RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our H Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The embodied intelligent industrial robotics industry and the broader industrial AI-enabled intelligent agents industry in which we operate is characterized by rapid and continuous changes. If we fail to consistently enhance our technologies and deliver innovative solutions that meet customer expectations, our business, financial condition and results of operations may be materially and adversely affected.

The embodied intelligent industrial robotics industry and the broader industrial AI-enabled intelligent agents industry in which we operate is characterized by rapid technological evolution, frequent introductions of innovative solutions, continual shifts in customer demands, and periodic emergence of new industry standards and practices. To maintain our competitiveness, we must continually upgrade and enhance our technologies, anticipate changing customer requirements, and deliver innovative, commercially viable solutions in a timely manner.

Our future success largely depends on our ability to consistently develop superior technologies and differentiated solutions that meet or exceed customer expectations. However, the development of advanced AI technologies requires substantial investment in R&D and involves long commercialization cycles, it would be very challenging to predict future technological trends and customer adoption rates in this fast-changing industry.

The market opportunities that we are currently pursuing are still at an early stage of development, and there is no guarantee that our products will be widely accepted or commercially successful in the near future or at all. Customer preferences and demands in this industry evolve rapidly, driven by continuous innovation and the introduction of emerging technologies. Competitors may introduce more advanced or innovative solutions, potentially rendering our existing technology obsolete or less competitive. Any inability or delay in responding effectively to these changes may result in lost market share, diminished customer satisfaction, reduced pricing power, and weakened competitive position.

Consequently, if we cannot successfully adapt to evolving market conditions, consistently enhance our technological capabilities, or timely respond to changing customer expectations, our business growth, reputation, financial condition and overall results of operations could be materially and adversely impacted.

The size of our addressable markets and the demand for our products may not increase as rapidly as we anticipate, and the growth of the embodied intelligent industrial robotics market remains dependent on technological advancements and market acceptance.

Our business primarily focuses on the R&D and sale of embodied intelligent industrial robots (EIIR) products and AI-enabled intelligent products. Our EIIR products and AI-enabled intelligent products are widely applied across industries such as 3C electronics, automotive manufacturing, new energy, FMCG and semiconductors. The size of our addressable markets and the customer demand for our products depend on multiple factors beyond our control, and the full commercial potential of the EIIR products and AI-enabled intelligent products market is yet to be fully realized. As we operate in an emerging and rapidly developing segment, the pace and extent of market development remain uncertain. If the market does not expand as rapidly or broadly as we anticipate, or if demand fluctuates due to changes in investment cycles among downstream industries, evolving market trends, supply chain dynamics, and broader macroeconomic conditions, our revenue growth and profitability may be adversely impacted. Such scenarios could lead to excess capacity, higher inventory levels, or increased pressure to reduce prices to remain competitive.

The future growth of the EIIR market depends heavily on continued technological progress across various disciplines, including robotics, AI, machine perception, motion planning, and human-machine interaction. Any stagnation or delay in technological advancement in these areas may limit the applicability, functionality, or cost-effectiveness of our solutions, thereby adversely affecting market demand. Furthermore, customer awareness and market acceptance of EIIR solutions remain at an early stage. Potential customers may not fully understand the advantages of our technologies or may find it difficult to differentiate our offerings from those of our competitors. If we fail to effectively educate the market, establish strong brand recognition, or demonstrate compelling use cases, we may encounter significant challenges in customer acquisition.

In addition, similar to other frontier innovations, EIIR technologies present risks regarding market perception and public opinion. Any inappropriate, abusive, or premature usage of these technologies -whether intended or inadvertent, and whether by us or by third parties -may dissuade prospective customers from adoption, attract negative publicity, and impair our reputation. These concerns may also trigger legal risks, regulatory restrictions, or increased oversight in China or other jurisdictions. Each of the foregoing events may, in turn, materially and adversely affect our business, financial condition, and results of operations.

The industrial AI-enabled intelligent agents industry is competitive and fragmented. If we fail to compete successfully against our current and future competitors, our business, financial condition and results of operations may be materially and adversely affected.

The industrial AI-enabled intelligent agents market in which we operate is competitive and fragmented, and we anticipate that the intensity of competition will continue to increase in the foreseeable future. We face competition on multiple fronts, including product quality and portfolio breadth, technological capability, customer service and after-sales support, relationships with customers, suppliers and other partners, pricing strategy, geographic coverage, and our ability to protect intellectual property and confidential information.

Our competitors primarily include established manufacturers who have expanded into EIIR and other solutions that we offer by leveraging their expertise in traditional robotics technologies, as well as emerging companies that have specialized in embodied intelligent industrial robotics technologies since their inception. As we continue to diversify our offerings and expand into additional vertical markets and geographical regions, we anticipate encountering increased competition from existing market participants, new entrants, and companies adopting advanced technologies. Some of our competitors may possess greater financial resources, broader technical capabilities, superior pricing flexibility, more extensive sales and marketing networks, a longer operational history, and stronger brand recognition compared to us.

If competitors introduce more innovative or technologically advanced products and solutions, we may be required to accelerate development of new products or significantly upgrade existing solutions to remain competitive. Such development or upgrading initiatives typically require substantial and sustained investment in R&D, potentially placing significant financial and operational burdens on our business. Heightened competition may also result in pricing pressure on our products and solutions, which could adversely impact our revenue growth, profit margins and overall financial performance.

There can be no assurance that we will be able to effectively compete against current and future competitors or that increased competition will not have a material adverse impact on our market position, business growth, results of operations, financial condition and prospects.

Developments in alternative technologies and evolving standards for embodied intelligent industrial robotics and other AI technologiess may adversely affect our business.

The industrial AI-enabled intelligent agents industry is characterized by rapid technological evolution, including the emergence and evolution of embodied intelligent industrial robotics. Our success depends on our ability to anticipate new technologies, industry standards and market practices, accurately assess their market acceptance, and respond to these changes in a timely and cost-effective manner. If we fail to effectively adapt, fail to effectively identify emerging industry trends, accurately evaluate their impact, or align our technological direction with market developments, our products and solutions may become less competitive or obsolete. Consequently, our revenues, profitability, market share, and overall business could be materially and adversely affected.

Furthermore, EIIR and other AI technologies are inherently complex and subject to ongoing refinement. During deployment or when introducing new functionalities, our products may contain undetected defects, security vulnerabilities, or performance issues. Accidents or flaws caused by technologies adopted by us or third parties could harm public perception or trigger regulatory restrictions. These technologies also present risks of potential misuse, bias, or violations of privacy and personality rights, potentially leading to litigation. Even if we avoid controversial AI applications, misuse across the industry could negatively influence the views of policymakers and regulators, resulting in decreased adoption of AI. Additionally, deficiencies could undermine the accuracy of the decisions and analyses made by our solutions. There can be no assurance that we will promptly detect and remedy such flaws. Any actual or perceived deficiencies could materially and adversely affect our business, reputation, results of operations, and prospects.

