute “notifiable transactions” under the Outbound Investment Rule. However, an investment by a U.S. person in a publicly traded security is exempted under the Outbound Investment Rule. Therefore, U.S. investors who acquire publicly traded shares in our H Shares are excepted from the notification requirements as long as the investment does not afford the U.S. persons rights beyond standard minority shareholder protections. As such, our Directors are of the view that the Outbound Investment Rule has no material adverse impact on our Global Offering. Based on the factors mentioned above, nothing has come to the Joint Sponsors’ attention that would reasonably cause them to disagree with the Directors. However, there has been no enforcement action taken under the Outbound Investment Rule and it remains unclear how it will be enforced. There is no assurance that the U.S. Department of the Treasury will take the same view as ours. Further, on February 21, 2025, the U.S. President issued a memo titled the “America First Investment Policy” (hereinafter the “**America First Memo**”), indicating that Executive Order 14105 is under review and the Trump Administration will consider new or expanded restrictions. The Outbound Investment Rule, the America First Memo and any related policies, laws and regulations may be changed and updated from time to time, which may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital.

Recently, the U.S. has implemented a series of tariff measures, including reciprocal tariffs on numerous trading partners. In response, countries including China adopted retaliatory measures. Following a period of escalated tensions, including temporary reciprocal tariff rates as high as 125% on Chinese goods, the U.S. and China announced a 90-day suspension of certain tariff measures in May 2025, which was extended in August 2025. Such agreements lowered the additional U.S. tariffs on Chinese goods from approximately 145% (125% for reciprocal tariffs and 20% for fentanyl-related tariffs) to a combined rate of 30%, while China reduced its additional tariff rates on U.S. imports to 10%. On November 4, 2025, the U.S. officially announced a reduction of fentanyl-related tariffs from 20% to 10% and maintained the suspension of heightened reciprocal tariffs on imports from China until November 10, 2026. These rapidly evolving trade policies, along with associated geopolitical uncertainties, have created a challenging global environment that could lead to reduced international trade, market volatility, and increased costs. As of the Latest Practicable Date, it remained uncertain how the Sino-U.S. and the global trade tension will develop. We cannot assure you that our trade with the U.S. in the future will remain unaffected in light of the uncertainties relating to the geopolitical landscape and the development of the trade tension and tariff imposition.

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

We are required to obtain and maintain the requisite licenses and approvals required in China and in other jurisdictions where we operate. See “Regulatory Overview” and “Business—Licenses, Approvals and Permits” for more details. Compliance with the relevant regulations may require substantial expense and non-compliance may expose us to sanctions and penalties. Moreover, we cannot assure you that we can successfully update or renew the licenses required for our business in a

RISK FACTORS

timely manner as the licenses may only be valid for a limited period of time. Neither can we assure you that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes in the relevant authorities' interpretation of these laws, regulations and policies.

If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdictions where we operate, we may be subject to various penalties, such as confiscation of the revenue that was generated through unlicensed activities, or the suspension or revocation of our licenses and approvals. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

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

We adopted share incentive plans including share-based compensation for the benefit of our Directors and employees to incentivize and reward the eligible persons who have contributed to our success. In 2023, 2024 and 2025, we incurred share-based payments of RMB118.8 million, RMB84.8 million and RMB159.1 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees. Nevertheless, share-based compensation expenses would potentially dilute the shareholdings of existing shareholders. We may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share incentive plan from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following this offering.

Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers, which would affect our business, financial condition and results of operations.

We have maintained insurance policies to cover major aspects of our business, including property loss and product liability to secure our business continuity. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate for all types of loss, damage and liability we may suffer in the future. For example, insurance covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, financial condition and results of operations.

During the Track Record Period, we recorded government grants of RMB50.5 million, RMB37.8 million and RMB101.1 million in 2023, 2024 and 2025, respectively, which mainly consist of subsidies received from the government in support of our R&D projects and activities carried out in

RISK FACTORS

the IC industry and high-technology advancement. In addition, we benefited from preferential tax treatments from the PRC government during the Track Record Period. Furthermore, we are an IC enterprise covered by the “Notice on Additional VAT Credit Policies for Integrated Circuit Enterprises” (《關於集成電路企業增值稅加計抵減政策的通知》) issued by the Ministry of Finance and the State Administration of Taxation. Under this provision, IC design, production, packaging and testing, equipment, and materials companies may deduct 15% of their current deductible input VAT against their payable VAT.

If we cease to be entitled to such government grants or preferential tax treatment or if the relevant PRC laws and regulations change, our tax expenses may increase, which could adversely affect our business, financial condition, results of operations and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

We may not be able to obtain additional capital when desired, on favorable terms or at all; therefore, we may not be able to implement our planned growth or development if we are unable to obtain sufficient financial resources.

