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

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.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (i) risks relating to our business and industry, (ii) risks relating to conducting business in the jurisdiction where we operate and (iii) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The intelligent manufacturing and operations management software sectors that we operate in are characterized by constant changes. If we fail to stay abreast of technological innovation and continuously advance our solutions and services to meet the expectations and needs of our customers, our business, results of operations and financial condition may be materially and adversely affected.

The intelligent manufacturing and operations management software sectors that we operate in are characterized by constant changes, including rapid technological evolution, frequent introduction of new software products and services, continual shifts in customer demands and the constant emergence of new industry standards and practices. As such, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to constantly anticipate the emergence of new technologies and assess their market acceptance. To remain competitive, we must continue to stay abreast of the evolving industry trends and rapid technological development. Our business growth also relies on our ability to identify and anticipate the evolving expectations and needs of customers in a timely manner and develop and provide satisfying solutions accordingly.

We have invested and will continue to invest significant resources to enhance our intelligent industrial software solutions. Nevertheless, given the fast pace with which the technology has been and will continue to be developed, we may fail to timely upgrade our technologies efficiently, cost-effectively, or at all. We may fail to leverage new technologies effectively or adapt our offerings to meet customer needs or emerging industry standards and our technology approach might not align with our future development plans or even become obsolete if we are unable to adapt in a cost-effective and timely manner to changing market conditions, whether for technical, legal, financial or other reasons. Any of the circumstances would render our existing technologies or solutions obsolete or unattractive, resulting in customer dissatisfaction, which will materially and adversely affect our business, results of operations, financial condition and prospects.

If our competitors' software products, services or technologies gain broader market acceptance, are introduced to the market faster, or offer better functionality, our revenues, market share and growth prospects may be adversely impacted. Aggressive pricing strategies could enable them to quickly expand their customer bases and sales networks, placing additional pressure on our pricing levels. If we cannot maintain competitive pricing, coupled with heightened competition, we may experience lower sales volumes, compressed profit margins, operating losses or erosion of our competitive position, any of which could adversely affect our business, financial condition and results of operations.

Our limited operating history makes it difficult to evaluate our prospects and the risks and challenges we may encounter. Our historical growth may not be indicative of our future performance.

We commenced our operations in 2017 and have continued to expand our business. Through organic growth and M&A, we have evolved from a provider of specialized CIM solutions into a provider of intelligent industrial software solutions. We have developed and will continue to develop solutions across diversified use cases. Our new business initiatives have not been fully proven given the limited track record of such offerings, which may subject us to a number of uncertainties and additional costs and adversely affect our ability to project and plan for the future growth.

Our revenue increased from RMB286.8 million in 2023 to RMB499.7 million in 2024 and further increased to RMB731.5 million in 2025. However, you should not consider our historical performance as indicative of our future financial performance. As a result of our evolving business portfolio and limited operating history in certain of our solutions, it is difficult to draw an exact period-over-period comparison of our business. Furthermore, as our business further develops, we may modify our business model or portfolio. We may launch new solutions or discontinue existing ones. Any of such changes may materially and adversely affect our business, results of operations and financial condition.

Our prospects should be considered in light of the risks and uncertainties that growing companies in rapidly evolving industries may encounter, including the following ones, some of which are beyond our control: (i) China's overall economic growth; (ii) market adoption of automation and industrial software solutions in China; (iii) the evolving regulatory environment and initiatives; (iv) favorable government policies, grants, incentives and special budgets to support automation and intelligentization; (v) awareness and widespread adoption of intelligent industrial software solutions; (vi) our ability to advance our technologies and develop new ones; (vii) our ability to attract, retain and motivate talented employees, in particular R&D talents as well as staff with in-depth industry know-how; (viii) our ability to develop and provide solutions to efficiently address our customers' needs; (ix) our ability to retain and expand our customer base; (x) our ability to increase brand recognition; (xi) our ability to successfully compete with other companies; and (xii) our ability to manage our costs and expenses and enhance operating efficiency.

In addition, we cannot assure you that we will be able to manage our growth or implement our business strategies effectively. If the markets for our intelligent industrial software solutions do not develop as expected or if we fail to address the needs, our business, results of operations, financial condition and prospects will be materially and adversely affected.

The size of our addressable markets and the demand for intelligent industrial software solutions may not increase as rapidly as we anticipate due to a variety of factors, which would materially and adversely affect our business, results of operations and financial condition.

China's advanced industries, which represent a significant portion of our core addressable market, have been developing rapidly. The future market size and the demand for intelligent industrial software solutions may, however, be difficult to anticipate since it depends on a number of variables, most of which are beyond our control. For example, the market growth may depend on supportive government policies, the prevalence of new technologies and the performance and cost-efficiency of the available solutions in the market.

To grow our business and extend our market position, we intend to accumulate our industry experience and know-how to identify customer pain points, educate our existing and prospective customers about the benefits of our solutions and enhance and innovate our technologies and features to increase market acceptance. However, if we fail to cultivate and discover long-term existing customers needs, or our intelligent industrial software solutions do not achieve widespread acceptance across advanced industries, or there is a reduction in customer demand as a result of alternative technologies, competing products or services, technological challenges, data security or privacy concerns, enhanced regulations, decreases in customer spending, macroeconomic downturns, international and regional political tensions, or other causes, our business, results of operations and financial condition will be materially and adversely affected.

In addition, the market acceptance may vary across different industries. Whether potential customers accept intelligent industrial software solutions depends, to a large extent, on their level of awareness of such solutions, the widespread adoption of similar offerings, and more importantly, the brand recognition, industrial reputation and operating history of the solution provider, as the costs and time required to implement a particular solution or transition between solutions are substantial and any minor errors could be significantly amplified in the manufacturing process. As we aim to reach out to more customers across different industry sectors, we are focusing on industries where we already have a presence. See "Business—Overview—Our solutions." However, we may face challenges brought by more diverse and complex use cases. We cannot assure you that the trend of adopting and utilizing intelligent industrial software solutions by potential customers will develop or continue in the future in any given industry sector, which would hinder our ability to achieve the desired level of adoption of our solutions.

If we cannot retain existing customers, attract new customers or increase their spending, our business, results of operations and financial condition could be materially and adversely affected.

Our revenue growth depends largely on our ability to retain existing customers, attract new customers or increase their spending. This in turn would depend on a number of factors, including our ability to offer high-quality intelligent industrial software solutions that address the needs of our customers at competitive prices, roll out new and enhanced features and functionalities, strengthen our technological capabilities and adapt to the evolving industry trends and competitive landscape. There can be no assurance that we will succeed. For example, we primarily provide solutions on a project basis and may need to customize the solutions based on specific customer demands. We cannot assure you that we will be able to replicate our previous selling success or reuse previous project experience in acquiring new customers, selling new or upgraded solutions to existing customers, or providing long-term services. Our customers may find their existing solutions sufficient and we may also fail to capture the cross-selling and up-selling opportunities for other offerings in our solutions. They may even develop their own intelligent industrial software solutions or otherwise utilize their internal resources to reduce or eliminate their reliance on third-party providers like us. In addition, as we acquire certain projects from SOEs through public tendering process, which involves intense competition and pricing pressure beyond our control, we may face risks in acquiring and contracting with customers on favorable terms.

Furthermore, our customer base and customer spending may decline or fluctuate due to many factors, including customer satisfaction, budget levels, changes in our customers' underlying businesses, changes in the type and size of our customers, pricing, competitive landscape and general economic conditions. We may also fail to execute our sales and marketing strategies in a cost-effective manner or our efforts to cross-sell and up-sell may not be as successful as we anticipate. If we fail to correctly and promptly identify our customers' demands or continuously provide them with solutions and services that add value to their businesses, our customers may choose not to renew their purchases or increase their spending on our services and software products, and could result in customer dissatisfaction and decrease in the overall demand for our solutions, which would materially and adversely affect our business, results of operations, financial condition and prospects.

As we expand our customer base across diverse industry sectors, the demands of our customers may differ and evolve over time. As such, we need to upgrade, expand and modify our solutions to satisfy their requirements. We also need to develop expertise and insights to serve customers across industry sectors and adapt our solutions accordingly to ensure the degree of our market acceptance. We cannot assure that we can always provide solutions that meet our customers' anticipations. As a result, we may not be able to retain and expand our customer base and our business, results of operations and financial condition may be materially and adversely affected.

If we are not able to enhance or upgrade our existing intelligent industrial software solutions and introduce new ones that are broadly accepted by the market and meet our customers' evolving demands in a timely and cost-effective manner, our business, results of operations and financial condition could be materially and adversely affected.

To remain competitive, we need to continue to enhance and improve our existing intelligent industrial software solutions and introduce new ones. The success of any enhancement or new solution depends on a number of factors, including timely completion, adequate quality testing, consistently high actual performance, market-accepted pricing levels and overall market acceptance. Enhancements and new solutions that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may have interoperability difficulties or may not achieve the broad market acceptance necessary to generate significant revenue. If we are unable to enhance or upgrade our existing solutions to meet the evolving customer requirements or develop new ones in a timely or cost-effective manner, we may not be able to maintain or increase our revenue or recoup our investments and our business, results of operations and financial condition would be materially and adversely affected.