We have a limited operating history, which makes it difficult to evaluate our business and prospects, and our historical growth may not be indicative of our future performance.

We commenced operations in 2018. As a result of our limited operating history, our ability to accurately forecast our future business performance is subject to substantial uncertainty. Our historical results may not provide a meaningful basis for evaluating our future business prospects, results of operations and financial condition. As we continue to grow, we may encounter unforeseen expenses, operational difficulties, complications, delays and other unanticipated challenges that could negatively affect our business results.

We cannot assure you that we will be able to achieve similar results or grow at the same rates as we did in the past. In future periods, our revenue growth may slow down or even decline for a number of reasons, including reduced demand for our solutions, intensified competition, material technological shifts, decreased growth of our total addressable market, or our inability to capitalize effectively on growth opportunities. If our assumptions regarding these risks and our future revenue growth prove incorrect, or if we fail to respond effectively to future uncertainties and challenges, our operating and financial results could deviate materially from our forecast, resulting in adverse effects on our business operations, financial condition and future prospects.

If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.

Our future growth relies in part on our ability to successfully expand into additional industry verticals. Leveraging our self-developed full-stack software and hardware system and comprehensive system engineering capabilities, we have achieved commercialization across various verticals including 3C electronics, automotive manufacturing, new energy, FMCG and semiconductors. We plan to further deepen our presence in these verticals and selectively expand our offerings into other high-growth verticals. This involves challenges such as intense competition, adapting solutions to industry-specific requirements and establishing new supply chain relationships. We may also face unfamiliar regulatory landscapes requiring significant investment in management resources, R&D and operations. Our limited experience in new markets could hinder our ability to forecast customer needs. If expansion efforts fail, our resources may be strained and upfront investments may not yield returns, materially and adversely affecting our business, financial condition and growth prospects.

If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business, financial conditions and results of operation may be materially and adversely affected.

Our success depends, in part, on our ability to cost-effectively retain existing customers, attract new customers and continually encourage increased spending on our EIIR products and AI-enabled intelligent products. We implement targeted marketing strategies and actively explore new business opportunities by participating in prominent industry exhibitions, trade shows and technical forums, and leveraging digital marketing platforms and industry-specific forums to publish case studies, technical papers and video demonstrations. We anticipate further increasing our investments in marketing and promotional activities to enhance our brand awareness across various industry verticals. However, there is no assurance that these marketing efforts will be successful or that they will lead to the desired level of customer acquisition and revenue growth.

Despite our brand recognition and investment in marketing activities, we may fail to fully understand customer demands and evolving market trends or to achieve anticipated returns from our marketing investments. Moreover, our ability to attract new customers is also highly dependent on our business reputation and on positive recommendations from our existing customers, which is partially attributed to our ability to provide high-quality customer maintenance and support. As our customer base continues to expand, our capacity to deliver timely and effective customer support at scale will be increasingly tested. There is no assurance that we will be able to recruit and retain sufficient qualified customer support personnel to promptly respond to increased technical support and maintenance requirements, or to adequately adjust our service offerings in line with evolving customer demands and competitors' standards. Any failure or perceived inadequacy in providing timely and high-quality support services could significantly harm our market reputation, customer satisfaction, and ability to attract new customers. As a result, our future business growth, profitability and competitive position could be materially and adversely affected.

Failure to effectively manage and scale our technology infrastructure could adversely affect our business.

Our technology infrastructure is critical for our technology innovation and research and development. We need to maintain sufficient capacity in our technology infrastructure to meet the needs of our customers and collaborators, and to facilitate the rapid provision of solutions and services in anticipation of new customers and collaborators. In addition, we need to properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions. However, updating our technology infrastructure requires adequate lead-time. Furthermore, our reliance on high-performance computing equipment, such as advanced GPUs, exposes us to potential supply chain disruptions caused by international export controls. Restrictions on the export of cutting-edge computing components could severely constrain our computing power capacity, delaying critical AI model training and product development cycles. We may experience system disruptions, outages, and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in usage, and denial of service issues. In some instances, we may not be able to identify the cause of these performance problems within an acceptable period of time. If we cannot accurately anticipate and prepare for additional requirements on our technology infrastructure, we may experience service outages that may delay the deployment of our solutions and services and the delivery of our work products, which may subject us to financial penalties and liabilities, reputation damages, and customer losses.

Acquisitions, investments or strategic alliances may not succeed as intended and could materially and adversely affect our reputation, business and results of operations.

In pursuit of our growth strategy, we may from time to time seek strategic alliances, investments or acquisitions of complementary assets, technologies, or businesses. However, these strategic initiatives may expose us to various risks, including those associated with information sharing, reliance on counterparties, and potential non-performance by strategic partners. We may have little ability to fully control or closely monitor the actions and operational effectiveness of these counterparties. Any failure to effectively manage our relationships with and realize the anticipated benefits from acquired businesses and strategic investments, including Agilebot and Joywin, could adversely affect our business and financial performance. Any negative publicity or reputational damage suffered by our strategic partners could also negatively affect our own business reputation and market position by association. Also, the process of identifying and valuing potential acquisition targets is inherently complex and subjective. We may fail to accurately assess the fair value of a target business or its underlying technology, or we may overpay due to over-optimistic growth projections. Any such overvaluation could lead to substantial goodwill impairment charges would directly and adversely affect our financial performance.

Integrating acquisitions like Agilebot requires significant management focus and financial resources. Such integration efforts present numerous challenges, including: (i) difficulties in integrating operations, technologies, services and personnel of the acquired businesses; (ii) cultural challenges associated with integrating employees from the acquired companies into our organization; (iii) potential loss of key employees of the acquired businesses; (iv) diversion of management's attention from other business concerns; (v) unforeseen liabilities associated with the acquired businesses or technologies; and (vi) increased fixed costs and ongoing expenses related to integration activities.

There is no assurance that we will be able to successfully realize the anticipated strategic benefits, cost savings, or operational efficiencies from our acquisitions. The synergies we expect may take longer to materialize than planned or may never be achieved at all. Failure to realize these synergies could result in increased fixed costs and ongoing expenses without a corresponding increase in revenue or market share.

Furthermore, acquisitions could lead to the expenditure of substantial cash, issuance of equity securities that may dilute existing shareholders, assumption of additional debt obligations, and recognition of significant goodwill impairment charges or intangible asset amortization expenses. In particular, our acquisition in Jiangsu SVFactory and Agilebot have resulted in the recognition of material goodwill, and any future impairment of such goodwill would adversely affect our financial performance. As a result, our inability to successfully implement and manage strategic alliances, investments, and acquisitions could materially and adversely affect our business operations, reputation, financial performance, and long-term growth prospects.

We have been and intend to continue making significant investments in R&D, which may not yield the expected return and adversely affect our profitability and operating cash flow.

