An [**REDACTED**] *in our H Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this Document, including our consolidated financial statements and related notes, before you decide to buy our H Shares any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your* [**REDACTED**]. *This Document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.*

Risks Relating to Our Business and Industry

If we fail to effectively respond to evolving technologies and market dynamics in the warehouse automation industry in general and the ACR solutions industry in particular, our business, financial condition, results of operations, and prospects could be materially and adversely affected.

The warehouse automation industry is highly dynamic and subject to rapid technological evolution, frequent introduction of new products and services, continual changes in customer preferences, and the emergence of new industry standards and practices. Customers increasingly demand ACR solutions that can operate seamlessly in highly complex and variable environments, adapt instantly to new workflows and safety protocols, and minimize downtime through predictive intelligence.

To compete successfully, ACR companies must rapidly evolve their technologies and product roadmaps. Our ability to maintain and strengthen our market position depends on continuously enhancing our proprietary technologies, including our data, scheduling and algorithmic systems, and commercializing new solutions in response to shifting market and technological trends. Failure to anticipate the adoption of new technologies or standards, to assess their commercial applications, or to bring to market products that meet evolving customer needs in a cost-effective and timely manner could result in loss of competitiveness, diminished market share, or erosion of our brand and reputation.

We have made, and expect to continue making, substantial investments in research and development as part of our long-term growth strategy. These efforts are focused on advancing both hardware and software modules that enable our solutions to dynamically adjust to diverse workflows, proactively address performance issues, and achieve seamless and intuitive collaboration with human workers. However, research and development are inherently uncertain. We may not be able to successfully develop, integrate, or commercialize new technologies due to unforeseen technical barriers, safety or compliance concerns, insufficient financial or human resources, or misalignment with industry adoption cycles. Even if technical milestones are achieved, the costs of scaling production, securing supplier capacity, or integrating with customer infrastructure may be higher than anticipated, which could impair our competitiveness. Furthermore, commercialization cycles in the warehouse automation industry are long and influenced by customer capital expenditure budgets. As a result, new products may fail to achieve timely market acceptance or generate the expected returns on investment.

In addition, competitors, including established warehouse automation vendors and emerging startups, may introduce disruptive technologies or solutions that render our existing offerings less competitive or obsolete. If we fail to adapt to such industry changes, or if our substantial investments in R&D do not yield commercially viable solutions, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The ACR solutions industry are subject to macroeconomic, geopolitical, and supply chain factors that could materially and adversely affect our performance.

The warehousing picking automation and ACR solutions industries are closely linked to global trade, manufacturing activity, e-commerce demand, and capital expenditure cycles. Macroeconomic factors such as slowing global or regional economic growth, inflationary pressure, fluctuations in interest rates, foreign exchange volatility, and tightened credit conditions may reduce customers' investment appetite for new warehouse automation projects or delay their procurement decisions. As most ACR solution deployment projects require significant upfront capital commitments and long-term return cycles, adverse macroeconomic conditions could result in project postponements, cancellations, or reductions in order volume.

Geopolitical tensions and trade policy uncertainties, such as tariffs, export controls, or restrictions on technology transfer, may also affect the availability and cost of critical components, particularly semiconductors, sensors, and control systems. In addition, disruptions to global logistics networks, whether caused by regional conflicts, public health emergencies, or natural disasters, may increase shipping costs, prolong delivery schedules, and adversely impact our ability to fulfill orders in a timely manner.

The ACR solutions industry further depends on stable energy supply and materials pricing. Volatility in raw material prices, labor shortages, or supply chain bottlenecks may raise our production and deployment costs and affect our gross profit margins. Moreover, as automation becomes an integral part of national industrial strategies, regulatory developments or policy shifts in key markets, such as changes in localization requirements, or data protection laws, may affect competitive dynamics and global operations.

While we continuously monitor macroeconomic and policy trends and adjust our business and supply chain strategies accordingly, we may not be able to fully mitigate the adverse effects of these external factors. Any prolonged economic downturn, sustained supply chain disruption, or unfavorable policy development could materially and adversely affect our business, financial condition, results of operations, and prospects.

We operate in a fast-changing and competitive market. If we are unable to keep pace with rapid technological changes and evolving customer requirements in the ACR industry, our leading market position could weaken and our business, financial condition and results of operations could be materially and adversely affected.

We primarily compete in the global ACR solutions market, where success depends on the ability to develop ACR solutions that seamlessly navigate complex environments, adapt to dynamic workflows, and integrate with enterprises' own management ecosystems. The industry is highly competitive and characterized by rapid technological change, frequent introduction of new solutions, evolving customer demands, and the periodic emergence of new standards and practices. To remain competitive, we must continue to enhance the precision, efficiency, and scalability of our ACR solutions to meet customers' rising expectations for performance and reliability.

Competition in the ACR solutions industry is intense and continues to evolve with developments in technology, customer adoption cycles and the overall economic environment that shapes automation budgets. Although developing advanced ACR platforms requires substantial expertise in robotics, perception and system integration, which creates high technical thresholds, these barriers are not absolute. Both established automation providers and new entrants are actively seeking to expand in this field, and their efforts may intensify price competition, alter customer preferences and reshape industry dynamics. Competitive factors include the ability to deliver reliable performance, ensure interoperability with existing customer infrastructure, maintain product quality and safety, manage costs and pricing, achieve operational efficiency, provide effective customer support, and build strong brand recognition. Heightened competition may result in reduced product demand, lower pricing, decreased margins and less favorable policy or subsidy support.

Our future success depends on our ability to maintain and extend our competitive position by continuously improving our technology platforms, enhancing the performance of our existing solutions and introducing new products that meet evolving requirements. The ACR industry is characterized by rapid and continuous change, and the commercial life cycle of each product generation may shorten as customer expectations accelerate. To remain competitive, we must anticipate shifts in customer demand, align our product roadmap with adoption cycles, and allocate research and development resources effectively. There can be no assurance that our new or upgraded products will achieve the expected market acceptance or generate adequate returns, or that we will be able to keep pace with industry developments in a timely and cost-effective manner.

If we fail to adapt successfully to industry changes, whether due to technical barriers, insufficient financial or human resources, regulatory developments or other external factors, our solutions may not be adopted by customers on the scale we expect. Even if we continue to invest heavily in research and development, there is no guarantee that such investments will translate into commercially viable technologies or sustainable competitive advantages. Inability to deliver solutions that meet evolving market requirements could weaken our position in the global ACR industry and materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that demand for ACR solutions will expand at a pace or scale sufficient to support our growth, or that industry trends and customer adoption will evolve in a manner favorable to us.

Demand for ACR solutions may not expand at a pace or scale sufficient to support our growth, and industry trends and customer adoption may not evolve in a manner favorable to us. Although the ACR market has experienced rapid growth, the pace and sustainability of adoption remain uncertain and are influenced by factors such as macroeconomic conditions, capital expenditure cycles, payback periods, and customers' investment priorities. Economic slowdowns, budget constraints or reduced willingness to invest in automation could materially reduce demand for our solutions.

In addition, the ACR industry is still evolving. Future developments in technology, standards, competing automation solutions or regulatory requirements may not favor our offerings, and customers may adopt alternative solutions that better meet their needs. More stringent safety, labor or regulatory regimes could also increase deployment costs or complexity and deter adoption. Even if the ACR market continues to grow, we may not be able to capture a sufficient share of such growth due to competition, changes in customer preferences or our inability to differentiate effectively. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects.