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

We provide full stack intelligent industrial software solutions to address the diversified needs of our customers across various industry verticals and in different use cases. We have a track record of successfully expanding into new industries and use cases. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding into new industries and use cases involves new risks and challenges, such as the difficulty in keeping pace with evolving customer demands and preferences that we may be unfamiliar with. In addition, there may be one or more existing market leaders in such areas. Such companies may be able to compete more effectively than us by leveraging their experience in addressing customer needs in those use cases, as well as their deeper industry insights, greater brand recognition, more advanced technologies and better access to customer base and business opportunities. We could also be subject to additional regulations relating to new industries and use cases that we enter into and we may not have sufficient experience or resources in dealing with those enhanced requirements and could incur additional compliance costs as a result. During the Track Record Period and up to the Latest Practicable Date, our domestic and overseas operations did not involve any administrative licenses, franchise rights, or special qualifications that could materially and adversely affect our business operations or financial performance. The compliance costs associated with our planned expansion are expected to primarily consist of legal advisory, audit and tax advisory fees and are anticipated to remain modest, assuming no material unforeseen developments arise. Nevertheless, expansion into any new industries and use cases may place significant strains on our management and resources and failure to expand successfully could have a material adverse effect on our business, results of operations, financial condition and prospects.

If we fail to compete effectively, our business, results of operations and financial condition could be materially and adversely affected.

As of the Latest Practicable Date, there are approximately 400 existing competitors in the advanced-industry intelligent manufacturing software companies market. Our competitors in the market comprising advanced-industry intelligent manufacturing software companies, may have greater brand recognition, longer corporate operating history, more advanced technical capabilities and broader established customer base than us. They may also have, or in the future gain, more financial resources and sophisticated technological capabilities than us. Furthermore, our competitors, including in-house technology development of our customers and prospective customers, may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or customer demand than us. In addition, premised on our industry expertise in advanced industries, we have curated our intelligent industrial software solutions for manufacturers in related industry verticals. As we develop new intelligent industrial software solutions catering to more diversified use cases, the customer preferences and required industry expertise will become different and we are likely to face additional competitors.

We may also face competition from new entrants who may offer lower prices or new technologies and solutions and thus increase the level of competition in the future. Intensified competition could result in lower sales, price reduction, declined profit margins or loss of market share. Furthermore, we may be required to make substantial additional investments in R&D, sales and marketing, recruiting and retaining talents and acquiring technologies complementary to, or necessary for, our current and future solutions in response to such competitive threats and we cannot assure you that these measures will be effective. If we are unable to compete successfully, our business, results of operations and financial condition may be materially and adversely affected.

If we are not able to enhance our brand recognition and sales and marketing capabilities could harm our ability to increase our customer base and adversely affect our business, results of operations and prospects.

We believe that maintaining and enhancing our brand is important to market acceptance of our solutions, attracting new customers and retaining existing customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Success will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable solutions that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop better functionalities and services and our ability to successfully differentiate our services from competitive services. However, our efforts may not always be successful or yield increased revenue.

Brand promotion requires expenditures and we expect that these expenditures will increase as the market competition intensifies. Our selling and marketing expenses were RMB27.6 million, RMB35.9 million and RMB51.2 million in 2023, 2024 and 2025 , respectively, accounting for 9.6%, 7.2% and 7.0% of our total revenue in the same periods. We may also be unable to hire and train sufficient numbers of qualified sales and marketing personnel or ensure the productivity of our sales and marketing personnel in acquiring new customers or cross-selling to our existing customers. If we do not successfully maintain and enhance our brand and ensure the effectiveness of our sales and marketing efforts, our ability to expand our customer base may be impaired, which would then adversely affect our business, results of operations and financial condition.

We have been investing heavily in our R&D efforts, which may negatively impact our profitability in the short term and may not generate the results we expect to achieve.

Our R&D effort and technological advantages are crucial to our business operations and success to date. We have been investing heavily in our R&D efforts, which we believe to be helpful to our long-term sustainable growth. We have invested, and plan to continue investing, in R&D to enhance our technological capabilities by exploring into various areas with promising expansion potentials, while actively monitoring market trends to stay ahead of industry needs. See "Business—Research and Development." Our R&D expenses were RMB52.9 million, RMB60.1 million and RMB81.7 million in 2023, 2024 and 2025, accounting for 18.5%, 12.0% and 11.2% of our revenue for the same periods, respectively. The advanced-industry intelligent manufacturing software companies market in which we operate are subject to continuous technological changes and are evolving rapidly in terms of technological innovation. We need to invest significant resources in technological advancements to ensure that our offerings will remain competitive in the market.

However, our R&D activities may not always yield the desired results. If we do not spend our development budget efficiently or effectively, we may not realize the expected benefits from our investments in R&D. We may experience difficulties that could delay or impede our R&D progress and incur significant time and financial resources. Even if our R&D efforts successfully lead to new or upgraded solutions or technology improvements, they may require lengthy period of time for testing before launching and the final solutions we offer to the market may not be well-received by our customers or generate sufficient revenue to cover the expenses incurred. We may also encounter practical difficulties in promoting our R&D results for market adoption.

Additionally, our periodic R&D expenses may be independent of our level of revenue, which could negatively impact our financial results. We expect these expenses to increase in the foreseeable future as our technology development efforts continue with the aim to consolidate our competitive edge and diversify our service and solution offerings and there can be no guarantee that our research and development investments will result in software solutions that bring in additional revenue.

Moreover, the evolving technologies could render the technologies or solutions that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related R&D expenditures. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our sales cycle to SOEs and large private enterprises can be lengthy and unpredictable and requires considerable time and expense. We may also encounter configuration, implementation and customer support challenges when serving them, which could cause delays in revenue recognition.

We offer our intelligent industrial software solutions primarily to SOEs and large private enterprises. Our revenue from SOEs was approximately RMB167.8 million, RMB233.8 million and RMB501.2 million in 2023, 2024 and 2025, respectively. Our revenue from large private enterprises with a registered capital of more than RMB30.0 million was approximately RMB67.2 million, RMB176.6 million and RMB144.5 million in 2023, 2024 and 2025, respectively.

The length of our sales cycle, which is the time between initial contact with a potential customer and the ultimate sale to that customer, varies upon the size of potential customer and project. The sales cycle for SOEs and large private enterprises is often lengthy and unpredictable, generally ranging from about one month to one and a half year. The cycle may be further extended in particular cases involving large-scale projects or long-term service agreements tailored to specific customer requirements. Many of our prospective customers are new entrants or at the early stage of their automation and intelligent transformation and do not have prior experience with intelligent industrial software solution. Therefore, they typically spend significant time and resources evaluating our intelligent industrial software solutions before they purchase from us. Similarly, we typically spend more time and efforts determining their requirements and educating these customers about the benefits and uses of our solutions. SOEs and large private enterprises also tend to demand more customization and additional features than their smaller counterparts. As a result, we may be required to divert more sales, product fulfillment and R&D resources to SOEs and large private enterprises and will have less personnel available to support other customers, or that we will need to hire additional personnel, which would increase our operating expenses. SOEs and large private enterprises may delay their purchases as they assess their budget constraints, negotiate early termination with existing providers or wait for us to develop new features. Any delay in closing, or failure to close, sales opportunities with such customers could significantly harm our projected growth rates and cause the amount of new sales we book to vary significantly from period to period.

In addition, we may face challenges in configuring and implementing our solutions and providing ongoing support and may not be able to recognize revenue in accordance with the expected project timetable until the customer's technical or implementation requirements have been met. SOEs' and large private enterprises' facilities and operational systems are often more complex than those of smaller customers and the configuration and implementation of our solutions for these customers generally require more efforts from us as well as participation from the customers themselves. There can be no assurance that the customer will make available to us the necessary personnel and other resources for a successful configuration. The lack of local resources may prevent us from proper configuration, which can in turn adversely impact the quality of solutions that we provide and may result in delays in the implementation of our solutions. This may create a public perception that we are unable to offer high-quality solutions to our customers, which could harm our reputation and make it more difficult to attract new customers and retain existing customers. Moreover, SOEs and large private enterprises tend to require higher levels of customer support and individual attention, including periodic business reviews and training sessions, which may increase our costs. If a customer is unsatisfied with the quality of solutions and customer support we provide, we may decide to incur costs beyond the scope of our contract with the customer in order to address the situation and protect our reputation, which may in turn reduce or eliminate the profitability of our contract with the customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, could harm our reputation and make it more difficult for us to compete for new business.

If we fail to effectively execute the sales, configuration, implementation and ongoing support of our solutions to SOEs and large private enterprises, our results of operations and our overall ability to grow our customer base could be materially and adversely affected.

Our pricing policy may subject us to various challenges that could make it difficult for us to derive sufficient value from our customers.

The fee for our PlantU series intelligent industrial software solutions is typically determined upon project complexity, amount of work and manpower involved, software products supplied and customization requests raised by our customers, service period, extent of services required. For ERP systems licensed from third-party suppliers, the annual license fee is calculated by applying a markup to our own licensing costs. See "Business—Sales and Marketing—Pricing and Fee Model." Such pricing model requires us to undertake significant projections and planning on our costs. We may be unable to recover any cost overruns from our customers as the actual costs of providing such services may differ from our estimates due to unanticipated technical or other problems that may occur during the project development process, which may require us to incur additional costs we cannot recoup. These issues may include unforeseen technical challenges, failure to properly estimate the defect-fixing or maintenance requirements of our customers and other unforeseeable reasons. If, for the reasons aforementioned, our projections and planning differ significantly from those actually incurred, our business and results of operations could be harmed.

Furthermore, we may fail to optimize our pricing, which is predominantly determined by the competitive landscape and market conditions. We have sometimes reduced our prices either for individual customers in connection with long-term agreements or for a particular solution or project and have also sometimes failed to increase our pricing levels to cover increased costs and expenses or to reach desirable profit margins. As competitors introduce new solutions that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. Moreover, SOEs, large enterprises and other recurring customers, which are primary focuses of our business, may demand substantial price concessions leveraging their significant bargaining power. As a result, we may fail to increase our pricing levels, or may even be required or choose to reduce our prices or change our pricing model, which could materially and adversely affect our business, results of operations and financial condition.