Our future growth depends on our ability to penetrate new markets, adapt existing solutions to evolving customer needs, and develop new solutions that achieve market acceptance. To support these goals, we have made and intend to continue making substantial investments in R&D. Our R&D expenses were RMB178.3 million, RMB164.9 million and RMB235.5 million in 2023 and 2024 and 2025, respectively.

The industrial AI-enabled intelligent agents industry is characterized by rapid technological advancements, especially in AI-driven applications, requiring significant and sustained R&D input. We expect our R&D expenses to remain high as we strive to enhance our product capabilities and maintain competitiveness. However, R&D activities are inherently uncertain. There is no assurance that our efforts will lead to technological breakthroughs or commercially successful products. If we fail to anticipate or respond to industry trends, or if competing technologies evolve more rapidly than ours, our existing solutions may become less attractive or obsolete, leading to a deterioration of our market position. Any delay or setback in enhancing our robotics capabilities could materially and adversely affect our business, results of operations, financial condition and prospects.

Increases in costs of the parts and components that we use in our products and solutions would adversely affect our business, results of operations and financial condition.

Our products rely on a wide range of parts and components, including but not limited to, optical components, mechanical and electronic parts, and computing equipment. Fluctuations in the prices or availability of these materials, driven by changes in supply and demand, geopolitical tensions, macroeconomic conditions, or currency volatility, could materially increase our production costs. If we cannot pass cost increases to customers due to competitive or contractual constraints, our margins may be compressed, adversely impacting our profitability and financial condition. Additionally, delays or shortages of critical components could disrupt order fulfillment, affecting our business operations and customer relationships.

Long product lifespans may limit future sales.

Intelligent industrial robotics products and solutions are typically designed to remain functional and effective for multiple years. Therefore, there is no assurance that users will place reorders, repurchases or upgrade our products within a short period of time, or at all. Furthermore, the growth of our business and revenue depends on both repeat purchases by existing customers and continued expansion of our customer base, which in turn relies on factors such as the market's acceptance of our products, the diversification and expansion of application scenarios, and evolving customer preferences.

Additionally, our EIIR products are typically deployed and operated directly by customers without requiring ongoing operational support from us. While some market participants are exploring recurring revenue models, such as the "Robotics-as-a-Service" model, customer awareness and acceptance of this model remain limited, and it may take time for purchasing behaviors to shift toward subscription-based spending. If we fail to cultivate sufficient demand for upgrades or fails to expand the overall customer base, our ability to maintain sustainable revenue growth may be adversely impacted, which could materially affect our business, financial condition and results of operations.

If we are unable to attract, retain and motivate key individuals, our business, results of operations and financial condition would be materially and adversely affected.

The success of our business, particularly in relation to R&D and the commercialization of our products and solutions, depends significantly on our ability to attract, retain and motivate key individuals, such as key management, technical staff, experienced engineers and sales representatives. Moreover, the supply of interdisciplinary AI professionals, who possess both technical expertise and cross-industry application knowledge, remains severely limited, making it even more challenging to secure talent capable of driving innovation in our increasingly AI-driven solutions.

Our senior leadership team possesses extensive experience in the industrial AI-enabled intelligent agents industry and plays a crucial role in shaping our strategic direction and ensuring the successful execution of our operations. See "Directors and Senior Management." Any significant changes to our management team, including unexpected resignations or retirements, could disrupt our business operations and adversely affect our ability to execute our strategic plans. We cannot assure you that we will be able to retain existing key personnel or recruit qualified replacements in a timely manner.

To attract, retain and incentivize key employees, we have implemented and may continue to implement share incentive schemes and other competitive compensation programs. However, our ability to recruit and retain top talent also depends on our workplace culture and reputation as an employer of choice. If our compensation structures or employee value proposition are perceived to be less attractive than those of our competitors, our ability to retain or recruit qualified personnel may be compromised, which could, in turn, have a material adverse impact on our business, financial condition and results of operations.

We may be subject to product or service liability claims if our products contain defects, and we could incur significant expenses to remediate such defects.

Our products or services and their underlying technologies may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when newly launched or updated. Despite internal testing, our products or solutions may contain serious errors or defects, security vulnerabilities or software issues, which we are unable to successfully correct in a timely manner or at all. Certain issues may only be discovered after commercialization and deployment in customer production lines or other critical use scenarios.

If undetected defects or vulnerabilities emerge, we may incur significant costs for product recall, repair or replacement. Furthermore, these issues could potentially lead to lawsuits filed against us by our customers or other parties, exposing us to potential liabilities and damages. We may experience revenue loss, significant capital expenditures, delay or loss in market acceptance and damage to our reputation and brand. Given that our solutions are often deployed in production processes that are crucial to our customers' businesses, any malfunction, failure or defect could result in production delays or financial losses for our customers. This could damage our customer relationships, lead to customer attrition, and impair future sales opportunities. In the event of such claims or incidents, we may also suffer reputational harm, loss of customer trust, delays in market acceptance of our products, increased R&D or capital expenditure, and heightened regulatory scrutiny. Any of these consequences could materially and adversely affect our business, results of operations and financial condition.

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

The availability and quality of after-sale services are important factors influencing customer purchasing decisions, particularly for EIIR products and AI-enabled intelligent products as well as related modular products used in mission-critical production environments. As our operations expand and our customer base grows, we must ensure that our maintenance and support services continue to meet customer expectations on a scalable basis. However, we cannot assure you that we will be able to respond in a timely and effective manner to sudden increases in demand for technical support or maintenance. We may also face challenges in evolving the scope, efficiency, or delivery model of our support services to keep pace with industry developments or customer needs. In addition, if our competitors offer superior after-sale services, we may lose customers or fail to secure new ones. Any failure to provide consistent, high-quality maintenance and technical support could damage our customer satisfaction and retention, which in turn could materially and adversely affect our business, reputation, results of operations and financial condition.

The sales cycle for our products can be long and unpredictable, and our sales efforts often require substantial time and resources.

The sales cycle of our EIIR products, particularly non-standard products, can be lengthy and unpredictable. Our sales cycle typically consists of feasibility assessment, construction and pre-activation, onsite-deployment and learning and continuous evolution and value expansion, and may vary significantly depending on project complexity. While the sales cycle for standard projects generally ranges from two to three months, for large-scale and highly customized AI-enabled intelligent projects, the cycle may extend beyond six months.

This extended timeline is due in part to the fact that many customers or end users may have limited prior experience with EIIR products and require additional time to evaluate the applicability and benefits of our solutions. We also invest considerable time and resources to assess their specific needs, demonstrate our technological capabilities, and tailor our offerings accordingly. These sales efforts often involve significant contributions from our sales and engineering teams, as well as our senior management.