We may be subject to risks associated with ACR-related technologies that are highly complex and may fail to perform in line with expectations.

The technology underlying our ACR solutions is inherently complex and may contain defects or errors. There can be no assurance that our existing ACR solutions are free from defects or that future releases will not contain errors or vulnerabilities. Any real or perceived defects, failures, or bugs could result in negative publicity, performance issues, and customer dissatisfaction, all of which could materially harm our reputation, business, and financial results. Correcting such defects may require significant time and expense, and may disrupt production or fail to meet customer expectations.

Certain errors or defects may only be discovered after our solutions have been deployed by customers, in which case we may incur substantial additional development costs, as well as product recall, repair, replacement, or compensation expenses. To the extent accidents involving our ACR solutions occur, we could face liability claims, government scrutiny, or additional regulation. Even defects or accidents associated with third parties' ACR solutions may negatively impact public perception of ACR technologies generally, which could further harm demand for our solutions.

Any defects or significant malfunctions could also weaken customer confidence in our brand and reduce their willingness to adopt our solutions, which may adversely affect our ability to retain existing customers and attract new ones. Because the ACR market is still emerging and evolving, a loss of confidence in ACR solutions more broadly could have a material adverse impact on both the development of the industry and our growth prospects in particular.

Our competitiveness also depends on the continued improvement of algorithms and the processing efficiency, capacity, and power performance of the hardware that supports them. There can be no assurance that we will be able to consistently develop and optimize our algorithms or effectively improve processing efficiency to support increasingly sophisticated applications. If we fail to achieve continuous innovation in algorithms or hardware efficiency, our business, financial condition, and results of operations could be materially and adversely affected.

We have a limited operating history, which makes it difficult to accurately forecast our future results of operations, and our past growth may not be indicative of our future performance.

Our limited operating history makes it difficult to accurately forecast our future results of operations. Although our business has expanded significantly in recent years and we expect continued growth, our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition and prospects, and we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors, and may not be able to achieve promising results in future periods. We cannot assure you that we will achieve similar results or grow at the same rate as we have in the past. Our revenue growth may slow or decline due to a variety of factors, including reduced demand for our solutions, increased competition, changes in technology, a slower expansion of our total addressable market, or our inability to capture emerging opportunities. If our assumptions regarding risks or growth prove inaccurate, or if we do not effectively address uncertainties and challenges, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain existing customers and attract new customers, or fail to do so in a cost-effective manner, our business may be adversely affected.

Our success depends on our ability to cost-effectively attract customers to our ACR solutions, retain existing customers, and encourage them to expand their use of our solutions. We incur significant advertising, promotional, and marketing expenses to acquire new customers and expect such expenses to increase as we implement strategies to raise brand awareness and promote our ACR solutions.

Although we design our marketing activities to maximize returns, we may fail to identify opportunities that satisfy our anticipated return on sales and marketing expenses as we scale our investments or to fully understand or estimate the conditions and factors that drive customer behavior. If any of our marketing activities prove less successful than anticipated in retaining existing customers or attracting new end customers, we may not be able to recover such expenses and our sales results may fail to meet our expectations, either of which could have an adverse effect on our business, financial condition and results of operations. There can be no assurance that our marketing efforts will result in increased sales of our solutions. If we are unable to retain existing customers or attract new end customers, or fail to do so in a cost-effective manner, our growth could be slower than we expect, and our business, financial condition and results of operations may be harmed.

We face intense competition and operational challenges in the domestic ACR solutions market, which could materially and adversely affect our profitability and growth prospects.

A significant portion of our revenue is derived from the domestic market, which remains our largest and most important source of business. The domestic warehousing picking automation market is characterized by increasingly intense competition, particularly in pricing and service differentiation. As the domestic ACR solutions market matures and customer awareness of automation technologies grows, many local players have entered or expanded their presence in this space, leading to intensified price competition and shorter sales cycles. Customers often place greater emphasis on cost savings and are more price-sensitive compared with non-domestic customers, which has resulted in lower gross profit margins in our domestic operations. Continued pricing pressure could further erode our margins, especially if we are unable to offset it through cost control, product standardization or efficiency gains.

In addition, customers in the domestic market typically demand higher levels of on-site deployment support, customization, and post-delivery services. Domestic projects often involve complex integration requirements, frequent on-site adjustments, and extended service commitments. Such customer expectations not only increase our service and labor costs but also limit the scalability of our standardized solutions, constraining our ability to achieve operating leverage. If we fail to effectively manage project execution costs, optimize resource allocation, or maintain service quality, our profitability could be materially affected.

We derive a significant portion of our revenues from non-domestic markets and expect global expansion to remain an important part of our growth strategy, which exposes us to a broad range of risks.

We derive a significant portion of our revenue from non-domestic markets and expect global expansion to remain an important driver of our growth, which exposes us to a broad range of risks. Operating and expanding globally is complex and resource-intensive and requires us to manage global operations, local personnel, sales and distribution networks, regulatory compliance and customer support across multiple jurisdictions. Our revenue from non-domestic markets may be volatile due to local market conditions, competitive pressures, slower adoption, pricing pressure or other uncertainties inherent in non-domestic business. Entering new markets may require significant upfront investment without assurance of commercial success. In addition, we face risks relating to regulatory and licensing requirements, intellectual property protection and infringement claims, accounting, tax and foreign exchange differences, contractual enforcement, and political or economic instability in certain jurisdictions. If we fail to manage these risks effectively, our global expansion, profitability and overall business performance could be materially and adversely affected.

We currently generate a significant share of our revenue from our key customers.

We currently generate a significant share of our revenue from our key customers. Revenue generated from our five largest customers for each period during the Track Record Period accounted for 32.1%, 36.7% and 48.2%, respectively, of our total revenue during those periods. See "Business — Our Customers" for details. As a result, any reduction, delay or loss of business from these customers could materially and adversely affect our revenue, results of operations and financial condition. Our customers may reduce or defer purchases, change purchasing patterns, source solutions from competitors, develop competing in-house solutions, or experience declines in their own businesses or end markets. In addition, delays or disruptions in our supply chain, or failure of our solutions to meet key customers' expectations, could further reduce demand. Many of our key customers are large multinational enterprises with substantial bargaining power and significant international development capabilities, which may limit our pricing flexibility and increase the risk that they develop or acquire competing technologies. Securing and maintaining relationships with such customers requires significant upfront investment, and there is no assurance that our solutions will be selected or generate meaningful revenue. Furthermore, our results may be adversely affected if customers experience financial difficulties or fail to make timely payments. If any of these risks materialize, our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to protect or promote our brand and reputation, our business may be materially and adversely affected.

Our business depends on the strength of our brand and reputation. Adverse publicity or negative perceptions relating to us, our solutions, management, business partners or the industry, whether or not justified, could harm customer trust, reduce demand for our solutions and adversely affect our business. Maintaining and enhancing our brand requires ongoing investment in marketing and promotion, which may increase as competition intensifies and we expand into new markets, and there can be no assurance that such investments will generate commensurate returns. In addition, our reputation depends on our ability to deliver safe, reliable and compliant solutions, and any failure to do so could damage our brand and market position. If we are unable to effectively protect or promote our brand and reputation, our business, financial condition, results of operations and the [**REDACTED**] of our H Shares could be materially and adversely affected.