Our project completion cycle can be longer than expected and may lead to increased time and expense that could affect our operating results.

The completion cycle for our projects may not be accurately predicted and may extend beyond our initial expectations. Various factors, such as changes in customer requirements, technical challenges and resource availability, can contribute to delays. Prolonged project timelines can result in increased costs and resource allocation, which may not be fully recoverable through project fees. This can lead to higher expenses and reduced profitability. Additionally, extended project cycles can delay the recognition of revenue, affecting our cash flow and financial performance. Moreover, unexpected delays in project completion timelines can complicate our resource planning and allocation. We may need to allocate additional personnel and resources to projects that are delayed, which could impact our ability to take on new projects or meet the timelines of other ongoing projects. This can create a ripple effect, leading to further delays and increased costs across multiple projects. Furthermore, longer-than-expected project completion cycles can strain our relationships with customers. Delays can lead to customer dissatisfaction and potential disputes, which could harm our reputation and result in the loss of future business opportunities. If we are unable to manage project timelines effectively, our operating results could be materially and adversely affected.

As the number of customers that we serve increases, we may encounter service delivery challenges, which would harm our business and operating results.

As our customer base grows, we may encounter challenges in providing our services and solutions effectively. Managing a larger number of customers can strain our resources, operational capacity and service delivery processes. If we are unable to scale our operations to meet the increased demand, it can lead to service delivery issues, customer dissatisfaction and potential loss of business. Moreover, service delivery challenges can impact our operational efficiency and increase our costs. Ensuring that we have the necessary infrastructure, personnel and processes in place to support a growing customer base is essential to maintaining service quality and meeting customer expectations. Effective resource planning, process optimization and continuous improvement are crucial to managing these challenges. Further, because we do not fully control our customers' implementation and integration schedules, if our customers do not allocate the internal resources necessary to meet implementation timelines or if there are unanticipated implementation delays or difficulties, our revenue recognition may be delayed. Any difficulties or delays in implementation processes could cause customers to delay or forego future purchases of our software products, which would adversely affect our business, operating results and financial condition.

If we are unable to manage the risks related to our expansion in international markets, which involves various technical and regulatory risks and uncertainties, our business, financial results and prospects may be adversely impacted.

As mentioned in "Business—Our Strategies—Further Strengthening our Position in the Intelligent Industrial Software Solutions Sector," expanding our global footprint is an important part of our future growth. Our international operations and expansion efforts may result in allocation of significant resources and management attention and subject us to intellectual property, regulatory, economic and political risks and uncertainties that are different from those in the PRC. As we increase our international sales efforts, the various risks and uncertainties that we may face include but are not limited to: (i) the need to localize and adapt our solutions for specific countries, including translation into foreign languages and the associated costs and expenses; (ii) difficulties in staffing and managing foreign operations, particularly in hiring and training qualified sales and service personnel; (iii) different pricing environments, potentially longer sales and accounts receivable payment cycles and collections issues; (iv) challenges in commercializing our solutions in new markets where we have limited experiences and no existing or developed sales, distribution and marketing infrastructure; (v) new and different sources of competitions; (vi) general economic conditions and political instability in international markets and the unexpected changes thereof; (vii) fluctuations between Renminbi and foreign currencies, which may make our solutions more expensive in other countries or regions or may impact our results of operations when our revenue are translated into Renminbi; (viii) compliance challenges related to the complexity of conflicting and changing territorial and trans-jurisdictional laws and regulations, including that on privacy and data protection, employment, tax and telecommunications and obtaining the necessary licenses, permits and approvals; (ix) weaker protection for intellectual property and other legal rights and practical difficulties in enforcing or defending against claims thereof; (x) increased risk of international telecom fraud; (xi) compliance with multiple and potentially conflicting laws and regulations governing various aspects we may be involved in, including competition, pricing, operation, tariffs, trade protection, economic or trade sanctions, anti-dumping, anti-corruption, anti-money laundering, labor protection, restrictions on foreign investment, anti-competition and other activities important to our business; (xii) laws and business practices favoring local competitors; and (xiii) increased financial accounting and reporting burdens and complexities.

Our ability to maintain and expand our presence and competitiveness in the global market will be critical to the success of our business. However, there is no guarantee of achieving this and any of the aforementioned risks could present significant challenges for us. In recent years, rising geopolitical tensions and national security concerns have led to stricter international trade policies, trade protection measures, economic or trade sanctions and export control measures. The interpretation and enforcement of such laws and regulations and future development in global trade dynamics may impose new restrictions or uncertainties. Non-compliance with such laws could result in a restriction on our ability to conduct cross-border business, an increase in compliance burdens, or reputational damage.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material adverse effect on our business, financial condition and prospects.

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

On January 2, 2025, the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "**Final Rule**") issued by the US Department of the Treasury took effect, implementing Executive Order 14105 and establishing an outbound investment screening regime that either prohibits or requires notification for certain transactions by US persons (i.e., any US citizen, US permanent resident, US company, foreign branch of a US company, or any person in the United States regardless of nationality). The Final Rule targets transactions involving persons and entities associated with countries of concern (currently including China) that engage in defined covered activities in the semiconductors and microelectronics, quantum information technologies and artificial intelligence sectors and applies to a wide range of covered transactions, including acquisitions of equity interests (such as purchases of shares in an initial public offering or contingent equity), certain debt financing, joint ventures and certain limited-partner investments in non-US person pooled investment funds.

Under the Final Rule, a transaction is prohibited where a US person invests in a covered foreign person engaged in specified categories of advanced technologies or products (for example, activities in semiconductors and AI that meet defined technical or performance thresholds, such as advanced EDA development, EUV-related inputs, integrated circuits meeting Export Control Classification Number (ECCN) 3A090.a parameters, advanced fabrication or packaging, or AI systems for military, government intelligence or mass-surveillance end-uses or trained at or above defined compute thresholds). Where the activities of a covered foreign person do not reach the prohibition thresholds but fall within the scope of covered activities, the transaction is notifiable and the US person must submit a notification to the Department of the Treasury (for example, semiconductor design/fabrication/packaging below the specified thresholds, or AI systems intended for certain sensitive applications—such as cybersecurity, digital forensics, penetration testing or robotic control—or trained at lower compute thresholds). See "Regulatory Overview—Outbound Investment Program".

Based on our current understanding of the Final Rule, we believe our business activities currently do not fall within the "prohibited or notifiable transaction categories" under the Final Rule, because our products do not fall into the specified categories of the advanced technologies and products as mentioned above. We provide intelligent industrial software solutions for customers from a wide range of industries. Certain customers from integrated circuits sector use our products to enhance automation, quality and efficiency management, but we do not engage in any design, fabrication or packaging of integrated circuits. Some of our solutions utilize intelligent algorithms from third parties or open source to enhance efficiency and accuracy, but we do not develop any AI systems that would fall within the scope of covered activities under the Final Rule. Accordingly, investments by US persons in our publicly traded shares would not constitute "covered transactions" as defined in the Final Rule. However, there can be no assurance that future amendments to, or interpretations or enforcement of, the Final Rule will not affect investments by U.S. persons in us. Accordingly, investments by U.S. persons in our publicly traded shares may be subject to additional regulatory scrutiny, notification requirements or other restrictions in the future, which could adversely affect the liquidity of our Shares and the demand for our securities.

Our contracts may be modified or terminated by our customers and our contract value may not be recognized on time, or at all.

Customers may seek to modify the scope, terms or pricing due to changes in their business needs, budget constraints or other factors. Such modifications can lead to reduced contract value, delays in project timelines and increased costs, impacting our revenue and profitability. Moreover, as fees are typically settled in installments based on project development milestones, if a customer terminates a contract after we incur substantive costs and expenses but prior to the relevant payment milestone, we may not be able to recover certain costs incurred up to that point, leading to financial losses. The number of early termination or cancellation of projects by customers were four, five and three in 2023, 2024 and 2025, respectively, primarily due to changes in their business needs, which made them unable to enforce the contracts or no longer want to be bound by the contracts. Delays in project execution, disputes over deliverables or changes in customer requirements in relation to such modification can also affect the timing and amount of revenue recognized. This can lead to fluctuations in our financial performance and make it challenging to forecast our revenue accurately. Furthermore, contract modifications or terminations can disrupt our project planning and execution. We may need to reallocate personnel and resources to other projects or have a lower utilization rate, which can impact our operational efficiency and margin. If we are unable to manage contract risks effectively, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to credit risk in relation to our trade receivables and contract assets.

Our trade and bill receivables represent amounts due from our customers for our intelligent industrial software solutions. We had trade and bill receivables of RMB81.4 million, RMB199.2 million and RMB339.2 million as of December 31, 2023, 2024 and 2025, net of loss allowance of RMB1.4 million, RMB1.9 million and RMB7.8 million as of the same dates, respectively. During the Track Record Period, we generally granted our customers a credit period of 30 to 180 days. Our trade and bill receivables turnover days were 74 days, 102 days and 135 days for 2023, 2024 and 2025, respectively. Our contract assets primarily related to retention money withheld by customers. For contracts with warranty, we typically permit customers to retain 5% to 10% of the contract price until the expiration of the complimentary warranty period. The complimentary warranty retention period is typically one year. These amounts are included in contract assets until the end of the warranty retention period as our entitlement to these final payments are conditional on our projects being functioning properly during such period. For major, strategic or long-term customer projects, the retention amount or warranty period may exceed the standard terms. When our right to consideration becomes unconditional, we reclassify the contract assets to trade receivables. We had contract assets of RMB9.0 million, RMB15.2 million and RMB25.4 million as of December 31, 2023, 2024 and 2025, net of loss allowance of approximately RMB0.1 million, RMB0.3 million and RMB0.3 million as of the same dates, respectively. We cannot guarantee that we will receive the full amount of contract assets, as our projects may not continue to function properly during the warranty period. See "Financial Information—Discussion of Major Consolidated Statements of Financial Position Items—Trade and Bills Receivables" and "Financial Information—Discussion of Major Consolidated Statements of Financial Position Items—Contract Assets." We may not be able to collect our trade receivables in a timely manner, or at all, due to a variety of factors that are beyond our control, such as long payment cycles and the adverse financial situation of certain customers. We had impairment losses on trade receivables of approximately RMB0.6 million, RMB0.5 million and RMB5.9 million in 2023, 2024 and 2025, and on contract assets of approximately RMB0.1 million, RMB0.2 million and RMB0.1 million in 2023, 2024 and 2025, respectively.