Moreover, it is difficult to accurately predict the outcome of each sales effort, including whether a contract will be secured, the size and timing of the customer's purchase, or the implementation schedule. These uncertainties can affect our ability to forecast revenue and may result in delayed or lower-than-expected revenue recognition. If our sales efforts do not result in revenue sufficient to justify the time and resources expended, our business, financial condition and results of operations could be materially and adversely affected.

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

Expanding our global footprint and growing overseas sales is an important part of our future growth, but these efforts may not be successful. We expect to incur increased selling and administrative expenses in the near term as we plan to establish regional centers, localized R&D facilities, and data processing hubs in key markets such as the United States, Europe, and Japan. These expenditures may exert downward pressure on our operating margins and overall financial performance during the expansion phase. For more information about our overseas expansion plan, please see "Business — Growth Strategies — Expand our international footprint and enhance localized service and delivery capabilities globally." Furthermore, overseas operations are subject to a number of risks, including but not limited to: foreign exchange control and exchange rate fluctuation; political and economic instability, and international terrorism; global or regional health crises, such as health epidemics and outbreaks; potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud; laws and business practices favoring local competition; increased risk in managing inventory; increased risk in collecting trade receivables; less effective protection of intellectual property; difficulties and costs of staffing and managing foreign operations; and changes in local tax, import and export laws and tariffs and customs duty laws in the enforcement, application or interpretation of such laws.

The occurrence of any of these risks could materially and adversely impact our overseas expansion and consequently our business, operating results and financial condition. If our localized R&D and operational hubs do not achieve the expected technical synergies or market penetration, our cost structure may become inefficient, and we may be unable to recover our substantial international investments.

We derived a portion of our revenue from a limited number of customers during the Track Record Period and our customer concentration may fluctuate in the future.

During the Track Record Period, a portion of our revenue was derived from sales to our five largest customers. Specifically, our revenue from our top five customers in 2023, 2024 and 2025 amounted to RMB227.4 million, RMB169.8 million and RMB303.0 million, respectively, accounting for 52.4%, 28.3% and 38.1% of our total revenue, respectively. We cannot assure you that our customer concentration will not increase in the future.

In addition, we cannot assure you that we will successfully maintain our relationships with these key customers, secure new contracts from them, or avoid disputes arising from existing contracts. Any disruption or deterioration in our relationships with key customers, or their decisions to significantly reduce their spending or shift to competitors, could adversely affect our business, revenue streams, and profitability. Furthermore, if any major customer delays payments, defaults on payments, or faces financial distress, our cash flow, liquidity, and financial position may suffer materially adverse impacts.

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

Our operations are subject to potential deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries and regions in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability.

Additionally, the evolving trade policies of the United States and China remain uncertain, with potential changes in tariffs, regulatory requirements, and trade restrictions that could impact our ability to plan and operate effectively in the U.S. market. Since 2018, the United States government imposed several rounds of tariffs on Chinese products. Throughout 2025, the U.S. government announced several rounds of additional tariffs on imports from China under the International Emergency Economic Powers Act ("IEEPA"). These tariffs were ruled unlawful by the U.S. Supreme Court on February 20, 2026. In response, the President suspended collection of such IEEPA-based duties and imposed a temporary 10 percent ad valorem import surcharge for a 150-day period on goods imported into the United States, effective February 24, 2026, with certain product exceptions. There can be no assurance as to whether the United States will maintain or reduce tariffs, or impose additional tariffs on Chinese products in the near future. As such, margins on sales of our products and solutions in certain countries and regions could be materially affected. Although we did not have any significant presence in the United States during the Track Record Period, we may be forced to adjust the price of our products and solutions due to any increased U.S.-based tariffs on our products and solutions if we substantially expand our business dealings into the United States in the future, which could make our products and solutions less competitive in the United States.

Furthermore, the U.S. government has also imposed economic and trade sanctions directly or indirectly affecting technology companies. Such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect our abilities to acquire technologies, systems, parts or components that may be critical to our technology infrastructure, product offerings and business operations. If any of us, or our Shareholders, Directors, management personnel, employees and business partners, violate such laws, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations and financial condition.

The U.S. government's new China-focused Outbound Investment Program may adversely affect our business, financial condition, and results of operations.

On October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement the executive order on outbound U.S. investments involving China (the "**Final Rule**"). The Final Rule became effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductor and microelectronics, (ii) quantum information technologies, and (iii) AI systems, collectively defined as "Covered Foreign Persons." For details, please refer to the "Regulation Overview — Laws and Regulations Relating to U.S. Outbound Investment". The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us. Considering that our business involves the research and development of AI systems for the control of robotic systems, our legal advisor on international sanctions laws is of the view that we are a "covered foreign person" that engages in a notifiable-level "covered activity", and if U.S. persons engaged in a "covered transaction" (each as defined under the Final Rule) that involves the acquisition of our equity interests, such U.S. persons need to make a notification pursuant to the Final Rule. In addition, even though U.S. persons' acquisitions of certain publicly traded share (such as our H Shares) will be exempted from the scope of covered transactions under the Final Rule as long as the investments do not afford a U.S. person certain rights that are not standard minority shareholder protections, the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. investors after this [REDACTED] given that relevant laws, regulations, and policies continue to evolve and we cannot rule out the possibility of such exemptions being removed in future amendments to the Final Rule or in new, similar regulations. For instance, on December 18, 2025, the U.S. President signed the the Comprehensive Outbound Investment National Security Act of 2025 ("COINS Act") into law, which mandates the issuance of new regulations that will amend, supersede, or otherwise modify the existing Final Rule framework not later than 450 days after the date of the COINS Act's enactment. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. In such case, the value of our H Shares may significantly decline, or in extreme cases, become worthless.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-bribery, economic and trade sanctions laws and other applicable laws and regulations in China and other jurisdictions where we operate or conduct business. For example, U.S. economic sanctions prohibit the provision of products to countries, governments, and persons targeted by U.S. sanctions. United Kingdom financial sanctions and European Union sanctions also have a similar regime to prohibit the provision of products to countries, governments and persons on their respective target list. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws and regulations if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects.

Our overseas operations may subject us to governmental economic sanctions and export controls laws, which could subject us to liability and impair our ability to compete in overseas markets.

The U.S. government has imposed a range of export control measures and economic and trade sanctions that directly or indirectly affect technology companies in China, including restrictions targeting advanced semiconductors, software, cloud services, and Chinese technology enterprises designated on the Entity List or other restricted lists. Such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and could materially and adversely affect our ability to acquire technologies, systems, parts, or components that are critical to our technology infrastructure, product offerings, and business operations. If any of us, or our shareholders, directors, management personnel, employees, or business partners, were to violate such laws, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations, and financial condition.

Exports of our products and technology are subject to economic sanctions and export control laws of multiple jurisdictions, including the PRC, the United States, the European Union, the United Kingdom, and others. These laws may prohibit or restrict the sale, transfer, or provision of products and services to certain countries, governments, entities, or individuals. We cannot guarantee that our products or services will not be indirectly provided to sanctioned parties through distributors or other channels. Any such occurrence could result in investigations, fines, penalties, or reputational harm.