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.

Our ability to obtain additional capital depends on factors, including, but not limited to:

- our market position and competitiveness in the analog IC industry;
- our overall financial condition, results of operations and future profitability;
- general market conditions for financing activities in China; and
- general economic and political conditions in China and internationally.

If our capital needs are materially different from that currently planned, we may initiate financing activities for additional capital sooner than anticipated. Such financing may not be available on favorable terms on a timely basis, or at all. If we cannot obtain adequate capital on terms favorable to us, or at all, we may not be able to continue our operations, R&D and sales and marketing efforts, take advantage of future opportunities or respond to competitive pressures. Under these circumstances, our business, financial condition, results of operations and prospects may be adversely affected.

RISK FACTORS

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

We believe that our brand is integral to the success of our business. Since we operate in a highly competitive market, brand maintenance directly affects our ability to maintain our market position. The successful maintenance of our brand depends on our ability to provide competitive products and to strengthen business relationships with our customers. The successful promotion of our brand depends on the effectiveness of our marketing efforts and the amount of word-of-mouth referrals by our customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities will be successful or effective as expected. In addition, any negative publicity about our Company, Directors, employees, branding or products, whether warranted or not, may adversely affect our reputation and business. If our brand and reputation are damaged, we may face challenges in maintaining our current business relationships with our customers and in entering into new markets, which may adversely affect our business, financial condition, results of operations and prospects.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on our and third-party information technology systems to facilitate communications among our employees and with suppliers and customers and other aspects of our business operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be 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 generated during or in connection with our business operations, as well as basic contact information of contact persons from our distributors, customers, suppliers and other business partners. See “Business—Data Security” for more details. The secure maintenance of such data is critical. Despite our data security and protection measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee errors, 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.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties may materially and adversely affect our business.

We are exposed to fraudulent, corrupt, or illegal activities or other misconduct by our employees, suppliers, customers or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities or negative publicity. Although we have established

RISK FACTORS

internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, suppliers, customers or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could also subject us to negative publicity that could severely damage our brand and reputation and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties could materially and adversely affect our business.

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

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 misconduct 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 distracting and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert the management'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. If there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

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

We may be exposed to potential adverse effects due to defects in our existing properties held and leased in China. Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010, and became effective on February 1, 2011, lease agreements in general are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, we had not obtained the registration of lease agreements for 13 of our leased properties in the PRC, two of which were in the process of registration. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. In accordance with the relevant PRC laws and regulations, a failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements, but we may be subject to a penalty ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant competent authorities.

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

Under PRC laws and regulations, we are required to open social insurance registration accounts and housing provident fund accounts and make contributions for the social insurance and housing

RISK FACTORS

provident funds for the benefit of our employees. The relevant competent authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments; employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties.

During the Track Record Period, we engaged third-party human resource agencies to pay social insurance premium and housing provident funds for some of our employees. The third-party agencies have confirmed that they have paid such full contributions in accordance with the relevant regulations of the working region of these employees. During the Track Record Period, a certain PRC subsidiary we acquired had not made adequate contributions to social insurance and housing provident fund for a few of its employees in strict accordance with the relevant PRC laws and regulations. As of the end of September 2025, such PRC subsidiary had completed the rectification.

We cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations or significant administrative penalties or incur significant legal fees related to non-compliance with relevant PRC laws and regulations, our business, financial condition and results of operations may be adversely affected.

Our PRC Legal Adviser is of the opinion that, provided that there are no significant changes in the current policies, regulations and local government enforcement and supervision requirements related to the social insurance and housing provident fund, and no employee collective complaints, reports or related lawsuits or arbitrations are filed, we face a remote risk of being subject to centralized collection of contributions payment or significant administrative penalties for the above issues by the relevant competent authorities.

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

The majority of our business assets are located in China and the vast majority of our sales and revenue were derived from China during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC government could affect our business and financial condition. These changes in political and economic policies may affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies which imposed

RISK FACTORS

stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of companies in our industry. See “Regulatory Overview” for more details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, complying with which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be affected.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could materially and adversely affect us.

We conduct business in multiple geographic markets that adopt different legal systems. These jurisdictions in which we operate adopt either the civil law system or the common law system. In the civil law system, prior court decisions may be cited for reference and may have limited precedential value. For example, in recent years, the PRC government has passed reformative laws and regulations related to economic affairs such as those in protection of various forms of foreign investments in China. However, many of these laws and regulations are relatively new with few published cases and judicial interpretations. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that have recently been enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Therefore, it may be difficult to evaluate the level of legal protection we have in many of the geographic markets in which we operate. Any failure to comply with these laws and regulations may result in substantial costs and the diversion of resources and management attention, thereby adversely affecting our business, financial condition and results of operations.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange administration system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, financial condition and results of operations may be affected.