We are exposed to the risk that our customers may delay or be unable to pay us in accordance with the payment terms included in our contracts. If our customers fail to pay us under the terms of our contracts, we may be adversely affected by both the inability to collect amounts due and the costs of enforcing the terms of our contracts, including through private negotiations, demand letters and litigations. Furthermore, some of our customers are SOEs, which may prolong their payment processes. In addition, some of our customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or delay such payments, either of which could adversely affect our business, results of operations and financial condition. We cannot assure you that we will be able to fully recover the outstanding amounts in a timely manner, or at all. In addition, as our business continues to scale up, our trade receivables and contract assets may continue to grow, which may increase our credit risk. Any substantial delay in or default of payments from our customers could materially and adversely affect our cash flows. Moreover, we may have to terminate our relationship with customers if we cannot timely obtain payment from them, which could have a negative impact on our customer base. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

Our sales to general contractors could potentially subject us to risks relating to delays in collecting trade receivables, which may adversely impact our liquidity, financial condition and results of operations.

During the Track Record Period, we generated some of our revenue from offering our solutions to general contractors who are usually engaged by end adopters to assist with various aspects of project implementation. See "Business—Sales and Marketing—Sales Agreements with Our Customers" and "Business—Customers and Suppliers—Customers." This business arrangement introduces inherent risks related to delays in collecting trade receivables as general contractors may prioritize settling payments from their end adopters before making payments to us as their upstream suppliers, thereby temporarily impacting our liquidity, financial condition and results of operations. There can be no assurance that our measures will always be effective in managing trade receivables collection and working capital challenges. Unforeseen disruptions, macro-economic condition fluctuations, or systemic payment delays within the value chain compounded by our business arrangement with general contractors could adversely our ability to effectively manage our trade receivables collection. See "—We are exposed to credit risk in relation to our trade receivables and contract assets."

We have derived and expect to continue to derive, a significant portion of our revenue generated from intelligent industrial software solutions from companies in the semiconductor industry and may be particularly sensitive to further developments in such region.

During the Track Record Period, we derived a significant portion of our revenue generated from our intelligent industrial software solutions from companies in the semiconductor industry, although the revenues from other sectors have been increasing exponentially. Going forward, while we are expanding our operations in other industry sectors in Mainland China and overseas, we expect that a large part of our revenue generated from intelligent industrial software solutions will remain dependent on sales of intelligent industrial software solutions to semiconductor companies as the accumulation of proprietary expertise and brand recognition in the new sectors has been progressing at a relatively modest pace. We are therefore sensitive to the regulatory, economic and competitive conditions of intelligent industrial software solutions for the semiconductor industry. Decreases in the spending power or willingness to purchase of the semiconductor companies of our intelligent industrial software solutions may affect the demand for our solutions and our results of operations and profitability may be materially and adversely affected. For example, discontinuation of favorable government policies and incentives that encourage the establishment of semiconductor manufacturing facilities, or disruptions in economic conditions in this industry, may result in customers cutting back on their spending, which could materially and adversely affect our sales of intelligent industrial software solutions. Furthermore, natural disasters, outbreaks of contagious diseases or changes in the laws and regulations governing the semiconductor industry may have a material adverse effect on our business operations.

While we continue to strengthen our internal capabilities, we involve third parties in our operations for certain supplies and procurement required for our intelligent industrial software solutions, which may reduce our control over supply sufficiency, quality and timeliness and could harm our business.

While our outsourcing rate is relatively low compared with the industry average, we still engage third parties for certain supplies and procurement. Our suppliers mainly consist of (i) licensors of software products used in our solutions and daily operations, including ERP systems, operating systems, database software, development tools, software components and network security systems. Specifically, we purchase ERP systems from third-party providers and resell them to domestic customers together with customization and maintenance services. See "Business—Operations Management Software Solutions—Enterprise Resource Planning (ERP)." Our ERP procurement costs accounted for 5.3%, 10.1% and 9.4% of our cost of sales in 2023, 2024 and 2025, respectively; (ii) source code providers; (iii) hardware providers; and (iv) human resources technical services providers.

Although we have internal policies governing supplier selection and quality assurance, such arrangements may reduce our direct control over supply adequacy, quality and timeliness, which could affect the quality, development and deployment of our solutions. We may face operational issues with third-party suppliers, including limited product supply and capacity, price volatility, failure to meet our specifications, inadequate quality control and delivery delays. Any failure by third-party suppliers to perform their obligations or comply with applicable laws and regulations may materially and adversely affect our ability to serve customers.

Our third-party suppliers may also suffer operational disruptions caused by equipment and system failures, pandemics, labor disputes or shortages, natural disasters, material shortages, rising costs, non-compliance and other factors. Such disruptions may increase our financial and time costs in renewing contracts or finding alternative partners that meet our existing standards and brand requirements. In addition, ambiguities in contractual terms may expose us to breach of contract risks when outsourcing services to third parties.

Furthermore, while we maintain stable relationships with third-party providers, we cannot guarantee that we will remain long-term partners, that such providers will continue to supply us, or that prices will remain at current levels. Any supply disruption or unfavorable terms may require us to spend additional time and resources seeking suitable alternatives. As a result, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected by our involvement of third-party suppliers in the business operations.

If we fail to provide satisfactory solutions and high-quality customer services, our brand image, business, results of operations and financial condition may be harmed.

During the Track Record Period and up to the Latest Practicable Date, we had successfully maintained a good record with no material complaints attributed to product quality. However, we may fail to maintain the standards of our customer service, retain a sufficient number of customer support personnel and provide them with adequate training. Moreover, our customer service may fail to timely and effectively resolve the problems associated with our offerings. Furthermore, to grow our operations and expand our customer base, we need to continuously provide effective maintenance and technical support that meets our customers' needs at scale. Any failure to maintain high-quality maintenance and technical support services or a market perception that we do not maintain such for our customers would harm our business. We may also receive complaints from our customers regarding our services. If we do not handle customer complaints effectively, our brand and reputation may suffer, our customers may lose confidence in us and reduce or cease their use of our solutions.

As our solutions are frequently adopted by entities in their routine operations, our failure to resolve the problems of our offerings may result in significant disruptions to their businesses. Our brand image and ability to retain and bring in customers may be negatively affected. Our customers may post and discuss on social media and other channels about our offerings and complaints or other forms of negative publicity on those channels may arise from our failure to provide high-quality services. Further, our customers may seek compensation for business interruptions, data loss or other adverse impacts resulting from software failures. Such claims can be costly and time-consuming to resolve, diverting management's attention from other business activities. Therefore, if we are unable to maintain the quality and reliability of our software and solutions, our brand image, business, results of operations and financial condition could be materially and adversely affected.

Our business operations could be harmed by real or perceived material defects or errors in our intelligent industrial software solutions, as well as flaws or inappropriate usage of new technologies.

The technology underlying our intelligent industrial software solutions is inherently complex and may contain material defects or errors, particularly when new versions are first introduced, when new features or capabilities are released, or when it is integrated with new or updated third-party hardware or software. Although no material defects or errors have been found in our intelligent industrial software solutions during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that our existing intelligent industrial software solutions will not contain defects or errors. Any real or perceived defects, errors, failures, vulnerabilities or bugs could result in negative publicity or lead to system downtime, data loss or other performance issues, which could affect the business operations of our customers and harm our business, reputation and customer relationship. Correcting such defects or errors may be costly and time-consuming and we cannot assure you that we will be able to detect, identify and rectify such problems in a timely manner or at all. We may also be involved in disputes and subject to legal liabilities in relation to real or perceived defects or errors. As a result, our business, results of operations and financial condition may be materially and adversely affected.

In addition, certain new technologies that we adopted in our solutions, including AI, big data analytics and IoT, are expected to continue to evolve and change. Flaws or deficiencies in such new technologies could undermine the accuracy and thoroughness of the analysis and decisions made by our solutions. We cannot assure you that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. Similar to many innovations, AI technologies also present a number of operational, compliance and reputational risks, such as potential misuse by third parties for inappropriate purposes or biased applications which breach public confidence or violate applicable laws and regulations, or litigation or other proceedings initiated by certain individuals claiming for infringement of legitimate rights such as privacy or personality rights. Specifically, data sets from which large language models learn are at risk of poisoning or manipulation by bad actors, resulting in offensive or undesired outputs. The data set could also contain copyrighted content resulting in infringing outputs. AI outputs might present ethical concerns or violate current and future laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material litigation or other proceedings arising from or in relation to any misuse of our solutions. However, we cannot assure you that the measures we take to prevent the misuse of our technologies and data protection will always be effective, or that our technologies will not be misused or applied in a way that is inconsistent with our intention or public expectation. Any inappropriate, abusive or premature usage of new technologies, whether actual or perceived, whether intended or inadvertent and whether by third parties or by us, may dissuade prospective customers from adopting our solutions, impair the general acceptance of intelligent industrial software solutions in general, bring on negative publicity, or even violate applicable laws and regulations and subject us to legal or administrative proceedings. Furthermore, we expect that there will continue to be new laws or regulations concerning the use of AI and other new technologies, which might be burdensome for us to comply with and may limit our ability to offer or enhance our existing solutions or new offerings based on new technologies. Each of the foregoing events may, in turn, materially and adversely affect our reputation, business, results of operations and financial condition.