Furthermore, these regulatory regimes remain subject to frequent revisions, often driven by national security or foreign policy concerns. Future developments could expand the scope of restrictions to cover a wider range of items, technologies, or counterparties, or could impose new obligations on companies in our industry. Such changes may increase our compliance burden, disrupt our supply chain, limit our ability to continue supplying certain customers, or reduce customer demand for our products, all of which could materially and adversely affect our business, results of operations, financial condition, and prospects.

Our business growth and results of operations may be affected by macroeconomic conditions, natural disasters, health epidemics and social disruption.

Macroeconomic fluctuations — including interest rates, inflation, unemployment levels, labor and healthcare costs, credit availability, and consumer confidence and regulatory changes, may adversely impact overall market demand for our products and solutions. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fires or droughts, the outbreak of a widespread health epidemic or any severe epidemic disease, acts of war, terrorism, or other force majeure events beyond our control, may disrupt our R&D, manufacturing, commercialization, materially and adversely affect our business, financial condition, results of operations, and prospects.

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

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

Dependency on third-party suppliers to manufacture, assemble and test our products reduces our control over product quantity and quality, and could harm our business.

We engage third-party suppliers to provide components and parts necessary for the manufacturing of our products. In addition, we collaborate with third parties on the manufacturing, assembly and testing of our EIIR products and AI-enabled intelligent products. If we are unable to maintain our contractual relationships with these third parties, or if we are unable to continue procuring these services on commercially reasonable terms, we may be unable to secure alternatives in a timely manner or at all, which could materially and adversely affect our business, results of operations, financial condition and competitive position.

Risks that could impair our ability to meet customer demand or scale our supply chain include: failure by contract manufacturers to procure raw materials or provide sufficient manufacturing or testing capacity for our products; reliance on a single or limited suppliers and manufacturers; a constrained supplier pool due to international trade restrictions and sanctions; the loss of a supplier, leading to additional costs or production delays; lack of direct control over product quantity, quality and delivery schedules; suppliers or their vendors failing to supply high-quality products or modifying their products without our validation; delays in shipment, product shortages, deteriorating product quality or increased costs if suppliers prioritize orders from our competitors or other customers; fraudulent or illegal activities or other misconduct by suppliers; low manufacturing yields caused by product design flaws or issues in the manufacturer's processes; and disruptions to manufacturing, assembly or other processes due to natural disasters, emergencies or other unforeseen events.

While we seek to engage multiple sources of supply where feasible, we rely on a limited number of suppliers for certain parts, components, and equipment. Specifically, our purchases from our top five suppliers in 2023, 2024 and 2025 amounted to RMB202.6 million, RMB186.0 million and RMB362.0 million, respectively, accounting for 64.1%, 46.6% and 42.4% of our total procurement amount, respectively. Our dependence on a limited number of suppliers and service providers makes us vulnerable to supply chain risks.

Any significant disruption in our supply chain that affects the manufacturing or sourcing of our products or components could interrupt our product supply and materially delay our development plans or commercialization efforts. If not resolved promptly, such disruptions may lead to delayed R&D timelines, lost orders and customers, regulatory actions or litigation, financial penalties, and reputational harm, any of which could materially and adversely affect our business, results of operations and financial condition.

Our plan to establish in-house production facilities to replace certain outsourced manufacturing processes involves significant capital expenditure and operational risks, and any failure to effectively implement this plan could have a material adverse effect on our business and financial condition.

During the Track Record Period, we outsourced most of our manufacturing processes to third-party suppliers. As part of our strategic initiative to enhance control over product quality, supply chain stability, protection of core technologies, and the production process, we acquired Agilebot in 2025 and plan to further establish new in-house production facilities for the manufacturing of robot bodies and core components. The establishment of new production facilities involves substantial capital investment, procurement of equipment, recruitment of personnel, and the setup of production systems, and is subject to the following risks. First, the construction of new plants and the equipment procurement require significant upfront investment, which could place pressure on our working capital and adversely affect our short-term profitability. Second, the transition from outsourced manufacturing to in-house production may lead to operational inefficiencies, potential instability in product quality, or delays in delivery, which could impact our ability to fulfill customer orders. Third, if market demand or customer acceptance is lower than anticipated, the capacity of the new facility may not be fully utilised, leading to idle fixed assets, high depreciation costs, and consequently a decline in our overall gross margin.

There can be no assurance that we will successfully complete the construction of the production facility as planned, achieve the expected production efficiency, or effectively control associated costs. Any failure in this regard could have a material adverse effect on our business operations, financial condition, and results of operations.

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

We believe we have adequate insurance coverage in connection with our business operations by putting in place all the mandatory insurance policies required by PRC laws and regulations. As of the Latest Practicable Date, we maintained standard employee-related insurance, including pension, maternity, unemployment, work-related injury, medical insurance, and supplementary medical insurance. However, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. In particular, we do not carry insurance in respect of certain risks that we believe are not insured under customary industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism and civil disorder. In addition, our insurers generally review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms, or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, results of operations and financial condition.

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

We believe that maintaining and enhancing our brand is of significant importance to the success of our business. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and the amount of word-of-mouth referrals we receive from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about our brand, Directors, employees, or products, whether warranted or not, may adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

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

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties, which could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. There can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, suppliers or other third parties, including, but not limited to, violations of anti-corruption or anti-bribery laws, could subject us to negative publicity which could severely damage our brand and reputation and, if conducted by our employees, further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. As such, any failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties could materially and adversely affect our business, results of operations and financial condition.

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

We may be subject to administrative or legal proceedings or commercial disputes from time to time in the ordinary course of our business. Claims arising out of actual or alleged violations of law could be asserted against us by our customers, our competitors, governmental entities in civil or criminal investigations and proceedings, or other entities. These claims could be asserted under a variety of laws, including but not limited to product liability laws, intellectual property laws, labor and employment laws, securities laws, tort laws, contract laws, property laws, and employee benefit laws. We cannot guarantee success in defending these actions or asserting our rights. Even if successful, defending ourselves or enforcing our rights against involved parties may be expensive, time-consuming, and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief, and criminal, civil, and administrative fines and penalties.

We may not be able to obtain or maintain adequate intellectual property rights protection for our product and solution candidates, or the scope of such intellectual property rights protection may not be sufficiently broad.

Our success depends in a large part on our ability to protect our proprietary technologies as well as our solutions from competition by obtaining, maintaining and enforcing our intellectual property rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications. The patent application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products or solutions in all such fields.

Patents may be invalidated, and patent applications may not be granted for several reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Even if our patent applications are successfully granted, such grant may not be in a form that can provide us with meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies, products or solutions in a non-infringing manner. Therefore, the grant of a patent application is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China.