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

Our success depends on our ability to attract, retain and motivate highly skilled personnel and to preserve our corporate culture as we scale. We operate in a highly competitive talent market, and we may not be able to recruit or retain the management, engineering and operational talent required to sustain innovation and execute our growth strategy. The loss of key personnel, leadership transitions or ineffective succession planning could disrupt operations, delay product development and impair strategic execution. In addition, as we expand, we may face challenges in maintaining our entrepreneurial and collaborative culture. Failure to retain critical talent or preserve our culture could materially and adversely affect our business, financial condition and results of operations.

Our business growth might be affected by our channel partner network.

Our business growth may be significantly impacted by the performance and stability of our channel partner network. Channel partners play a crucial role in expanding our geographic footprint and driving sales of our ACR solutions. In 2023 and 2024 and for the nine months ended September 30, 2025, channel partner sales accounted for 36.3%, 39.5% and 25.9% of our total revenue, respectively. Our business growth may be significantly impacted by the performance and stability of our channel partner network. See "Business — Our Sales and Marketing — Our Sales Channel — Channel Partner Sales" for further information on our channel partners.

The channel partner model inherently carries risks. As we have limited influence over the business operations of our channel partners, there is no guarantee that they will operate in strict compliance with our channel partner agreements, sales policies, and applicable laws and regulations. We cannot assure you that our channel partners will consistently maintain a stable sales level or meet the sales targets we expect. If there are any significant disruptions in our relationships with our channel partners, or if these relationships are terminated for any reason, it may be difficult or impossible to replace these partners with others that possess comparable sales capabilities or market reach, and doing so in a timely and cost-effective manner is not guaranteed.

Additionally, as independent entities, our channel partners may make their own business decisions that may not always align with our interests. There is no assurance that our channel partners will prioritize our solutions over those of our competitors. This could lead to a reduction in their efforts to promote or sell our ACR solutions. Furthermore, while we allow our channel partners to use our brand names in the promotion and sale of our solutions, we have limited oversight over their actions. Any misconduct by our channel partners, such as corruption, bribery, or other illegal activities, could damage our brand reputation and expose us to significant reputational risks.

Disruptions in the supply of essential materials, equipment and services, or unfavorable changes in our supplier relationships, may materially and adversely affect our business, financial condition, results of operations and prospects.

We depend on third-party suppliers for critical materials, equipment and services essential to the production and delivery of our solutions. In 2023 and 2024 and for the nine months ended September 30, 2025, our total purchases from our five largest suppliers accounted for 16.5%, 19.0% and 21.8% of our total purchase amount, respectively. Our operations rely on the timely, reliable and cost-effective supply of key components, yet the operational and financial stability of our suppliers is beyond our control. Any disruption, deterioration or loss of key supplier relationships could limit our access to critical components, delay production or deliveries, increase costs and adversely affect our operating margins.

We face additional supply chain risks, including supplier operational disruptions, financial distress or insolvency, capacity constraints, quality or delivery issues, pricing volatility, and suppliers prioritizing competitors' orders. Suppliers may also seek to renegotiate terms on less favorable conditions or partner with competitors. While we seek to diversify and localize our supply chain, alternative sources may not be available on commercially reasonable terms, and transitions to new suppliers may involve delays, interruptions or additional costs. In addition, because we do not control our suppliers' procurement, labor or compliance practices, we may be exposed to financial, operational or reputational risks arising from their conduct. If we fail to manage these risks effectively, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have incurred operating and net losses during the Track Record Period and may not achieve or sustain profitability in the future.

We recorded loss for the year/period of RMB1,009.0 million and RMB1,255.7 million in 2023 and 2024, respectively, and RMB588.6 million for the nine months ended September 30, 2025. We may continue to incur net losses in the future, as we are still in the process of expanding our business and operations within the rapidly growing ACR solutions market. Our ongoing investments in research and development, as well as in scaling our operations, are expected to further contribute to these losses in the short term.

Our future revenue growth will depend on several factors, including our ability to develop new technologies, improve customer experience, establish effective commercialization strategies, and successfully compete in the market. Additionally, our success in introducing new products and services will be crucial to generating sustainable growth. As a result, prior revenue levels may not serve as reliable indicators of our future performance, and [**REDACTED**] should not rely solely on past financial results when assessing our potential. We also anticipate that our costs and expenses will continue to rise in the coming periods, driven by the expansion of our business and ongoing investment in R&D. Moreover, as we transition to being a [**REDACTED**] company, we expect to incur substantial costs related to compliance, reporting requirements, and other obligations associated with operating as a public entity. If we are unable to generate sufficient revenue and effectively manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability in the long term.

Failure to fulfill our obligations under contract liabilities could materially and adversely affect our business, reputation and liquidity.

As of December 31, 2023 and 2024 and September 30, 2025, we recorded contract liabilities of RMB589.6 million, RMB948.0 million and RMB1,137.5 million, respectively. These amounts reflect an ongoing growth in customer prepayments, which are generally made in advance of the delivery of our solutions. Failure to meet our obligations related to these contract liabilities could have significant adverse impact on our business, operations, financial position and reputation. If we fail to deliver solutions on time or meet customer expectations, it may result in the inability to recognize the expected revenue, which could significantly impact our financial performance. A failure to deliver solutions on time, or to meet customer expectations, could also lead to claims for refunds, penalties, or the termination of contracts, which could in turn materially and adversely impact our business, reputation, and liquidity position.

Our net current liabilities and net liabilities may expose us to certain liquidity risks.

As of December 31, 2023 and 2024 and September 30, 2025, we recorded net current liabilities of RMB2,527.6 million, RMB3,281.0 million and RMB3,899.5 million, respectively, and net liabilities of RMB2,524.3 million, RMB3,348.2 million and RMB3,879.5 million, respectively. See "Financial Information — Discussion of Selected Items from Our Consolidated Balance Sheets" and "Financial Information — Liquidity and Capital Resources — Current Assets and Current Liabilities." Net current liabilities and net liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables when they become due, will primarily depend on our ability to generate adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating and financial performance, the performance of the industry in which we operate and prevailing economic and capital market conditions, among other factors, many of which are beyond our control.

If we do not maintain sufficient working capital to meet future financial needs by ourselves, we may need to resort to external funding. Our inability to obtain additional external financing on a timely basis and on acceptable terms, or at all, may force us to abandon or delay our development and expansion plans, and our businesses, financial positions, and results of operations may be materially and adversely affected.

We recorded net operating cash outflow historically and there can be no assurance that we will not have net cash outflow in the future.

We recorded net cash used in operating activities of RMB482.2 million, RMB195.7 million and RMB285.7 million, respectively, in 2023 and 2024 and for the nine months ended September 30, 2025. For a more comprehensive discussion of our liquidity and capital resources, see "Financial Information — Liquidity and Capital Resources — Cash Flow Analysis." We cannot guarantee that our prospective business activities and/or other matter beyond our control, such as market competition and changes to the macroeconomic environment, will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Share-based payment may have a material and adverse effect on our financial condition.

To recognize the contributions of our current or former employees and to incentivize them to further promote our development, we have established Employee Incentive Platform in the form of limited partnership. Participants in this incentive platform have been granted options to subscribe partnership interest of Hairou Weizheng. For the then unvested share incentive on January 15, 2026, the form of share incentive was changed to options to directly subscribe Shares For details, see "History, Development, and Corporate Structure — Employee Incentive Platform" and "History, Development and Corporate Structure — Employee Incentive Plan." In 2023 and 2024 and for the nine months ended September 30, 2025, we incurred equity-settled share-based payment expenses of RMB72.4 million, RMB92.4 million and RMB84.1 million, respectively. To further incentivize employees, we may grant additional share-based compensation in the future, which could significantly increase our operating expenses and reduce our profitability. In addition, the issuance of additional shares for share-based awards could dilute the ownership interests of our existing shareholders. Any such dilution may adversely affect the value of their investment. Consequently, while share-based incentives are an important tool for attracting and retaining talent, they also expose us to the risks of increased operating costs and shareholder dilution, which could materially and adversely affect our financial condition and results of operations.