Our IT infrastructure may experience unexpected system failures, disruptions, security breaches or cyberattacks, which could materially and adversely affect our reputation, business, results of operations and financial condition.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload and by damages from fires, floods, earthquakes and other natural disasters, telecommunication failures, power loss, human error or other accidents. Our infrastructure and systems may be breached if any vulnerabilities therein are exploited by unauthorized third parties. We cannot assure you that any applicable recovery system, security protocol, network protection mechanism or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. An actual or perceived attack or security breach may damage our reputation and brand, expose us to risks of potential litigation and liabilities and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches.

Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could disrupt the availability of our solutions, which, in turn, could affect the ability of customers to use our solutions and harm their experience. As a result, our reputation, business, results of operations and financial condition could be adversely affected.

Our success depends heavily on the continuing efforts of our senior management and other key personnel. If we are unable to retain, attract and train such personnel, our business may be materially and adversely affected.

We rely on the expertise, experience and vision of our senior management. Any loss of service of our senior management can significantly delay or prevent us from achieving our strategic business objectives and adversely affect our business and prospects. Our future success also depends on our ability to retain existing key personnel, including the members of our R&D teams and attract and train a large pool of other qualified employees. During the Track Record Period and up to the Latest Practicable Date, our R&D personnel retention rate is exceptionally high, with the cumulative attrition rate of key R&D individuals lower than 5%.

However, competition for qualified personnel in our industry is intense and the availability of suitable and qualified candidates is limited. In order to compete for talents, we may need to offer higher compensation, better training and more attractive career opportunities and other employee benefits, which may be costly and burdensome. If we lose the services of any senior management or other key personnel, we may not be able to identify suitable or qualified replacements. This could lead to additional expenses for recruiting and training new personnel, severely disrupting our business and prospects and prolonging our business development plans. Furthermore, if any of our executive officers or key employees join a competitor or form a competing business, we may lose crucial business secrets, know-hows, customers and other valuable resources, which could have a material adverse effect on our business, results of operations and financial condition.

Our financial results could suffer if we are unable to achieve or maintain the productivity and utilization of our professionals.

Our profitability depends to a large extent on the productivity and utilization of our professionals. Productivity and utilization of our professionals could be affected by a number of factors, including, among other things, the number and size of customer engagements, the timing of the commencement, completion and termination of engagements, our ability to transition our professionals efficiently from completed engagements to new engagements, the hiring of additional professionals, unanticipated changes in the scope of customer engagements, our ability to forecast demand for our services and thereby maintain an appropriate number of professionals and conditions affecting the industries in which we practice as well as general economic conditions. Any of the factors above may affect our ability to achieve and maintain adequate overall productivity and utilization of our professionals, which may lead to adverse impacts on our financial results.

Misconduct, non-compliance and omissions by our employees, officers, Directors or third parties could harm our business and reputation.

Misconduct and omissions by our employees, Directors, senior management, representatives, third-party intermediaries, business partners or agents could subject us to liability or negative publicity. For example, our employees or other relevant persons may engage in fraudulent, corrupt, bribery or other unfair business practices or other misconducts in breach of relevant laws or regulations, which may subject us or them to investigations, proceedings and/or penalties by governmental authorities or litigation. Our employees may also be involved in other misconducts against any of our internal requirements, contractual obligations, or laws and regulations, such as improper leakage of customers' confidential information or using pirated software that infringes intellectual property rights of third parties. We cannot assure you that we or our employees will not be subject to claims or legal proceedings brought by third parties regarding breach of confidentiality obligations or infringement of patents, copyrights or other intellectual property rights that they hold. The above proceedings, among others, may result in penalties, fines, sanctions or other liabilities and could have a material adverse effect on our reputation, business, results of operations and financial condition. Although we have implemented internal rules and guidelines through our Employee Handbook and Semi-Tech Anti-Corruption and Anti-Bribery Policy (賽美特反腐敗反商業賄賂制度) covering, without limitation, our commercial practices, work ethics, employee conducts, fraud, corruption and bribery prevention mechanisms, regulatory compliance and whistleblowing, we cannot assure you that our employees will not engage in misconduct or omissions that could materially and adversely affect our business, results of operations and financial condition.

In addition, misconduct and omissions by our business partners, including our various customers and suppliers, as well as other third parties who have entered business relationships with us, could subject us to liability or negative publicity. These third parties may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third party has infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may, in turn, affect our results of operations.

Negative publicity involving us, our solutions, our management, business partners or other stakeholders, or the industries we operate in may materially and adversely affect our reputation and business.

We may, from time to time, receive negative publicity about us, our business partners and the solutions we provide. Certain of such negative publicity may be the result of malicious harassment or unfair competition acts by third parties. Any such negative perception and publicity, with or without merit, could tarnish our reputation, reduce the value of our brand and have a negative impact on our ability to attract and retain customers. In addition, if other companies offering intelligent industrial software solutions or operating in similar industries receive a high degree of negative media coverage or citation concerning their products, services, customers and business practices, the perception of our reputation as a trustworthy solution provider may also be harmed.

However, we cannot preclude negative media coverage of similar nature from being made, nor can we assure you that we will be able to defuse such negative coverage to the satisfaction of our investors, customers and business partners or prevent related misconceptions and other damages caused by such negative coverage. Preventing and mitigating the impact of such negative media coverage could also incur significant resources and management attention. As a result, our brand may suffer and our reputation may be materially and adversely affected, which in turn may cause us to lose market share, customers and business partners.

If we are unable to ensure compatibility of our solutions with a variety of hardware and software applications developed by third parties, including those of our customers and business partners, we may become less competitive and our results of operations may be harmed.

Our intelligent industrial software solutions may be integrated with a variety of hardware and software products developed by third parties, including those utilized or developed by our customers and business partners. We need to modify, tailor and enhance our solutions to adapt to the needs and specifications of our customers and other business partners, as well as the changes in hardware and software technologies in general in a timely and cost-effective manner. Compatibility with the hardware and software products utilized or developed by those parties is critical to the performance and quality of our offerings, which in turn affect customer experience and our reputation. Failure to ensure such compatibility may negatively affect our competitive advantages and our business, results of operations and financial condition would be adversely affected.

Our use of open-source technology could impose limitations on our business operations.

We use open-source software in some of our intelligent industrial software solutions and expect to continue to use open-source software in the future. Third parties may allege ownership of, or seek to enforce the terms of, an open-source license, including by demanding the release of the open-source software, derivative works, or our proprietary source code that is developed using such software, which may subject us to disputes and legal proceedings. The terms of many open-source licenses have not been interpreted by courts. There remain risks that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions. In such event, we may be required to seek licenses from third parties for the purpose of commercially offering our solutions, make our proprietary code generally available in source code form, or re-engineer or discontinue our sales if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business and revenue. In addition, open-source software is subject to further development or modification by any third party. Others may develop such software to compete with us or render such software no longer useful. Competitors may also develop their own solutions and services using open-source software, potentially reducing the demand for our intelligent industrial software solutions. If we are unable to successfully address these challenges, our business and results of operations may be adversely affected.

We are subject to complex and evolving laws and regulations regarding data security, personal information protection and AI. Actual or alleged failure to comply with the relevant laws and regulations could damage our reputation, deter current and potential customers and subject us to significant legal, financial and operational consequences.

Government authorities worldwide have been increasingly focusing on data security, personal information protection and AI. The PRC government and the overseas jurisdictions where we operate, have enacted a series of laws and regulations on the protection of personally identifiable data. For example, the regulatory framework for data security and cyber security in China is rapidly evolving and is likely to remain uncertain. For example, in recent years the Standing Committee of the National People's Congress (the "SCNPC") promulgated a series of laws and regulations delineate and enhance scopes of protection for data security and personal information. See "Regulatory Overview — Laws and Regulations on Data Security and Cyber Security." In addition, on December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》, the "CAC Measures"), effective on February 15, 2022, which provides that entities meeting certain standards shall be subject to a cybersecurity review. Although as advised by our PRC Legal Advisors, we are not obliged to apply for a cybersecurity review pursuant to the CAC Measures with respect to our proposed [**REDACTED**], in light of regulatory evolution, we cannot assure you that there will not be any additional regulatory requirements. In addition, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance or perceived non-compliance with the relevant laws and regulations may prevent us from using or providing certain products and services, and may result in fines or other penalties such as making certain required rectification, suspending our related business, closing our website or taking down our operations and proceedings or actions against us by PRC regulatory authorities, customers or others, which may have a material adverse effect on our business, reputation, results of operations and financial condition.

Further, relevant administrative authorities have also promulgated regulations requiring data processors that meet certain thresholds to apply for cross-border security assessment for the transfer of personal information and important data. See "Regulatory Overview — Laws and Regulations on Data Security and Cyber Security." As of the Latest Practicable Date, we had not conducted any cross-border data transferring activities. As our business continues to grow, there may be circumstances where we engage in such cross-border data transfers. In such case, to satisfy the legal and regulatory requirements, we may need to comply with applicable requirements. Complying with these laws and requirements could cause us to incur substantial expenses or require us to alter or change our practices in ways that could harm our business.