Furthermore, the scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other jurisdictions may diminish our ability to protect our inventions or narrow the scope and commercial value of our patent rights. Although various extensions may be available, the life of a patent and the protection it affords are limited. We may face competition for any approved products once the patent life expires. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and competitive position.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the products or solutions involved.

The industry in which our business operates is characterized by a large number of patents, some of which may be of questionable scope, validity or enforceability. As a result, there is a significant amount of uncertainty in the industry regarding patent protection and infringement, and we cannot be certain that the conduct of our business does not and will not infringe, misappropriate or otherwise violate intellectual property or proprietary rights of third parties. We could become subject to claims and litigation alleging infringement by us of third-party patents, copyrights or trade secrets. For instance, in the event that we recruit employees from other technology companies, including certain potential competitors, and these employees participated, or used or alleged to have used certain know-how, technology or contents, in our R&D, we may become subject to claims that such employees have improperly used or disclosed trade secrets or other proprietary information.These claims and any resulting lawsuits, if resolved adversely to us, could subject us to significant liability for damages, impose temporary or permanent injunctions against our products, solutions or business operations, or invalidate or render unenforceable our intellectual property rights. An adverse judgment could also result in loss of reputation or may force us to take costly remediation actions, such as redesigning our products and solutions. In addition, because patent applications can take many years until the patents issue, there may be applications now pending of which we are unaware, which may later result in issued patents that our offerings may infringe. If any of our offerings infringe a valid and enforceable patent, or if we wish to avoid potential intellectual property litigation on any alleged infringement of our products or solutions, we could be prevented from selling, or elect not to sell, our products and solutions unless we obtain a license, which may be unavailable or be available only at commercially unreasonable, unfavorable or otherwise unacceptable terms. Alternatively, we could be forced to pay substantial royalties or to redesign one or more of our products or solutions to avoid any infringement or allegations thereof. Additionally, we may face liability to our customers, business partners or third parties for indemnification or other remedies in the event that they are sued for infringement in connection with their use of our products and solutions.

We also may not be successful in any attempt to redesign our products or solutions to avoid any alleged infringement. A successful claim of infringement against us, or our failure or inability to develop and implement non-infringing technology, or license the infringed technology, on acceptable terms and on a timely basis, could materially adversely affect our business and results of operations. Furthermore, such lawsuits, regardless of their success, could likely be time consuming and expensive to resolve and may divert management's time and attention from our business, which could seriously harm our business. Also, such lawsuits, regardless of their success, could seriously harm our reputation with our suppliers and in the robotics industry at large. We may also face aggressive actions from non-practicing entities seeking patent licensing revenues. As we continue to innovate and expand our portfolio, our exposure to infringement threats may increase.

We may be unable to protect the confidentiality of our trade secrets, and we may be subject to claims of wrongful use or disclosure of trade secrets owned by others.

In addition to our registered patents and patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and thus maintain our competitive position. We protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements, non-compete covenants or include such undertakings in the agreements with parties that have access to them. We also enter into employment agreements with our employees that include undertakings regarding assignment of inventions and discoveries. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will gain access to such information and make use of such information, and that our competitive position will be compromised, despite any legal action we might take against such persons. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Our employees or business partners might intentionally or inadvertently disclose our trade secret information to competitors, or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and/or is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. We also seek to enter into agreements with our employees that obligate them to assign any inventions created during their work for us to us. However, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing. It is possible that technology relevant to our business will be independently developed by a person that is not a party to such agreement. Furthermore, if the employees who are parties to these agreements breach the terms of these agreements, we may not have adequate remedies for any such breach, and we could lose our trade secrets and inventions through such breaches. We may be involved in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and research and development personnel.

We may not be able to obtain additional capital when desired on favorable terms or at all.

We may need additional capital in the future to fund our continued operations, and we may be unable to raise additional funds, whether through equity or debt financing, when needed on favorable terms or at all. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing Shareholders, including investors in this [REDACTED], will be diluted, and the terms of these securities may include liquidation that adversely affect our Shareholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various employee benefit plans and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain of our employees as required by relevant PRC laws and regulations, and we engaged third-party agents to make contributions of social insurance and housing provident fund for some of our employees, which are not in strict compliance with the applicable laws and regulations. Notably, pursuant to the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases, any agreement between an employer and an employee, or any undertaking by an employee, to the effect that social insurance contributions need not be made shall be deemed invalid by the people's court. As advised by our PRC Legal Adviser, according to the Social Insurance Law of the PRC, the relevant authorities could order us to pay, within a prescribed time limit, and if we fail to make the overdue contributions within such time limit, a fine may be imposed. In addition, according to the Regulations on the Administration of Housing Provident Fund, in case of a failure to pay the full amount of housing provident fund, the competent PRC government authority may require us to pay the outstanding amount within a stipulated period. For details, please refer to the "Regulatory Overview" and "Business — Legal Proceedings and Non-Compliance — Non-Compliance" section of this Document.

We cannot assure you that the relevant government authorities will not impose new requirements on us according to laws, regulations or local policies published by the relevant government authorities in the future, such as ordering us to make supplemental social insurance and housing provident fund contributions, imposing late fees or fines on us or ordering us to take other measures, any of which may materially and adversely affect our business, financial condition and results of operations.

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

As of the Latest Practicable Date, we had not completed the registration of lease filing for nine leased properties with the relevant competent authorities in accordance with applicable laws and regulations in China. As advised by our PRC Legal Adviser, we may be ordered by relevant competent authorities to complete the registration within a designated time period, and may be subject to fines from RMB1,000 to RMB10,000 for each lease agreement that we fail to register within the time period.

Regarding one of our leased properties, as of the Latest Practicable Date, its landlord had not provided us with a complete and valid property ownership certificate. For details, please refer to the "Business — Legal Proceedings and Non-Compliance — Non-Compliance" section of this Document. Should the lease agreement for this property be deemed invalid, or should we need to vacate it, there is no assurance that we could timely find alternative premises or secure a new lease on comparable commercial terms.

We recorded net loss, net current liabilities, net liabilities and operating cash outflows in certain periods during the Track Record Period, and there can be no assurance that we will not have losses, net current liabilities, net liabilities and net cash outflow in the future.