We are exposed to credit risks related to our trade and bills receivables and other receivables.

We face credit risks attributable to our trade and bills receivables, as well as our prepayments and other receivables, which arise from amounts due from customers for the sale of our ACR systems and related services in the ordinary course of business. As of December 31, 2023 and 2024 and September 30, 2025, our trade and bills receivables were RMB157.5 million, RMB209.6 million and RMB181.7 million, respectively. Our average trade receivable turnover days were 40, 46 and 41 days, respectively. The changes in our trade and bills receivable turnover may have a material and adverse effect on our cash flow and liquidity position. See "Financial Information — Discussion of Selected Items from Our Consolidated Balance Sheets — Assets — Trade and Bills Receivables" for details. Additionally, our prepayments, deposits and other receivables as of December 31, 2023 and 2024 and September 30, 2025 were RMB109.2 million, RMB133.8 million and RMB148.1 million, respectively. We cannot assure you that all our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

If we fail to properly manage our inventory, we may experience shortages or excess levels, either of which could materially and adversely affect our business, financial condition and results of operations.

Our inventories primarily consist of raw materials, work-in-progress, finished goods, goods in transit and contract fulfilment costs. Rapid changes in customer demand and uncertainty surrounding new technologies expose us to significant inventory risks. If we underestimate demand, we may not be able to procure or produce sufficient inventory in time to meet customer needs, which could result in lost sales, damage to customer relationships and harm to our brand. Conversely, if we overestimate demand, we may incur excess inventory, which could lead to write-downs, write-offs or sales at discounted prices, adversely affecting our revenue and profitability.

Our ability to accurately forecast inventory needs depend on multiple factors, many of which are beyond our control. These include the evolving acceptance and commercialization of ACR solutions, rapid technological change, fluctuations in customer demand, competitive pressures, macroeconomic conditions, and unexpected events such as epidemics or supply chain disruptions. Failure to accurately forecast demand or effectively manage inventory levels could materially and adversely affect our operations, financial results and growth prospects.

Our business is subject to a variety of the laws, rules, policies and other obligations regarding cybersecurity, privacy and data protection in the markets in which we operate.

As we expand our global presence, we are subject to local and overseas laws relating to cybersecurity and data privacy, including the collection, use, retention, security and transfer of personal information. In many cases, these laws apply not only to third-party transactions, but also may restrict transfers of personal information among us and our subsidiaries. For instance, our operations in the United States are governed by a range of federal and state laws and regulations on data protection, storing, privacy, and information security. Several jurisdictions have enacted stringent laws governing data protection, and many others are actively considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. For instance, the European Union's General Data Protection Regulation ("**GDPR**") is one of the most comprehensive data protection laws globally. It imposes strict requirements on organizations regarding data processing, storing, transparency, and accountability, while granting individuals extensive rights over their personal data. Complying with emerging and changing requirements may cause us to incur substantial costs or require us to change our business practices.

Failure to comply with these regulations could expose us to severe penalties, legal liability, and reputational damage. Any failure by us to comply with applicable privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data and personal information, including using encryption and authentication technologies. For example, we must implement data storage strategies and compliance measures, which could increase operational costs to meet data storage regulations across different jurisdictions. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. Our failure to safeguard data security and privacy may also harm our market reputation and relations with our customers or business partners.

If we fail to obtain or maintain the requisite licenses, permits, certificates and approvals required under the regulatory environments of the jurisdictions in which we operate, our business, financial condition and results of operations may be materially and adversely affected.

As a company operating across multiple markets, we are subject to diverse and evolving regulatory regimes. Our ACR solutions are overseen by various authorities in China and other jurisdictions, covering areas such as technology, safety, labor, environmental protection and data security. We may not always be able to obtain or renew the licenses and approvals required for our operations, and requirements vary significantly across jurisdictions. Changes in interpretation or enforcement could also occur. Failure to obtain or maintain approvals, or delays and costs in doing so, may result in fines, sanctions or restrictions, and in some cases suspension of operations. Any such events could disrupt our business and materially affect our financial condition and results of operations.

We are subject to risks relating to our historical underpayment of social insurance and housing provident fund contributions.

Under PRC laws and regulations, employers are required to make social insurance and housing provident fund contributions for their employees in full and on time, based on the applicable statutory contribution base. During the Track Record Period, we did not calculate such contributions for certain employees based on the statutory base (being the employees' average monthly wages in the previous year) and instead used a lower contribution base. As a result, we may be required by the relevant authorities to rectify such underpayment and make supplementary contributions, together with any applicable late payment surcharges or penalties.

As of the Latest Practicable Date, we had not received any administrative penalties relating to our historical underpayment of social insurance and housing provident fund contributions. However, there remains a possibility that competent authorities may require us to make up the shortfalls in contributions and pay late fees where applicable. If the competent authorities determine that we have failed to pay social insurance contributions in full in accordance with the statutory requirements, we may be ordered to pay the shortfalls within a prescribed period of time and may be subject to a daily late fee of 0.05% of the overdue amount, and, in cases of failure to rectify within such period, a fine ranging from one to three times the overdue amount. For housing provident fund contributions, the competent housing provident fund management center may order us to make any outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

The PRC Legal Adviser has advised us that, under current PRC laws and policy guidance, government authorities are not permitted to initiate broad, retrospective reviews of historical underpayment of social insurance contributions, nor to require enterprises to make supplementary payments for prior years on their own initiative. During the Track Record Period and up to the Latest Practicable Date, neither the Company nor any of its subsidiaries received any written notice from the competent social insurance authorities or housing provident fund management centers requiring us to rectify and make full supplementary contributions for outstanding social insurance and housing provident fund contributions, or the "shortfall," nor were we subject to any administrative penalties for underpayment. In addition, based on compliance certificates or credit reports obtained by the Company and its subsidiaries, as well as public searches conducted by our PRC Legal Adviser, neither the Company nor any of its subsidiaries was subject to administrative penalties for underpayment of social insurance or housing provident fund contributions during the Track Record Period. The PRC Legal Adviser has confirmed, based on communications with the relevant authorities, that in practice, where no employee complaints are raised, such authorities generally do not proactively require enterprises to make full supplementary contributions for any shortfall. Where complaints are made, they typically require supplementary contributions only in respect of the specific employees concerned. Based on the foregoing, our PRC Legal Adviser is of the view that, absent material changes in applicable PRC laws and regulations, the risk of the Company and its PRC subsidiaries being required by the competent social insurance authorities or housing provident fund management centers to make supplementary contributions for historical shortfalls is remote.

Notwithstanding the foregoing, there can be no assurance that employees will not lodge complaints in the future, or that the relevant authorities will not adopt a stricter enforcement approach or adjust their enforcement practices. If competent authorities determine that we historically failed to make adequate social insurance or housing provident fund contributions, they may require us to make supplementary contributions, impose late payment surcharges or administrative penalties, or take other enforcement actions. Any such developments could increase our operating costs and adversely affect our financial condition and results of operations.

We face potential operational and safety risks in our production.