On July 10, 2023, the CAC and other six ministries jointly published the Interim Administrative Measures on Generative AI Services (the "Interim Measures on GAI") (《生成式人工智能服務管理暫行辦法》), effective on August 15, 2023, set forth principles for provision and use of generative AI technologies ("GAI Services") require the providers of GAI Services to conduct security assessment for provision of GAI Services with public opinion attributes or social mobilization capabilities and file for records with the CAC. On the basis that our solutions are only provided to institution users, our current businesses do not fall into the scope of provision of GAI Services to the public and thus the Interim Measures on GAI do not apply to our current businesses. Nevertheless, there can be no assurance that the relevant authorities will not subject our operations to the ambit of the Interim Measures on GAI and require us to apply for security assessment or complete the filing, change or deregistration formalities of algorithms, among others.

As of the Latest Practicable Date, we have not been subject to any warning, penalty or other sanction from the PRC authorities or any other relevant regulatory authorities in relation to data security, personal information protection or AI, nor any complaint, report or claim from individuals with respect to their personal information. We have adopted various measures to ensure our compliance. See "Business—Data Privacy and Security." However, the laws and regulations regarding data security, personal information protection and AI in China are generally complex and evolving, with uncertainty as to the interpretation and application thereof. Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations with various standards and applications. What's more, as we are expanding our business globally, we may be subject to additional compliance requirements in other jurisdictions. As such, we cannot assure you that our data security and personal information protection are, and will be, always considered sufficient under applicable laws and regulations. We may from time to time be required to rectify or further improve our measures in these regards which expose us to incur substantial compliance costs. The legal and regulatory developments could affect the way we design and roll out our offerings, our business operations, and how we and our business partners deal with data protection and AI. If we fail to effectively and timely comply with these laws and regulations and respond to relevant changes, our business operations, results of operations and financial condition will be materially and adversely affected. Additionally, the effectiveness of our data security, personal information protection measures is also subject to system failures, disruptions, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations or to address any data security, personal information protection and AI concerns, such actual or alleged failure could damage our reputation, deter current and potential customers and subject us to significant legal, financial and operational consequences.

We may be subject to intellectual property infringement claims by third parties, which could have a material adverse effect on our business, results of operations and financial condition.

We cannot assure you that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. During the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any intellectual property claims, disputes or proceedings against our Company. However, we may still in the future from time to time be subject to such proceedings and claims. We also cannot assure you that holders of patents purportedly relating to some aspects of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents against us in China or any other jurisdiction. For example, third parties may claim that our employees have misappropriated or divulged their former employers' proprietary rights or confidential information. Furthermore, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and subject to uncertainties and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is costly and time-consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief was issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, results of operations and financial condition could be materially and adversely affected.

Moreover, our agreements with customers generally include a warranty that we hold the necessary intellectual property rights and/or licenses related to our solution offerings, and indemnification provisions under which we agree to indemnify the counterparty for direct losses, legal fees and other reasonable fees suffered or incurred as a result of claims of intellectual property infringement or other liabilities relating to or arising from our software or services. Indemnity payments could harm our business, results of operations and financial condition. As of the Latest Practicable Date, no customer has made any claims against us under the indemnification provisions. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing and new customers and harm our business and results of operations.

We are subject to risks related to protecting customers' business and operation data, and the improper collection, use or disclosure of such data could harm our reputation and have a material adverse effect on our business and prospects.

We view data privacy and security of vital importance to our brand and reputation, and our customers' confidence in our offerings. As a leading provider of intelligent industrial software solutions, we may have access to certain data of our customers when we conduct on-site solution deployment or maintenance for customers, such as those data relating to semiconductor and other advanced technology product manufacturing and operations. We may also have access to certain personal data relating to staff location and trace for our solutions that assist customers in security and emergency management. However, access limitations are in place such that only selected personnel relevant to the project are authorized to access such data for service purpose. Customer data collection is strictly confined to the customer's internal network and does not require uploading to the cloud. We will enter into confidentiality agreements with our customers to ensure data security. We do not access, use or disclose customer data unless per relevant customers' authorization or otherwise required by laws or regulations. However, we may be subject to certain challenges and risks inherent to handling and protecting the customers' business and operation data to which we have access, including confidential, sensitive data and information. Development and construction defects in the technical infrastructure, or errors or malfeasance of our staff implementing the operation and maintenance services, may also subject us to cyberattacks, computer viruses, physical or electronic break-ins or similar disruptions.

The improper collection, use or disclosure of customers' business and operation data could result in a loss of customers and other business partners, loss of confidence or trust in our solutions, litigation, regulatory investigations, penalties or actions against us, and significant damage to our reputation, any of which could in turn have a material adverse impact on our business, results of operations, financial condition and prospects. Our security protocols, network protection mechanisms or other defense procedures deployed to safeguard the data security during our business operations may not function as we expect or could be breached. Because the technologies and mechanisms used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognizable until they are launched against a target, we may be unable to anticipate or to implement adequate preventative measures against, such technologies and mechanisms. Any accidental or willful security breaches or other unauthorized access could cause confidential data to be stolen and used for improper or criminal purposes. Security breaches or unauthorized access because of third-party actions, employee errors, malfeasances or other similar factors, or design flaws in our technology infrastructure, if any, could damage our relationships with our customers and other business partners, and we could incur significant liabilities or subject to legal or regulatory actions that may materially and adversely affect our business, results of operations, financial condition and prospects.

Future acquisitions, strategic investments, partnerships or alliances could be difficult to identify and integrate, divert management resources, result in unanticipated costs or dilute our Shareholders.

We may acquire or invest in, businesses, services, products or technologies that we believe could complement or expand our services, enhance our technological capabilities or otherwise offer growth opportunities. However, we may have limited experience in making such acquisitions and we may not be able to find suitable acquisition candidates or complete acquisitions on favorable terms, if at all. Even if we complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisition we complete could be viewed negatively by customers or investors. We may also engage in other forms of business collaborations and relationships in the future, including strategic investments, partnerships and alliances. Negotiating such transactions can be time-consuming, difficult and costly, and our ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals. We cannot assure you that these transactions will close or will lead to commercial benefit for us.

In addition, we may not be able to integrate acquired businesses or technologies successfully or effectively manage the combined company or our collaborations. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our company, the results of operations of the combined company could be adversely affected. Any integration process will require significant amount of time and resources, require significant attention from management, and disrupt the ordinary functioning of our business. We may ultimately fail to realize the potential cost savings or other financial benefits or the strategic benefits of the acquisitions. Furthermore, an acquisition could also materially impair our results of operations by causing us to incur debt or requiring us to amortize acquired intangible assets. We may also discover deficiencies in internal controls, data adequacy and integrity and regulatory compliance, as well as legal or contractual liabilities in businesses we acquire which we did not uncover prior to such acquisition. Therefore, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses or technologies could have a material adverse effect on our business, results of operations and financial condition.

In connection with the foregoing strategic transactions, we may issue additional equity securities that would dilute our Shareholders, use cash that we may need in the future to operate our business and incur substantial debts and liabilities. Such strategic transactions may also subject us to legal and regulatory scrutiny and increase our compliance costs. As a result, our business, results of operations and financial condition may be adversely affected.

We recorded net operating cash outflow in the past, which may continue in the future.

We had recorded net operating cash outflow during the Track Record Period and we may continue to experience negative operating cash flow in the future. Specifically, we recorded net operating cash outflow of RMB88.3 million in 2023. We cannot assure you that we will be able to generate sufficient operating cash flow in the future. Sustained negative operating cash flow could limit our ability to fund operations internally and may require us to obtain additional financing through equity or debt offerings, which could result in shareholder dilutions, increased leverage or restrictive covenants on us. Our ability to obtain external financing is subject to uncertainties, including our future finance condition, operating results and market liquidity. There can be no assurance that such financing will be available on favorable terms, or at all.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We may require additional capital beyond those generated by the [**REDACTED**] from time to time to grow our business, better serve our customers, develop and enhance our offerings, and improve our operating infrastructure. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing Shareholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our H Shares. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our Shareholders.

Our ability to obtain additional capital is subject to a variety of uncertainties, including: (i) our market position and competitiveness in China's market comprising advanced-industry intelligent manufacturing software companies or other sectors of digital intelligence solutions; (ii) our future profitability, overall financial condition, and results of operations; (iii) the general market condition for capital raising activities, which depends on the prospect of such industry; and (iv) economic, political and other conditions in China and globally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to support our business growth could be significantly impaired, and our business and prospects could be adversely affected.

We have granted and may continue to grant equity interests and share options, which could result in share-based payment expenses that may affect our financial performance, and potentially dilute existing Shareholders' ownership.

We have adopted the 2021 Equity Incentive Scheme, the 2022 Share Option Scheme and the 2024 Share Option Scheme. We believe the granting of such equity interests and options is important as it can enhance the cohesion of our Company, improve the governance structure of our Company, establish a long-term incentive and restraint mechanism, realize the participation of human capital in the distribution, improve and perfect the remuneration incentive system of our Company and establish a mechanism of benefit sharing and risk sharing between Shareholders and the operating management, business backbone, and core employees. See "History, Development and Corporate Structure—Employee Incentive Schemes," "History and Corporate Structure—Pre-[**REDACTED**] Share Option Scheme," "Statutory and General Information—Further Information about our Directors and Substantial Shareholders—Equity Incentive Schemes" in Appendix VI to this document and note 35 to the Accountants' Report in Appendix I to this document. We recognized share-based payment expenses based on the fair value of share options granted. We recorded share-based payment expenses of RMB1.5 million, RMB4.9 million and RMB3.6 million in 2023, 2024 and 2025, respectively. Any additional grant of share options by us will further increase our share-based payment expenses, which may adversely affect our results of operations and financial condition, and potentially dilute existing Shareholders' ownership.

We undertook certain loss-making projects during the Track Record Period, and may undertake projects with limited or negative profitability in the future, which may affect our financial performance.