Since our inception, we have experienced fluctuations in our financial performance. We recorded profit for the year of RMB15.7 million in 2024 and RMB5.1 million in 2025, and loss for the year of RMB113.8 million in 2023, respectively. We may continue to incur net losses in the short term, as we are in the stage of expanding our business and operations in the rapidly growing embodied intelligent industrial robotics industry and are continuously investing in R&D. However, our active efforts to acquire new customers or launch new products may result in higher initial layout of costs required to meet specific customer needs, including longer on-site implementation lead time for our robotics solutions to onboard customers and/or production line adjustments associated with the mass production of our newly launched robot bodies. We may not be able to achieve or subsequently maintain profitability in the near future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, effectively and successfully compete, and develop new products and solutions. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. Our costs and expenses may continue to increase in future periods, as we continue to expand our business and operations and invest in R&D activities. In addition, we expect to incur substantial costs and expenses as a result of being a [REDACTED]. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

As of December 31, 2023, we had net current liabilities of RMB42.2 million and net liabilities of RMB12.2 million. Please refer to "Financial Information — Discussion on Certain Key Balance Sheet Items" in this Document for further details. We cannot guarantee that we will not record a net current liabilities or net liabilities position in the future. If such a situation occurs, we may be exposed to liquidity risk, and our working capital for business operations could be constrained.

We recorded net cash used in operating activities of RMB105.4 million and RMB154.0 million in 2023 and 2024, respectively. See "Financial Information — Liquidity and Capital Resources." We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. As a result, our business, results of operations and financial condition may be adversely affected.

Failure to fulfill our obligations in respect of contract liabilities could adversely affect our liquidity and financial condition.

Our contract liabilities mainly arise from the deposit made by customers while the underlying products and services are yet to be provided. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB13.8 million, RMB10.2 million and RMB49.0 million, respectively. See "Financial Information — Discussion on Certain Key Balance Sheet Items — Contract Liabilities." There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as the completion of our work is subject to various factors, including the timely supply of hardware and software components and the normal operations of our business units. Failure to fulfill these obligations may prevent revenue recognition and require deposit refunds, adversely affecting our liquidity and financial position.

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

During the Track Record Period, we benefited from government grants, many of which are non-recurring in nature or are subject to periodic review. In 2023, 2024 and 2025, the government grants we recognized as other income amounted to RMB21.5 million, RMB18.5 million and RMB2.3 million, respectively. These grants primarily represented local government subsidies supporting our operating and R&D activities, provided at the discretion of relevant authorities and subject to variation. Additionally, our Company and certain subsidiaries enjoyed preferential tax treatments under prevailing PRC tax laws. We cannot assure you that these treatments will remain available or will not be subject to unfavorable updates in government policy or administrative decisions. PRC governmental authorities may reduce or cancel such grants or tax treatments, or require us to repay grants previously received at any time. As these grants are typically provided on a one-off basis, there is no guarantee that we will continue benefiting from them in the future. Furthermore, we may not successfully or timely obtain future government grants or preferential tax treatments that may become available. Any failure to maintain or obtain such benefits could adversely affect our business, results of operations, financial condition and prospects.

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

We are exposed to credit risk related to delay in payment and defaults of our customers, distributors or related parties. As of December 31, 2023 and 2024 and 2025, we had trade and notes receivables of RMB386.5 million, RMB615.1 million, and RMB463.9 million, respectively. We may not be able to collect all such trade and bills receivables due to various factors that are beyond our control, including long payment cycle of public sector customers, adverse operating condition or financial condition of customers, and distributors' inability to pay caused by their customers' delay in payment. If our customers and/or distributors delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables, and our liquidity and financial condition would be adversely affected.

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

To attract and retain talents and to provide incentives to our employees for our long-term development, we have adopted employee incentive schemes periodically. See "Appendix IV — Statutory and General Information — Other Information — 1. [REDACTED] Restricted Share Scheme." We recorded equity-settled share-based payment expenses of RMB65.8 million, RMB5.6 million and RMB4.7 million in 2023, 2024 and 2025 respectively. We may continue to grant share-based awards in the future which could increase our share-based compensation expenses and adversely affect our results of operations and financial condition. In addition, issuance of additional H Shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the value of our H Shares.

The data privacy and data security laws in the jurisdictions where we operate are subject to rapid and evolving changes, imposing significant compliance requirements on us, and any failure or perceived failure to comply, could materially and adversely affect our reputation, business, financial condition and results of operations.

Pursuant to the Measures for Cybersecurity Review (網絡安全審查辦法) (the "**Cybersecurity Review Measures**"), which became effective in February 2022, critical information infrastructure operators that purchase network products and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. In addition, network platform operators holding personal information of over one million users shall also apply for a cybersecurity review before listing in a foreign country. Given that the expression used in the Cybersecurity Review Measures is "listing in a foreign country" rather than "offshore listing" and that Hong Kong is likely to be considered as "offshore" rather than "foreign country," it is not likely that a [REDACTED] in Hong Kong will be considered as "[REDACTED] in a foreign country." Furthermore, the governmental authorities have discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security.

As of the Latest Practicable Date, we had not been notified of being classified as a critical information infrastructure operator, nor have we received any inquiry, notice, warning, investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or the [REDACTED]. Our PRC Data Compliance Legal Adviser is of the view that we are not required to apply for cybersecurity review for the purpose of the [REDACTED]. With the continuous expansion of our business and growth of our customer base, there can be no assurance that we will not be subject to cybersecurity review or the recent tightening of regulations on the collection and use of personal information by relevant government authorities in China will have no material adverse effect to our business operations in the future.

Since 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, if we cannot meet relevant requirements under the evolving applicable laws or regulations relating to data privacy, data protection or information security or any additional tax related requirements relating to data, or any compromise of security that results in unauthorized access, use or leakage of our customers' personal information, we could face damage in our reputation or other negative consequences, such as investigations, fines, or suspension of our business. In addition, complying with various laws and regulations on cybersecurity and data security could cause us to incur additional costs or require us to change our business practices, including our data practices, which may significantly distract our management's attention and adversely affect our business.

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

We rely on our information technology and software systems to effectively manage various customers' and suppliers' data, production and operation data, and financial and human resources data. Any significant failure in our information technology and software systems could result in transaction errors, processing inefficiencies and loss of sales and customers, or lead to loss or leakage of confidential information. Any security and privacy breaches may damage our customer relations and our reputation and may expose us to legal liability.

Our information technology and software systems may be subject to damage or interruption, primarily due to unexpected emergency circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches, unauthorized access to our information systems, hacking intended to cause malfunctions, loss or corruption of data, software, hardware or other computer equipment, intentional or inadvertent transmission of computer viruses and other similar events. We may also encounter problems when upgrading our systems, which could adversely affect our business, results of operations and financial condition.

Environmental, social, and governance matters may impact our business and reputation.

In addition to the importance of their financial performance, companies are increasingly being evaluated by their performance on a variety of environmental, social, and governance ("**ESG**") matters, which are considered to contribute to the long-term sustainability of their companies' performance. A variety of organizations measure the performance of companies on ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the Company's efforts and impacts, including impacts associated with suppliers or other partners, on climate change, ethics and compliance with law, diversity, and the role of the Board in supervising various sustainability issues.

In light of investors' increasing focus on ESG matters, there can be no assurance that we will manage such issues successfully, or that we will successfully meet society's expectations as to our proper role. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our operation results, including the sustainability of our business over time.