We are subject to operational and safety risks in our production and assembly activities, including labor unrest, public health emergencies, natural disasters, utility disruptions, equipment failures, supply chain interruptions and compliance challenges across jurisdictions. Such events could damage facilities, cause injury or environmental harm, and result in significant business disruption.

Any prolonged or severe incident could impair our ability to deliver ACR solutions on time and at acceptable cost, leading to financial losses, reputational damage and adverse effects on our business, financial condition and results of operations.

We may not be able to adequately protect or enforce our intellectual property rights across all jurisdictions where we operate, and our efforts to do so may be costly and uncertain.

Our business depends on protecting the proprietary technologies underlying our ACR solutions. While we safeguard our intellectual property through patents, copyrights, trademarks, trade secrets and contracts, these protections may be limited and vary across jurisdictions. Competitors may copy, reverse engineer or develop similar solutions, and enforcing rights globally is costly, uncertain and may divert management resources. Patent applications may not result in issued patents, and granted patents may be challenged, invalidated or circumvented. If we cannot adequately protect or enforce our intellectual property, our competitive position could be weakened and our business, financial condition and results of operations materially affected.

Claims by third parties for alleged infringement of their intellectual property rights and other litigation could materially and adversely affect our business and results of operations.

We operate in an industry characterized by extensive and overlapping intellectual property rights, many of which are of unclear scope, validity or enforceability. As a result, we may be subject to claims alleging that our solutions, technologies or business practices infringe, misappropriate or otherwise violate third-party intellectual property rights, including patents, copyrights and trade secrets. Such claims may arise in connection with our research and development activities, the hiring of personnel from other technology companies, or the later issuance of patents that were unpublished at the time our solutions were developed.

If resolved adversely to us, intellectual property claims could result in significant damages, injunctions limiting our ability to sell or develop solutions, or the need to obtain licenses, pay royalties, redesign our solutions or discontinue certain operations. Even claims without merit can be costly, time-consuming and disruptive, divert management attention and harm our reputation. We may also face indemnification claims from customers or partners and opportunistic claims from non-practicing entities. As our operations and technology portfolio expand globally, our exposure to such risks may increase. Failure to defend against or resolve these claims on commercially acceptable terms could materially and adversely affect our business, financial condition and results of operations.

Our production process relies on components and raw materials that may be subject to price fluctuations or shortages.

Certain components of our ACR solutions are sourced from a limited number of suppliers and may be subject to price fluctuations, lead-time variability or supply constraints. Disruptions in the robotics supply chain or related industries could increase procurement costs or delay project delivery, which may adversely affect our ability to deploy solutions on schedule.

If we are unable to obtain adequate replacement parts or additional raw materials in a timely manner, or if such materials are only available at premium prices, our production costs could increase significantly. Any sustained shortage or cost escalation would materially and adversely impact our ability to execute our growth strategy, reduce our competitiveness, and ultimately harm our business, results of operations, financial condition, and the value of our securities.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error, cyber-attacks or other accidents. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our ACR solutions and services. There is no assurance that we can respond to such interruptions in a timely manner, or at all. Such interruptions may affect the ability of customers to use cloud-based features of our ACR solutions and services, which would damage our reputation, reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead our customers and end-users to seek alternative solutions and services.

Furthermore, our technology infrastructure is also vulnerable to damages from fires, floods, earthquakes and other natural disasters, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our customer and user satisfaction, which in turn could adversely affect our reputation, business and financial condition.

Our business strategies require a significant amount of capital. If we fail to obtain sufficient financing to support our business development, our business operation, financial condition, and prospects may be materially and adversely affected.

Our business and strategy are capital-intensive, requiring substantial investment in R&D, production capacity, and marketing. Actual expenditures may exceed expectations, and we may need to raise additional funds through equity or debt financing. There is no assurance that financing will be available on acceptable terms, or at all. Insufficient capital could force us to reduce spending, delay or cancel initiatives, or adjust our strategy, adversely affecting our business and prospects. Issuing additional equity could dilute shareholders and reduce dividends per share, while incurring debt would increase repayment obligations and may impose restrictive covenants on our operations and dividend payments.

We may face liquidity and financial risks due to our elevated leverage level during the Track Record Period.

Our leverage level remained high throughout the Track Record Period. Our debt-to-asset ratio, calculated as total debt divided by total assets, was 2.3, 2.4 and 2.4 as of December 31, 2023 and 2024 and September 30, 2025, respectively. Such leverage level reflects the capital required to support our growth and continued investments, but it also indicates a growing reliance on external financing during this period.

Our ability to meet our financial obligations, fund our operations and support our expansion will depend primarily on our capacity to generate sufficient operating cash flows and to obtain external financing when needed. Our access to financing may be influenced by factors such as our future operating and financial performance, our credit profile, industry conditions, lender sentiment and broader capital market conditions, many of which are beyond our control. If we are unable to secure additional financing on acceptable terms and in a timely manner when required, we may need to scale back or delay certain development or expansion plans, which could materially and adversely affect our business, financial condition and results of operations.

Our business operations may be materially and adversely affected by international trade policies, sanctions, export controls and related restrictions.

In recent years, the United States has expanded sanctions and export control restrictions on China through the Export Administration Regulations ("**EAR**"), administered by the Bureau of Industry and Security ("**BIS**"). These include the interim final rules issued in October 2022 and October 2023 (the "**BIS 2022/23 IFRs**"), which significantly restrict China's access to advanced computing integrated circuits, semiconductor manufacturing equipment, and related technologies. BIS also maintains lists of entities subject to heightened restrictions, such as the Entity List, which can be updated unpredictably and immediately cut off access to U.S.-origin goods and technologies. Similar measures have been adopted or are under consideration in other jurisdictions, including the European Union. These controls may limit our ability to obtain key components or technologies, or restrict our ability to serve certain customers in affected countries, territories or industries.

With respect to U.S. export controls, in October 2022, BIS issued an interim final rule (the "**BIS October 2022 IFR**") aimed at restricting China's ability to obtain advanced computing integrated circuits, develop and maintain supercomputers, and manufacture advanced semiconductors. In October 2023, BIS issued another interim final rule (the "**BIS October 2023 IFR**") that updated and expanded U.S. export controls imposed by the BIS October 2022 IFR (collectively, the "**BIS 2022/23 IFRs**"). Among other measures, the BIS 2022/23 IFRs add to the Commerce Control List (which is a list of commodities, software, and technologies that are subject to the EAR's more restrictive controls) certain advanced and high-performance computing integrated circuits and computer commodities that contain these integrated circuits, and impose new or expanded license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced node integrated circuits and advanced, or semiconductor manufacturing equipment in certain jurisdictions, including China. These restrictions have particularly impacted Chinese companies involved in the development and manufacturing of cutting-edge technologies.

In addition to the restrictions introduced by the BIS 2022/23 IFRs, BIS maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. The United States in recent years has placed an increasing number of entities, including a number of entities in China, on the Entity List and other restricted or prohibited parties lists. These lists may be updated unpredictably, and once a party is added to the Entity List, it becomes subject to severe restrictions on access to certain U.S.-origin goods and technologies. Given the sudden and unpredictable nature of these determinations, it is difficult to predict developments in this area and we have no ability to influence such determinations. As these export controls laws and regulations continue to expand and evolve, future sanctions and export controls may materially affect or target some of our significant customers or suppliers, raw materials or key components or technologies necessary for our operations, in which event our business may be affected if we fail to promptly secure alternative customers or sources of supply on terms acceptable to us.