In 2023, 2024 and 2025, the amount of loss from our loss-making projects was RMB11.1 million, RMB3.5 million and RMB3.0 million, accounting for 3.9%, 0.7% and 0.4% of our total revenue during the same periods, respectively. These projects may have been pursued for strategic purposes, such as market entry, client relationship development, or long-term positioning. However, there is no assurance that all future projects will be profitable or that our cost and time estimates will be accurate. Project execution is inherently subject to a wide range of variables, including client-specific requirements, supply chain disruptions, labor availability, and unforeseen technical or operational challenges. Any significant deviation from our initial estimates may result in delays, cost overruns, or reduced margins. If such instances become more frequent or severe, they could adversely impact our profitability, strain our operational and financial resources, and materially affect our business, financial condition, results of operations, and future prospects.

The discontinuation of any preferential tax treatment available to us in China could adversely affect our results of operations and financial condition.

Pursuant to the PRC Enterprise Income Tax Law and related regulations, enterprises operating in China are generally subject to corporate income tax at a statutory rate of 25% on the taxable profit, while enterprises recognized as a "High and New Technology Enterprise" (高新技術企業)

("**HNTE**") are entitled to a preferential tax rate of 15%. A number of subsidiaries of our Group are recognized as HNTEs, and are entitled to a preferential income tax rate of 15% for three years commencing from the years when these companies are recognized as HNTEs. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities, and in practice certain local tax authorities also require annual evaluation.

In addition, a number of subsidiaries of our Group are entitled to the preferential policy of small and micro-sized enterprises, for which the applicable income tax rate is 5%. According to relevant laws and regulations promulgated by the State Council that was effective from 2008 onwards, enterprises engaging in R&D activities were entitled to claim 150% of their R&D expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the "**Super Deduction**"). The SAT announced in September 2018 that enterprises engaging in R&D activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020. From January 1, 2023 onwards, such enterprises have been entitled to claim 200% of their research and development expenses as Super Deduction. We have made our best estimate for the Super Deduction to be claimed in ascertaining assessable profits. In the event the preferential tax treatments are discontinued or not verified by the local tax authorities, and the affected entity fails to obtain preferential tax treatments based on other qualifications, it will become subject to the standard PRC corporate income tax rate of 25%. There is no assurance that we will continue to be qualified to enjoy the above-mentioned preferential tax treatments, or such treatments will not change in the future, which may have a negative impact on our business, results of operations and financial condition.

We historically received government grants and we may not receive such grants or subsidies in the future.

We have received government grants primarily to support our business development and to award our contributions to local economies. We recognized government grants of RMB9.3 million, RMB9.6 million and RMB13.6 million in 2023, 2024 and 2025, respectively. However, these policies may be subject to changes that are beyond our control. We cannot assure you that favorable government policies will continue. In addition, the timing, amount and conditions of government grants are within the sole discretion of the governmental authorities. Governmental authorities may require us to perform certain contractual obligations before we could receive such grants, and we cannot assure you that we could always fully satisfy these conditions or perform the obligations. In such cases, the governmental authorities may cease providing subsidies to us or even require us to repay part or all of the government subsidies we previously received. Any reduction, elimination, repayment or other negative trends in government grants could adversely affect our business, results of operations and financial condition.

We face certain legal and regulatory risks relating to labor-related laws and regulations, which may adversely affect our business and our results of operations.

Pursuant to the relevant PRC laws, employers must contribute to the social insurance and housing provident funds for employees. During the Track Record Period, we did not make adequate social insurances and housing provident fund contributions for certain employees. As advised by our PRC Legal Advisors, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested, we may be subject to a fine ranging between one to three times of the total outstanding balance. In addition, if any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident funds do not satisfy the relevant requirements, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so, the relevant housing provident fund authority may apply to a PRC court for an order of mandatory payment. However, as advised by our PRC Legal Advisors, under the premise that there have been no significant changes in the relevant laws and regulations, and no major complaints from employees, the likelihood that we would be required by relevant authorities to make a centralized supplementary payment for any historical shortfalls for social insurance and housing provident fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote, based on the foregoing and (i) interviews and/or telephone consultations with and/or confirmations obtained from the competent governmental authorities; and (ii) the administrative measures issued by relevant authorities expressly prohibit authorities from requiring enterprises to make lump-sum back payments of historical shortfalls in social insurance and housing fund contributions, with similar prohibitions applicable to relevant tax authorities; and (iii) during the Track Record Period and as of the Latest Practicable Date, we have not received (a) any order of correction for any historical shortfalls, nor (b) any employee reports or complaints alleging inadequate contributions remain outstanding as of the Latest Practicable Date. However, we cannot assure you that the relevant government authorities will not require us to pay the shortfall and late fees or impose fines on us, in which case our business, results of operations and financial condition could be adversely affected.

In addition, during the Track Record Period and up to the Latest Practicable Date, we engaged certain third-party human resources agencies to make social insurance and housing provident fund contributions for certain employees. We adopted such arrangements mainly to enable employees working outside the cities where we are registered to make social insurance and housing fund contributions in their actual working cities through a third party human resources agency. We had not been subject to any labor dispute relating to such arrangements as of the Latest Practicable Date. Under the contracts entered into with the third-party human resources agency, such agency has the obligations to pay social insurance and housing provident fund for our relevant employees. Furthermore, as of the Latest Practicable Date, we had not received any administrative penalties for such arrangements. Our PRC Legal Advisors are of the view that our such arrangement will not have a material adverse effect on our business operations. However, as there remains uncertainties over the interpretation and implementation of labor-related laws and regulations, we cannot assure you that our arrangements with the third-party agency are and will at all times not subject us to labor disputes or government investigations. In addition, if such agency fail to fulfill its obligations for the relevant employees, or if such arrangements are challenged by relevant regulatory authorities, we may be subject to additional contribution obligations, late fees and/or penalties imposed for failing to discharge our obligations as an employer or be ordered to rectify. We might also be subject to potential labor disputes arising from such arrangements. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

In addition, on July 31, 2025, the PRC Supreme People's Court promulgated the Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025. See "Regulatory Overview—Laws and Regulations Relating to Employment and Social Welfare." In light of (i) the absence of major complaints, reports, or labor disputes related to social insurance against our Group during the Track Record Period and up to the Latest Practicable Date; and (ii) our PRC Legal Advisors' opinion that the new Judicial Interpretation does not expand our Company's penalty exposure or repeal the social insurance laws and regulations currently in force of the PRC, we believe the new Judicial Interpretation would not have a material adverse effect on our business or financial results. However, as PRC labor laws and regulatory guidance continue to evolve, we cannot assure how future developments may affect our operations. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal fees, and our business, financial condition and results of operations could be materially and adversely affected.

We currently operate our business mainly through leased properties which exposes us to risks in relation to unpredictable increases in rental and relocation costs. In addition, our leased properties may potentially be contested by third parties or government bodies causing our operations to be disrupted.

We operate our business mainly through leased properties, save for (i) a building under construction in Minhang District, Shanghai and (ii) three properties in Suzhou Industrial Park, Jiangsu, for which we have entered into property assignment agreements for their acquisition. As of the Latest Practicable Date, all of our leased properties are rented from Independent Third Parties for office spaces. Our landlords could increase the rent or impose more stringent payment terms when negotiating to renew our leases, which could in turn adversely affect our profitability and results of operations. We may not be able to successfully extend or renew such leases upon expiration, on commercially reasonable terms or at all, and may be forced to relocate, which may disrupt our operations and incur relocation costs and capital expenditures and could in turn adversely affect our financial condition. Further, we cannot assure you that we will be able to relocate such operations to suitable alternative premises in a timely manner, and failure in relocating our operations when required could result in disruption to our business operations. In addition, we compete with other businesses for premises at certain locations or of desirable size. In the event that we fail to relocate our operations in a timely manner, our financial position, results of operations and reputation would be adversely affected. While we remain subject to the risks associated with leased properties, we have made certain initiatives to acquire and/or construct self-owned properties to support our operations. See "Business—Properties—Mainland China." These initiatives are expected to reduce our reliance on leased premises over time. However, there is no assurance that such measures will fully eliminate the risks associated with lease renewals or relocations, and we may still be subject to the adverse effects described above.

Pursuant to the applicable laws and regulations in Mainland China, property lease contracts must be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration of 12 properties we leased in Mainland China, primarily due to the landlords' failure to provide valid title certificates or the difficulty of procuring the relevant landlords' cooperation to register such leases. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease.

Landlords for two of our leased properties in Mainland China have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. If the lessor is not the owner of the property and have not obtained consent from the owner or their lessor, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owner or the party who has the right to lease the property, and the terms of the new leases may not be favorable to us.

We cannot assure you that our use of these leased properties will not be challenged by government authorities, property owners or any other third parties in the future. We may be subject to fines and forced to relocate to other premises in case our use of properties is successfully challenged, and our operation could be affected as a result. We may also involve in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. There is no assurance that we can find suitable replacement premises in a timely manner and on terms acceptable to us, or at all. Our business and financial performance may be adversely affected as a result.

Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose customers or otherwise harm our business.

Our business is subject to regulation by various governmental agencies in China, including agencies responsible for monitoring and enforcing compliance with various legal obligations, such as privacy and data protection related laws and regulations, intellectual property laws, employment and labor laws, anti-corruption and anti-bribery laws, and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be different or more stringent than in China. These laws and regulations may increase our compliance costs. Non-compliance with applicable regulations or requirements may subject us to negative consequences, including: (i) investigations, enforcement actions, and sanctions; (ii) mandatory changes to our offerings; (iii) monetary damages and fines; (iv) civil and criminal penalties or injunctions; (v) termination of contracts; (vi) loss of intellectual property rights; and (vii) failure to obtain, maintain or renew certain licenses, approvals and permits.