RISK FACTORS

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

Most of our revenue and expenditures were denominated in Renminbi. We recorded net foreign exchange gains of RMB0.4 million and RMB6.2 million in 2023 and 2024, respectively, and net foreign exchange loss of RMB8.9 million in 2025. Any significant revaluation of the Renminbi may adversely affect our financial condition and results of operations.

Additionally, the proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rates among the Renminbi, the Hong Kong dollar, the U.S. dollar and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us, thereby adversely affecting our business, financial condition and results of operations.

Our operations are subject to PRC tax laws and regulations.

As a company incorporated in China, we are subject to PRC tax laws and regulations. We cannot assure you that we are able to fully comply with such laws and regulations. Any violation of such laws and regulations may result in fines, other penalties, actions or proceedings that could adversely affect our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within the PRC or gains on transfer of shares and shall be withheld and paid by the withholding agent. According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations, if a non-resident enterprise has no presence or establishment within the PRC, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within the PRC with a reduced rate of 10%. Pursuant to the Arrangement between the Chinese Mainland and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; or (ii) otherwise, 10% of the total amount of dividends. Considering the foregoing, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares. See “Appendix III — Taxation and Foreign Exchange — PRC Taxation — Taxation Regarding Dividends” for more details.

Failure to comply with relevant regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly

RISK FACTORS

Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We, our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options of H Shares will be subject to these regulations when we become an H Share listed company upon the completion of the Global Offering. Failure to complete SAFE registrations may subject them to fines and legal sanctions. In light of the above, we cannot assure you that we will continuously adopt additional H Shares incentive plans for our directors, executive officers and employees under PRC law. In addition, the STA has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. We have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities offering and listing issued by PRC government authorities.

On February 17, 2023, the CSRC issued the *Trial Measures for the Administration on 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》) and five supporting guidelines, which became effective on March 31, 2023 (the “**Overseas Listing Regulations**”). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers that are (i) companies incorporated in the PRC (“**PRC domestic companies**”) and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. See “Regulatory Overview—Laws and Regulations Relating to the Issuance and Listing of Securities Overseas by Domestic Enterprises” for more details. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, most of our Directors and senior management.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex and difficult to effect service of process upon or to enforce judgments against us, most of our Directors and senior management outside China.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

We will be concurrently subject to listing and regulatory requirements of Chinese Mainland and Hong Kong.

As our A Shares are listed on the Shenzhen Stock Exchange and our H Shares will be listed on the Stock Exchange, we will be required to comply with the applicable listing rules and other regulatory regimes of both jurisdictions unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and allocate resources to ensure our compliance with the listing rules of both jurisdictions.

The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the Global Offering, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current laws and regulations in China, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. Therefore, you should not place undue reliance on the trading history of our A Shares when making your investment decision in our H Shares.

An active trading market for our H Shares may not develop or be sustained.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Overall Coordinators and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares may be materially and adversely affected.

The price and trading volume of our H Shares may be volatile in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world which could result in substantial losses to investors.

The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular listed company. The business and performance and the market price of the shares of other listed companies engaging in similar business may also affect the price and trading volume of our Shares. In addition to market and industry factors beyond our control, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors.

RISK FACTORS

Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution as a result of the Global Offering.

As the Offer Price of our H Shares is higher than the net tangible book value per H Share of our H Shares immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value. If we issue additional H Shares in the future, purchasers of our H Shares in the Global Offering may experience further dilution in their shareholding percentage. Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any dividends in the future.

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

Our Controlling Shareholders have substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. However, there is no assurance that we will be able to declare or distribute dividends of any amount in any year in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS Accounting Standards. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. See "Financial Information—Dividends" for more details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange

RISK FACTORS

transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent 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. If the foreign exchange administration 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, we cannot assure you 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 China.

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

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the Global Offering. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this prospectus. Therefore, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and any formal announcements made by us in Hong Kong with respect to the Global Offering.

You should read the entire document carefully and only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

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

Certain facts, forecasts and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts and other statistics in this prospectus are derived from various government and official resources. Nevertheless, information from official government sources has not

RISK FACTORS

been independently verified by us, the Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics.

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

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim,” “anticipate,” “believe,” “could,” “predict,” “potential,” “continue,” “expect,” “intend,” “may,” “might,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources, are estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Consequently, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on them. See “Forward-looking Statements” for more details.