In response to Russia's conflict with Ukraine, the United States, the European Union, the United Kingdom, and other jurisdictions have continued to expand far-reaching sanctions and export controls on Russia and numerous Russian entities and individuals, such that sales to or other business in Russia or with such restricted parties are subject to heightened regulatory risk. These measures include asset freezes, extensive financial sector restrictions, service bans (including certain professional and technology services), tightened dual-use and advanced technology export controls, and increased enforcement against evasion networks across third countries. Throughout 2025, authorities further broadened sectoral restrictions, introduced new designations, and enhanced ownership/control tests, while stepping up coordination on secondary sanctions and compliance expectations, making it increasingly difficult for firms to engage, directly or indirectly, with Russian counterparties. These measures, as well as other economic and trade sanctions maintained by the United States, the European Union, the United Kingdom, and other jurisdictions, may prohibit or restrict our ability to, directly or indirectly, conduct activities or dealings in or with certain targeted countries and territories or involving certain targeted persons, or otherwise affect our business. Authorities have also intensified enforcement, including inquiries into supply-chain routing, beneficial ownership, and technology transfers, and have signaled continued updates to sanctions regimes, export controls, and price-cap policies with limited notice. Any failure to successfully comply with applicable sanctions or export control rules may expose us to negative legal and business consequences, including civil or criminal penalties, loss of access to controlled technologies and markets, contractual default, and government investigations. Even where permitted, enhanced compliance requirements, counterparties' risk aversion, payment and logistics disruptions, and evolving guidance may delay transactions, increase costs, and adversely affect our operations and financial performance.

Additionally, these regulatory risks are compounded by the uncertainty and fluidity of international trade policies and the evolving nature of domestic regulations in key markets. Governments around the world are increasingly focusing on national security concerns, data privacy, and the protection of critical infrastructure, leading to more stringent regulations in areas such as cybersecurity, data governance, and intellectual property protection. The growing complexity of these regulatory environments, combined with the shifting geopolitical landscape, means that our ability to predict and adapt to future sanctions, export controls, and trade restrictions may be increasingly challenged, potentially affecting our competitiveness and operational flexibility.

Changes in international trade and investment policies, escalating geopolitical tensions, particularly those involving China, and increased scrutiny from customs and other authorities could materially and adversely impact our business and operating results. In recent years, heightened international tensions have already led to shifts in trade policies and the imposition of additional trade barriers, and such developments may continue. Tariffs and other trade restrictions are frequently imposed, modified, or removed in response to a wide range of global and domestic economic and political conditions, making it difficult to anticipate future trade policy developments. For companies like us that operate across multiple jurisdictions, these dynamics further increase the level of uncertainty and unpredictability we face in managing our business.

Recent developments in international trade relations have led to increased tariffs on multiple product categories across several of our operating markets. In April 2025, the U.S. government implemented a two-tier tariff structure, comprising a universal 10% baseline tariff on all imports and additional reciprocal tariffs targeting specific countries and regions, including China, the European Union, and Japan. Although reciprocal tariffs were temporarily suspended for most regions on April 10, 2025, China remained subject to elevated rates. In response, China and the European Union announced increased tariffs on U.S. goods entering their borders. On May 12, 2025, China and the U.S. reached a temporary agreement to de-escalate bilateral tariffs, with the U.S. reducing additional tariffs on most Chinese exports from 145% to 30%, and China lowering its tariffs on U.S. goods from 125% to 10%. However, other planned tariff hikes were only suspended, not revoked. On June 10 and 11, 2025, the U.S. government reaffirmed that tariffs on Chinese imports would remain at a combined rate of 55%, comprising a 25% Section 301 tariff (in place since 2018), a 20% tariff introduced in February 2025, and a 10% reciprocal tariff imposed on April 2, 2025. While certain low-value shipments may qualify for the *de minimis* exemption under U.S. customs regulations, this threshold does not apply to most of our shipments and offers limited relief. If U.S. authorities tighten enforcement or eligibility criteria, our customers may face higher costs, which could reduce demand or pressure our pricing. Most recently, in November 2025, following a summit between U.S. and Chinese leaders, both governments announced tariff reductions and suspensions. The U.S. lowered its additional tariffs on Chinese imports to a flat 10% and suspended heightened reciprocal tariffs until November 2026. China, in turn, suspended up to 15% retaliatory tariffs on U.S. agricultural goods while maintaining a 10% baseline levy.

Global trade tensions remain elevated and may further intensify. Additional trade policy actions, including new tariffs, export controls, or restrictions on technology transfers, may be introduced with little notice. Such developments could disrupt our supply chains, increase operating costs, and create regulatory uncertainty.

More generally, unfavorable actions or escalations by countries and regions in which we operate, such as the imposition of tariffs, quotas, embargoes, safeguards, customs restrictions, capital controls or other measures, could reduce demand for our products and solutions, weaken the competitive position of our offerings, increase our costs, or delay the shipment and delivery of solutions, any of which could adversely affect our business and financial condition. In response, we may be required to adjust our business model or practices, but there can be no assurance that we will be able to do so successfully, in a timely manner, or at all. Failure to adapt could materially and adversely affect our business, financial condition and results of operations, and may even result in the temporary suspension of our operations in certain jurisdictions.

U.S. persons purchasing our Shares in the* [REDACTED] *may be required to file notifications with the Treasury under the U.S. government's new China-focused Outbound Investment Program, and we could be negatively impacted by possible changes to this program; these requirements and possible changes to the program may adversely affect our business, financial condition, results of operations, and the value of our Shares.

On August 9, 2023, Executive Order 14105 (Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern) was issued and the U.S. Department of the Treasury ("**Treasury**") published an advanced notice of proposed rulemaking (the "**ANPRM**") providing a conceptual framework for outbound investment controls focused on China, including the Special Administrative Regions ("**SAR**") of Hong Kong and Macau. On June 21, 2024, Treasury issued a proposed rule for such outbound investment controls. On October 28, 2024, Treasury issued a final rule (the "**Final Rule**"; and such program as in effect on the date hereof pursuant to the Final Rule, the "**OIP**") setting forth the OIP regulations that implement the executive order of August 9, 2023. The Final Rule took effect on January 2, 2025.

Under the Final Rule, a Covered Transaction (as defined in the Final Rule) may be a Prohibited Transaction which is outright prohibited or a Notifiable Transaction that is subject to notification requirements. In addition, certain transactions that would have been considered prohibited or notifiable transactions may be exempted from the prohibition or notification requirements and may be considered an Excepted Transaction under the Final Rule if certain conditions are met.

As advised by the International Sanctions Legal Adviser, we do not believe we are a Covered Foreign Person under the Final Rule, because we do not currently engage in a Covered Activity or otherwise meet the definition of a Covered Foreign Person. However, there is no assurance that the U.S. Department of the Treasury will take the same view as ours. As our business continues to evolve, we may, in the future, be deemed a Covered Foreign Person engaged in activities described in the definition of Notifiable Transaction under the OIP. Certain U.S. person transactions with Covered Foreign Persons that meet the criteria described in the "Notifiable Transaction" definition under the OIP are covered by the OIP's U.S. person notification requirements unless an exception is available. U.S. persons' or their non-U.S. person subsidiaries' purchase of certain publicly traded securities may be eligible for the Publicly Traded Securities Exception (provided such U.S. persons or their non-U.S. person subsidiaries are not afforded rights beyond standard minority shareholder protections with respect to the Company), it appears unlikely that U.S. persons' or their non-U.S. person subsidiaries' purchase of our Shares to be [**REDACTED**] in the [**REDACTED**] would be eligible for the Publicly Traded Securities Exception. If the Publicly Traded Securities Exception is unavailable for U.S. persons that either purchase our Shares in the [**REDACTED**] or are the parent of a non-U.S. person that purchases our Shares in the [**REDACTED**], such U.S. persons may be required to file a notification regarding such purchases with Treasury no later than 30 days after the relevant purchase. It would be U.S. persons, but not their non-U.S. persons subsidiaries, whose reliance would be at issue because the OIP applies to the actions of U.S. persons. [**REDACTED**], including those that are U.S. persons or are subsidiaries of U.S. persons, should consult their legal counsel regarding the applicability of the Publicly Traded Securities Exception to the [**REDACTED**], notification obligations, if any, applicable to them under the OIP, and the procedures for filing such notifications.