RISKS RELATING TO DOING BUSINESS IN THE PRINCIPAL PLACE OF OUR BUSINESS

Changes in economic, political or social conditions could have a material adverse effect on our business and results of operations.

Substantially all of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our future prospects, business, results of operations, and financial condition are, to a material extent, subject to economic, political and legal developments in the PRC. If the macroeconomic condition in China experiences significant changes, demand for our products and our ability to maintain our operations may suffer, which could consequently lead to a material and adverse impact on our business, results of operations and financial condition. Moreover, if foreign governments implement laws or regulations restricting investment in Chinese entities and we are deemed to be subject to such restrictions, the investment and transactions in our Shares, our business prospects, results of operations, financial conditions and future capital raising may be adversely affected.

China's economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Changes in China's business environment could have a material and adverse impact on our business, results of operations and financial condition.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management based on Hong Kong or other foreign laws.

Most of our assets are located in the PRC. In addition, most of our Directors and senior management reside in the PRC. The assets of these Directors and executive officers are also mostly located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon those persons residing in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of certain other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside the PRC may be difficult.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region of the PRC signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (the "**Arrangement**"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated People's Court of mainland China or any designated Hong Kong Court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant People's Court of mainland China or Hong Kong Court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a court of mainland China or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for you to effect service of process against us in order to seek recognition and enforcement of foreign judgments in mainland China.

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

Laws and regulations over foreign currency conversion and on the remittance of Renminbi into and out of the PRC may limit our ability to utilize our revenue effectively and affect the value of your investment.

The PRC government imposes laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of funds into and out of the PRC. Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) ("**SAFE**") by complying with certain procedural requirements and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to satisfy our foreign currency demands, and we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

Fluctuations in exchange rates of Renminbi against Hong Kong dollar, U.S. dollar or other foreign currencies could affect our results of operations and the value of your investment.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies domestic and international economic developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars and we expect a substantial portion of which to be spent in RMB. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the RMB against the Hong Kong dollars may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could have a material and adverse impact on our business, results of operations and financial condition.

Payment of dividends is subject to restrictions under PRC law and regulations.

In accordance with the PRC laws, dividends can only be paid from distributable profits. Our distributable profits are calculated by covering losses and deducting appropriations to statutory surplus reserve and discretionary surplus reserve (as approved by our Shareholders' meeting) from our distributable net profit. The appropriations are based on the unconsolidated net profit determined under PRC GAAP, while our distributable net profit represents the lower of (i) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of the period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. Therefore, there is a possibility that we may not have sufficient distributable profits, if any, to distribute dividends to our Shareholders in the future, even if we generate an accounting profit for a particular period. Any distributable profits which are not distributed in a given year will be retained and can be distributed in subsequent years.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Instances such as the late-filing or late payment of various tax may also attract scrutiny from the tax authorities, as well as associated late payment surcharges. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our results of operations, financial performance and business prospects.

Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Under PRC tax laws, non-PRC resident enterprises and individuals are subject to PRC taxes on dividends from us and gains from the disposal of our H Shares, unless exempted or reduced under an applicable tax treaty.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, or whose income is not effectively connected to such establishments or premises, a 10% PRC enterprise income tax is applicable to dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, unless otherwise provided under a tax treaty or arrangement. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. We intend to withhold tax at this 10% rate 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 will be required to apply to the PRC tax authorities for a [REDACTED] of any amount withheld in excess of the applicable treaty rate, and payment of such [REDACTED] will be subject to verification by PRC tax authorities.

For non-PRC resident individuals, under the PRC Individual Income Tax Law and its implementation rules, a 20% PRC individual income tax applies to PRC-sourced dividends and capital gains, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) dated June 28, 2011, issued by the SAT, domestic non-foreign-invested enterprises issuing shares in Hong Kong may withhold individual income tax on dividends at a 10% rate, unless a different rate applies under a tax treaty. We intend to withhold tax from dividend payments at 10% unless we are informed by the relevant authorities or shareholders that a different rate applies.

Pursuant to the Circular issued by the MOF and SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular Cai Shui [2009] No. 167 stating that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular Cai Shui [2010] No. 70. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident individuals, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with PRC may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and the price and trading volume of our H Shares following the [REDACTED] may be volatile, which may result in substantial losses for investors.

Prior to the [REDACTED], there was no public market for our H Shares. The [REDACTED], determined through negotiations between ourselves and the [REDACTED] (for themselves and on behalf of the [REDACTED]), may differ significantly from the [REDACTED] of our H Shares following the [REDACTED]. Although we have applied for the [REDACTED] of, and permission to [REDACTED], our H Shares on the Stock Exchange, the [REDACTED] itself does not guarantee the development of an active and liquid [REDACTED]. There can be no assurance that an active [REDACTED] for our H Shares will develop or be sustained after the [REDACTED], and there is a possibility that the [REDACTED] of our H Shares may decline.

The [REDACTED] volume of our H Shares may be volatile, influenced by the following factors: (i) actual or anticipated fluctuations in our revenue and operating results; (ii) relationships with our customers and suppliers; (iii) news related to the recruitment or departure of key personnel; (iv) changes in global regulatory developments within our industry; (v) changes in earnings estimates or recommendations made by financial analysts; (vi) potential litigation or regulatory investigations; (vii) general market conditions or other developments that affect us or our industry; (viii) the business performance and [REDACTED] of shares of other companies engaging in similar business; and (xi) the release of [REDACTED] periods or other transfer restrictions on our existing H Shares, as well as sale or perceived sale of additional H Shares by us or other Shareholders.

Furthermore, the securities market has regularly experienced significant price and volume fluctuations that are not linked, directly or indirectly, to the operating performance of the underlying companies. These fluctuations can be influenced by broader political and economic conditions in the PRC (including Hong Kong) or other parts of the world. Such market and industry fluctuations, beyond our control, may have a material and adverse impact on the [REDACTED] and [REDACTED] volume of our H Shares.

We cannot assure you that the [REDACTED] and volume of our H Shares will remain stable or even appreciate over time. Investors should be aware that they may incur substantial losses. Moreover, the volatility in the [REDACTED] and volume of our H Shares may have a negative impact on our ability to raise capital in the future by issuing additional equity securities.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our H Shares for return on your investment.

No dividends have been paid or declared by our Company during the Track Record Period, and there can be no assurance that we will declare or distribute any dividends in the future. The declaration, payment, and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial condition, cash requirements and availability, and other factors as they may deem relevant, and subject to the approval at a Shareholders' meeting. We may not have sufficient or any profits to enable us to distribute dividends to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Future sale, or perceived sale, of substantial amounts of our H Shares in the [REDACTED] could materially and adversely affect the prevailing [REDACTED] of our H Shares.

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], the issuance of new shares or other securities, or the perception that such sales or issuance may occur. Future sales, or perceived 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.