Responding to any action will likely result in a significant diversion of our management's attention and resources and incur significant costs. If we fail to comply with relevant laws and regulations, or if we fail to defend ourselves in relevant legal or administrative proceedings, our business, results of operations, and financial condition could be adversely affected.

We may be involved in litigation, legal or contractual disputes, governmental investigations or administrative proceedings, which may divert our management's attention and adversely affect our business, results of operations and financial condition.

We may be involved in litigation, legal or contractual disputes, governmental investigations or administrative proceedings in the ordinary course of our business. As we are planning to further expand into different jurisdictions and industrial verticals, we may be exposed to an increasing number of disputes and proceedings. These may concern issues relating to, among others, labor disputes and contract disputes relating to our daily business operations. Any such claim or proceeding involving us, with or without merit, may be expensive, time-consuming and disruptive to our operations and distracting to management. In addition, even if we ultimately succeed in such disputes or proceedings, negative publicity may arise therefrom and materially and adversely affect our reputation and business. If one or more legal or administrative matters were resolved against us, or certain injunctions are granted to prevent us from using certain technologies in our intelligent industrial software solutions, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, unfavorable outcomes could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, corporate remedial measures, injunctive relief or specific performance against us that could materially and adversely affect our results of operations and financial condition.

Our limited insurance coverage could expose us to significant costs and business disruption.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain any insurance policies covering damages to our information technology systems. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss, and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, results of operations and financial condition could be materially and adversely affected.

Any future occurrence of natural disasters, outbreaks of contagious diseases or other force majeure events may materially and adversely affect our business, results of operations and financial condition.

Our business could be materially and adversely affected by outbreaks of contagious diseases, such as the outbreak of COVID-19, or other force majeure events. For example, the outbreak of COVID-19 has materially and adversely affected the Chinese and global economy. In response to the pandemic, the mitigation measures were implemented from time to time to contain the spread of the pandemic. During the COVID-19 pandemic, we had to cancel or limit certain of our business activities. For example, we had to conduct online, instead of on-site, solution deployment and acceptance for some projects. We had also implemented measures such as restriction of employee travels, which affected our operations to certain extent. The impact from outbreaks of contagious diseases may adversely affect our customers' ability to pay and customer demand for our solutions, which would adversely affect our business, results of operations and financial condition. In addition to the impact of outbreaks of contagious diseases, natural disasters, such as fires, earthquakes, hurricanes, floods, tornadoes and unusual weather conditions, power outages, telecommunications failures, sabotages, other pandemic outbreaks, terrorist acts, disruptive global political events, or similar disruptions could materially and adversely affect our business operations and financial performance. It is possible that we may be unable to offer our solutions in the event of a server failure. We cannot assure you that any backup system or other mitigating measures will be adequate to protect us from the effects of any of these events, which may give rise to server interruptions, breakdowns, system failures or internet failures, and could cause the inability to transmit data, loss or corruption of data or malfunctions of software or hardware. The continuance of any of these events could increase the costs associated with our operations and reduce our ability to operate our business at intended capacities, thereby reducing revenue and profitability.

We recognized substantial goodwill and other intangible assets during the Track Record Period and may incur significant impairment charges related thereto, which may adversely affect our results of operations as a result.

As of December 31, 2023, 2024 and 2025, we had goodwill of RMB208.5 million, RMB253.3 million and RMB311.0 million, respectively. However, our acquired businesses may not generate the financial results that we expect, which could result in the occurrence of significant investments and goodwill impairment charges. We periodically review goodwill and investments for impairment. If we conclude that any of these equity investments and/or acquired businesses are impaired, we will write down the asset to its fair value and take a corresponding charge to our consolidated statements of profit or loss. Similarly, we recorded other intangible assets of RMB12.1 million, RMB73.4 million and RMB71.4 million as of December 31, 2023, 2024 and 2025, respectively, which are reviewed annually to identify any indication of impairment and the recoverable amount will be estimated if so. As a result, in case of any significant impairment charges related to the aforementioned assets, our results of operations may be negatively affected.

Our strategies to manage our cash conversion cycle by shortening our trade and bills receivables turnover days and extending our trade and bills payables turnover days may result in side effects, including strained relationships with our customers and suppliers, and diversion of resources.

We plan to manage our cash conversion cycle by shortening our trade and bills receivables turnover days and extending our trade and bills payables turnover days. See "Financial Information—Liquidity and Capital Resources—Cash Conversion Cycle." However, these strategies may bring about the following side effects, which may adversely affect our business, results of operations and financial condition. Increasing collection efforts on trade and bills receivables may strain our relationships with customers, which may lead to the loss of some customers. Increasing the use of bank acceptance bills as a payment method for our suppliers will require significant communication efforts, which may divert our resources, as we will need to engage in repeated discussions with suppliers.

RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

Changes in China's economic, political and social conditions or global economic environment could adversely affect our business, results of operations, financial condition, cash flows and prospects.

We operate in and derive most of our revenue from China. Our business, results of operations and financial condition are affected by the economic, political and social conditions in China. In particular, factors such as corporate and government spending, business investment, level of economic development, and resource allocation could affect the growth of our business. We cannot predict the changes in China's economic, political and social conditions in the future and the impact of the new government policies on our business and prospects.

Moreover, the global macroeconomic environment has been facing challenges and uncertainties recently. There have been heightened tensions in international relations globally. Economic conditions in China are sensitive to global economic and geopolitical conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations, financial condition and prospects.

Governmental supervision of currency conversion, and restrictions on the remittance of Renminbi into and out of China, may limit our ability to pay dividends and other obligations, and adversely affect the value of our H Shares.

The PRC government imposes supervision on the convertibility of Renminbi into foreign currencies. Most of our transactions are denominated in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as direct investments, repayment of loans denominated in foreign currencies, repatriation of investments and investments in securities outside of China. Failure to obtain approval from or complete registration with competent government authorities related to overseas direct investments may result in cessation of the implementation of relevant projects, restrictions on the remittance of Renminbi into or out of China, or even legal of administrative liabilities. If the foreign exchange regulatory policies prevent us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

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

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

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

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, the PRC tax authorities may change these practices, which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

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

Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your investment in our H Shares.

You may have limited resources in effecting service of legal process or enforcing foreign judgments against us and our Directors and management.

We are a company incorporated under the PRC laws, and the vast majority of our assets and subsidiaries are currently located in China. Substantially all of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may not be possible to effect service of process upon our Directors and senior management outside China. It may be difficult or impossible for you to effect service of process upon us or these individuals, or to bring an action against us or against these individuals in the event that you believe your rights have been infringed under the applicable securities laws or otherwise.

On January 18, 2019, the Supreme People's Court of the PRC and the government of Hong Kong signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which took effect on January 29, 2024. The 2019 Arrangement seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Mainland China and Hong Kong, based on criteria other than a written bilateral choice of court agreement. Under the 2019 Arrangement, any party concerned may apply to the relevant Mainland China or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases, subject to the conditions set forth in the 2019 Arrangement. However, we cannot assure you that all final judgments will be recognized and effectively enforced by the relevant Mainland China and Hong Kong court.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our [REDACTED] and there can be no assurance that an active market would develop, and the price and trading volume of our H Shares may be volatile.

Prior to this [**REDACTED**], there has been no [**REDACTED**] for our [**REDACTED**]. The [**REDACTED**] for our [**REDACTED**] was the result of negotiations among us and [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our [**REDACTED**] following this [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] our [**REDACTED**] on the Stock Exchange.

A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the [**REDACTED**] will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the [**REDACTED**] will not decline following the [**REDACTED**]. In addition, the [**REDACTED**] and trading volume of the [**REDACTED**] may be subject to significant volatility in responses to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [**REDACTED**] of the shares of other companies engaging in similar business may affect the price and [**REDACTED**] of our [**REDACTED**]. In addition to market and industry factors, the price and [**REDACTED**] of our [**REDACTED**] may be highly volatile for specific business reasons, such as regulatory developments affecting the relevant markets, industries and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors.

The actual or perceived sale or availability for sale of substantial amounts of our [REDACTED], especially by our Directors, senior management and substantial Shareholders, could adversely affect the [REDACTED] of our [REDACTED] and our ability to raise additional capital in the future.

Prior to the [**REDACTED**], there has not been a [**REDACTED**] for our [**REDACTED**]. Future sales of a substantial number of our [**REDACTED**], especially by our Directors, and senior management (if they become Shareholders in the future) and substantial Shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our [**REDACTED**] in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by certain of our Shareholders are subject to certain lock-up periods beginning on the date on which trading in our [**REDACTED**] commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Meanwhile, if any of our Shareholders breach the lock-up restrictions or are released from such restrictions, they may decide to dispose of the Shares they own, which, in turn, may adversely affect the [**REDACTED**] of our [**REDACTED**].

You will incur immediate and significant dilution and raising additional capital may cause further dilution or restrict our operation.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to our Shareholders after the creditors' claims. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a Shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

Certain facts, forecasts and statistics contained in this document are derived from various official government sources and may not be accurate, reliable, complete or up to date.

We have derived certain information and statistics in this document, particularly the section headed "Industry Overview," from various official government publications and other publicly available publications provided by the PRC government. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], any of their respective directors and Advisers, or any other persons or parties involved in the [**REDACTED**], and, therefore, we cannot assure you as to the accuracy and reliability of such information and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

During the Track Record Period and up to the Latest Practicable Date, most of our revenue and expenditures were denominated in Renminbi, and most of our financial assets were also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our [**REDACTED**] in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our [**REDACTED**] or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the [**REDACTED**] of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**]. We have not authorized the disclosure of any information concerning the [**REDACTED**] in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.