Failing to comply with the OIP notification requirements or failing to provide accurate and complete information in a filing under the OIP may subject the relevant U.S. persons to civil penalties including fines of up to the greater of two times the transaction value or US$377,700 (as such amount may be adjusted for inflation), and — for willful violations — criminal penalties of fines of up to US$1 million and imprisonment of up to 20 years. No publicly available precedent exists for application of the OIP regulations by Treasury or any court or other regulatory, judicial or other legal authority to specific transactions. In addition, the OIP may be changed by executive actions of the U.S. government, including changes to the scope of activities and technologies applicable to notifiable or prohibited transactions or the scope and availability of exceptions to the OIP's prohibitions or notification requirements. Specifically, on January 20, 2025, the U.S. government issued a national security presidential memorandum, entitled "America First Trade Policy," which, among other things, directs the Secretary of the Treasury and several other executive departments and offices of the U.S. government to review the OIP to determine if it includes "sufficient controls to address national security threats" and to determine whether the executive order implementing the OIP "should be modified or rescinded and replaced." In addition, on February 21, 2025, the U.S. government issued a national security presidential memorandum entitled "America First Investment Policy" which, among other things, states that the U.S. government will consider possible application of the OIP to a wider range of technology sectors, including biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas "implicated by the PRC's national Military-Civil Fusion strategy" and application of restrictions to a wider range of investments, including publicly traded securities.

On April 3, 2025, the Trump Administration stated that it plans to evaluate whether the scope of outbound investment restrictions should be expanded "to be responsive to developments in technology and the strategies of countries of concern." Additionally, The Comprehensive Outbound Investment National Security Act of 2025 (COINS Act), included in the Fiscal Year 2026 National Defense Authorization Act signed on December 18, 2025, broadened the scope of the OIP and authorized Treasury to promulgate implementing regulations within 450 days. As such, additional possible changes to the OIP could limit or, in the worst-case scenario, eliminate our ability to raise capital or contingent equity capital (such as convertible bonds) from U.S. investors in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. In addition, changes to the Publicly Traded Securities Exception or other aspects of the OIP could prohibit the purchase or [**REDACTED**] of our Shares by U.S. persons, impose new notification or other regulatory requirements, or make our Shares less attractive to such investors. In such cases, the value of our Shares may significantly decline, or in extreme cases, become worthless, and our liquidity may be materially and adversely affected.

We, our Directors, management, employees and shareholders and their affiliates may be subject to lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

We, our Directors, management, employees, shareholders and their affiliates may from time to time be subject to lawsuits, disputes, investigations or other legal and administrative proceedings, including contract, employment, intellectual property, regulatory or securities-related matters. Although we are not currently a party to any material legal or administrative proceedings as of the Latest Practicable Date, such matters may arise in the future and could involve substantial costs, management distraction, adverse publicity, fines, penalties, settlements or judgments. Even claims without merit may be costly and time-consuming to defend and could harm our reputation or disrupt our operations. In addition, litigation or investigations involving our Directors, officers or other related parties, including shareholder or class actions or matters arising from their roles at other companies, may expose us to indemnification obligations or other liabilities. Any adverse outcome, or the costs associated with defending such matters, could materially and adversely affect our business, financial condition, results of operations, cash flows and reputation.

We face exposure to foreign currency risks.

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. See also Note 41 to the Accountants' Report included in Appendix I to this Document. In addition, as the net [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars, fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Moreover, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between the Renminbi and other currencies in the future.

We face risks relating to unregistered leases and potential early lease terminations.

Certain of our lease agreements have not been registered or filed with the relevant PRC regulatory authorities, as required under the PRC laws and regulations. Although failure to complete such registration does not invalidate the leases, both lessors and lessees may be subject to administrative penalties if they fail to rectify the non-compliance within the prescribed time frame after receiving regulatory notice. Under relevant PRC laws and regulations, if a lease is not registered, the authorities may impose fines ranging from RMB1,000 to RMB10,000 for each unregistered lease. We cannot assure you that the lessors will cooperate in completing the registration procedures in a timely manner, or at all, once required by regulators. If fines are imposed on us for unregistered leases, we may not be able to recover such losses from the lessors. We may also be exposed to risks of unexpected early lease termination at the request of the lessors or for reasons beyond our control. If we are unable to identify suitable replacement premises on acceptable terms within a short period, the affected facilities may need to be temporarily closed. These events could disrupt our operations and materially and adversely affect our business, financial condition and results of operations.

A severe or prolonged downturn in regional or global economic conditions could materially and adversely affect demand for our solutions and, in turn, our business, financial condition and results of operations.

Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation and the availability and cost of capital and credit have been and will continue to affect the markets where we operate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies Recent developments such as the ongoing conflict in Ukraine, instability in the Middle East, and rising protectionism have further increased geopolitical risk and market volatility. In addition, global supply chain disruptions, energy security concerns, and climate-related shocks have added complexity to global operations and capital flows. These factors may adversely affect global liquidity, increase funding costs, and heighten recessionary risks in key markets. It is unclear whether these challenges will be resolved in the near term or whether they will lead to structural shifts in global trade and investment patterns.

Given that a significant portion of our operations is based in the PRC, our business is also subject to economic, political, regulatory, and legal developments in the PRC. These include evolving data governance rules, cross-border capital controls, and changes in industrial policy. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

We face risks related to natural disasters, public health emergencies, and other force majeure events that could materially and adversely affect our business, operations, and financial condition.

Our business may be disrupted by natural disasters such as floods, earthquakes, wildfires, droughts, sandstorms, or extreme weather events, as well as by outbreaks of contagious diseases including SARS, Ebola, Zika, COVID-19, or future pandemics. In addition, geopolitical instability, acts of war or terrorism, cyberattacks, and other unforeseen events beyond our control may also pose significant operational risks. These events could interrupt our research and development, manufacturing, supply chain, and commercialization activities, damage our technology infrastructure or IT systems, and impact the health, safety, and productivity of our workforce. The increasing frequency and severity of climate-related disasters and global health threats have underscored the vulnerability of global operations and digital infrastructure. Any such disruption could materially and adversely affect our business performance, financial condition, and growth prospects.

The use of outsourced personnel may expose us to operational, compliance and reputational risks.

We engage third-party human resources service providers to supply certain personnel who are employed by those providers rather than directly by us. As a result, our ability to supervise and manage them is more limited than for our own employees. If outsourced personnel fail to comply with our standards or protocols, our operations, customer satisfaction and reputation could be adversely affected. Although our agreements generally require the providers to assume employment obligations and comply with PRC labor laws, we cannot assure they will fully perform. If a provider breaches its obligations, outsourced personnel may nonetheless seek recourse against us, potentially exposing us to legal liability, additional costs or labor disputes. Any such events could materially and adversely affect our business, financial condition, results of operations and reputation.

Higher labor costs and inflation may adversely affect our business, results of operations, financial condition and prospects.

Rising inflation could increase the cost of raw materials and components from our suppliers. In addition, changes in minimum wage laws, labor market conditions and heightened competition for skilled personnel may drive up labor expenses. Such developments may increase the compensation we provide to our employees as well as the fees we pay to third-party service providers. Although we seek to manage these pressures through operational efficiencies, process improvements and technological innovation, there can be no assurance that such measures will be sufficient or successful.

Sustained increases in labor and material costs may also require us to adjust the pricing of our solutions. However, higher prices could reduce customer demand, erode our market share, or adversely affect our competitive position. If we are unable to effectively manage rising costs or pass them on without negatively affecting customer demand, our business and financial performance could be materially and adversely affected.

Risks Relating to Doing Business in the Jurisdictions Where We Operate

[**REDACTED**] ***may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.***

We are a company incorporated under the laws of the PRC and a substantial majority of our assets are located in the PRC. The majority of our Directors and senior management reside within the PRC. The assets of these Directors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside the PRC.

Although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Takeovers Code do not have the force of law in Hong Kong.

We are subject to the currency exchange regulatory system.

The conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, 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, operating results and financial condition, may be affected.

We could be subject to changes in our tax rates, the adoption of new local or overseas tax legislation or exposure to additional tax liabilities.

We may be subject to changes in tax rates, new tax legislation or additional liabilities in China and overseas. In the PRC, the standard enterprise income tax rate is 25%, though certain subsidiaries have enjoyed preferential rates, such as 15% for High-tech Enterprises. Any changes to preferential policies or increases in our effective tax rate would raise our tax burden. The PRC authorities may also amend rules on income, withholding, value-added and other taxes, and non-compliance could result in penalties. We are further subject to complex and evolving tax regimes in multiple overseas jurisdictions. Differences in tax laws, enforcement practices or changes in rates could lead to disputes, penalties or higher effective tax rates. Our tax positions may be challenged by authorities, and adverse outcomes could increase liabilities, divert management resources and negatively affect our financial condition, results of operations and cash flows.

The evolving legal systems in the jurisdictions where we operate could affect our business, financial condition and results of operations.

The legal systems in the jurisdictions where we operate vary significantly and, in some jurisdictions, are quickly evolving, subject to administrative discretion and divergent interpretation or enforcement. As a result, the application of laws and regulations to our business may differ across jurisdicitons, contractual rights or foreign judgments and arbitral awards may be difficult to enforce, and regulatory requirements may be applied retroactively or inconsistently. In addition, legal and regulatory proceedings in certain jurisdictions may be lengthy, unpredictable and costly, and changes in laws, regulations or enforcement practices could increase compliance burdens, disrupt operations or adversely affect our business, financial condition and results of operations.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any gains on the* [REDACTED] *of our H Shares by* [REDACTED] *and dividends paid to* [REDACTED] *on our H Shares may be subject to PRC tax.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, in principle we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax of the MOF and SAT (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, dividend income of individual foreigners from PRC enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅 的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions had expressly provided whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the [**REDACTED**] of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問 題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities will be in accordance with the then effective laws and regulations and may change, and new taxes may be imposed, which in either case may adversely affect the value of your [**REDACTED**] in our H Shares.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits, which are subject to PRC regulatory requirements, including the offset of accumulated losses and appropriations to statutory reserves. As a result, we may not have sufficient distributable profits to pay dividends, even in profitable years. Differences between PRC GAAP and IFRS Accounting Standards may also limit the ability of our PRC subsidiaries to distribute profits to us. In addition, future changes to PRC dividend distribution rules could further restrict the funds available for dividends and business development.

Risks Relating to The WVR Structure

The concentration of our Shares' voting power limits our Shareholders' ability to influence corporate matters.

Our Company is controlled through weighted voting rights. The WVR Beneficiaries are Mr. Chen, Mr. Xu and Mr. Fang. Immediately upon the completion of [**REDACTED**], Mr. Chen, Mr. Xu, Mr. Fang and Hairou Weizheng whose general partner is Mr. Chen, will beneficially own [**REDACTED**] Class A Ordinary Shares and [**REDACTED**] Class B Ordinary Shares together, representing approximately [**REDACTED**]% of the voting rights in our Company (assuming the [**REDACTED**] are not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters and Special Matters. Mr. Chen, Mr. Xu and Mr. Fang therefore have significant influence over matters such as decisions regarding mergers and consolidations, election of directors, and other significant corporate actions. See "Share Capital — H-share Weighted Voting Rights Structure" for further details about our shareholding structure. This concentrated voting power limits or severely restricts our Shareholders' ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the market price of our Class B Ordinary Shares could be adversely affected.

Holders of our Class A Ordinary Shares may exert substantial influence over us and may not act in the best interests of our other Shareholders.

Our WVR Beneficiaries are in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any shareholders' resolutions, irrespective of how other shareholders vote. The interests of the holders of our Class A Ordinary Shares may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our Company. This concentrated voting power could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class B Ordinary Shares may view as beneficial, and may also discourage, delay, or prevent a change of control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their Shares as part of a sale of our Company and may reduce the price of our Class B Ordinary Shares.

Risks Relating to the [REDACTED]

There has been no prior* [REDACTED] *for our H Shares and the* [REDACTED] *and* [REDACTED] *of our H Shares may be volatile.

Prior to the completion of the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. There can be no guarantee that an active [**REDACTED**] for our H Shares will develop or be sustained after the completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), which may not be indicative of the [**REDACTED**] at which our H Shares will be [**REDACTED**] following completion of the [**REDACTED**]. The [**REDACTED**] of our H Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

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

The [**REDACTED**] of our H Shares may be volatile and subject to factors beyond our control, including overall market conditions in Hong Kong, China, the United States and elsewhere. Market performance of other Chinese mainland-based companies listed in Hong Kong, many of which have experienced significant volatility after their IPOs, may also affect investor sentiment and the trading performance of our H Shares. In addition, under PRC law, all existing Shareholders are subject to a 12-month lock-up following the Listing Date, which may limit liquidity and trading volume in the short term. These factors may materially impact the [**REDACTED**] and volatility of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the* [REDACTED] *could have a material adverse effect on the* [REDACTED] *of our H Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

You will incur immediate and substantial dilution if the* [REDACTED] *of the* [REDACTED] *is higher than the net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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

This document contains forward-looking statements using terms such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would," or "will," and similar expressions. Reliance on these statements involves risks and uncertainties, and any assumptions underlying them may prove inaccurate. As a result, the forward-looking statements based on those assumptions may also be incorrect. These statements should be considered in light of various risks, including those in this section. Subject to the requirements of the Listing Rules, we do not intend to publicly update or revise these statements unless required. Accordingly, undue reliance on forward-looking information should be avoided. All forward-looking statements in this document are qualified by this cautionary statement.

***You should read the entire Document carefully and should not rely on any information contained in press articles or other media regarding us and the* [REDACTED].**

We caution investors not to rely on press or media reports regarding our Company or the [**REDACTED**]. Such coverage may contain information, including financial data, projections or valuations, that is not included in this Document and has not been authorized by us or any party involved in the [**REDACTED**]. Neither we nor the [**REDACTED**] accept responsibility for the accuracy or completeness of such information. In case of any inconsistency, you should rely solely on the information contained in this Document.