RISK FACTORS

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, before making an* [**REDACTED**] *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The* [**REDACTED**] *of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [**REDACTED**].

Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; and (ii) risks relating to the [**REDACTED**]. There may be additional risks and uncertainties presently not known to us or not expressed or implied below or those we currently deem immaterial could also harm our business, financial condition and result of operations. You should consider our business and prospects in light of the challenges we face, including the risks discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends on our continuous technology innovation and product upgrades to meet the expectations and needs of our customers and end users.

The smart garden equipment industry in which we operate is characterized by evolving consumer demands, continuous technological advancements, and increasingly stringent regulatory requirements in particular for our intelligent robotic products. Our success, business growth and market competitiveness are dependent on our ability to continuously conduct technological innovation, upgrade our existing products and develop new products that meet the changing expectations and needs of our customers and end users. If we fail to keep pace with the industry changes or effectively implement technological innovation and product upgrades, our business, financial condition and results of operations may be materially and adversely affected.

The research and development of our major products involves multiple disciplines such as mechanical design, electronic control, intelligent sensing, energy efficiency systems and AI technologies, requiring substantial and sustained investment in research and development resources, including capital, talents and equipment. If our research and development investment is insufficient, core technological breakthroughs lag behind industry peers, or new technologies fail to be effectively applied to our products, we will be unable to realize product upgrades in a timely manner, which may impair our competitive advantages and hinder our market expansion.

The evolving nature of the industry, together with the technical complexity of our products, further expose us to a range of operational and market risks. Intense market competition, fluctuations in the costs of raw materials and components required for our products, changes in relevant industry policies and environmental protection standards, as well as potential product safety issues, may all affect our technological innovation progress and product promotion. If we fail to effectively respond to these risks through continuous innovation and operational optimization, our ability to meet customer needs will be weakened, and we may face pressure such as declining market share, increased operating costs and reduced profitability, which could further have a material adverse impact on our prospects.

We conduct operations on a global scale and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate.

Our products are sold to more than 100 countries and regions, primarily including Europe, Oceania, Americas, Asia and Africa. For the years ended December 31, 2023, 2024 and 2025, our revenue generated from overseas customers accounted for approximately 99.1%, 98.7% and 99.0% of our total revenue, respectively. As a result of our global footprint, we are subject to legal, regulatory, political, economic, commercial and other risks associated with cross-border business. Changes in laws, regulations, trade policies, taxation rules, customs and import or export requirements, product safety standards, data privacy regulations or environmental regulations may increase our compliance costs, require product modifications, delay shipments or otherwise restrict our ability to sell our products in certain markets.

We operate certain overseas subsidiaries and local entities, each of which is subject to the laws and regulatory frameworks of its respective jurisdictions. The management and administration of these entities, including corporate governance, employment practices, tax filings, financial reporting, intellectual property protection and internal controls, increase the complexity and risk of our operations. Disputes, investigations, audits or enforcement actions by local authorities, or difficulties in coordinating management across multiple time zones and legal systems, may result in penalties, reputational damage, operational disruptions or higher administrative costs, which could materially and adversely affect our business, financial condition and results of operations.

In addition, our global footprint exposes us to risks arising from international trade disputes, tariffs, trade sanctions, geopolitical tensions and security related measures, including export controls or restrictions on inbound or outbound investment. Any escalation of trade friction, armed conflicts, regional instability or other geopolitical developments in key markets such as Europe, North America or Asia may disrupt global supply chains, impair logistics, reduce consumer demand, increase the risk of non payment or delays in collections, or trigger new regulatory restrictions. Any such events could have a material adverse effect on our business, financial condition, results of operations and prospects.

The markets and the demand for smart garden equipment 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.

During the Track Record Period, we generated revenue from research and development, manufacture and sale of smart garden equipment. Our major products comprise energy management products, intelligent robotic products and water treatment systems, covering aspects in garden scenario. Therefore, our business is dependent on consumers' demand for garden and recreational activities, which is subject to fluctuations in the social and economic conditions of the countries where our smart garden equipment products are sold and ultimately deployed. If there is any material and adverse change in the social and economic conditions of the relevant markets, including changes in local government policies, rules or regulations, riots, natural disasters, or sudden downturns in the economy or consumer demand, the demand for smart garden equipment may be adversely affected.

The global smart garden equipment industry has been developing rapidly, according to Frost & Sullivan. The market expanded from US$9.1 billion in 2020 to US$15.9 billion in 2024 and is expected to reach US$35.3 billion by 2029, representing a CAGR of 17.3% over the period from 2024 to 2029. The future demand for smart garden equipment may, however, be difficult to anticipate since it depends on a number of variables, most of which are beyond our control. For instance, market expansion may depend on the continued technological innovation, rising household purchasing power, and increasing adoption of intelligent and automated solutions in garden and landscaping-related living environments. If our products fail to gain widespread acceptance, or if customer demand declines due to adverse economic conditions, technical challenges, enhanced regulations, the emergence of alternative technologies or competing products, our business, results of operations and financial condition will be materially and adversely affected.

Our success depends on our ability to continuously maintain, expand and diversify our sales channels.

Our business and growth prospects are highly dependent on our ability to maintain, expand and diversify our sales channels, and any failure to do so may have a material adverse effect on our business, financial condition, results of operations and prospects. We generate revenue from the sale of our proprietary brand products through a cooperative distribution network consisting of over 1,000 domestic and overseas distributors as of December 31, 2025, which are generally local channel partners with established sales resources and market penetration. Sales of our proprietary brand products rely on sustained cooperation with these distributors. In addition, we also sell products to our ODM customers. Any material disruption, termination or deterioration of such cooperative relationships, or adverse developments affecting their operating capacity or market coverage, may result in lower sales volume, loss of market share or increased distribution costs.

In addition, we face inherent risks under the distributorship model, including potential channel stuffing risks, inadequate end-market demand feedback, price competition among distributors, cross-region channel conflicts and difficulties in uniform brand and sales policy management. Any failure to effectively control product quality, pricing, marketing activities and after-sales services across the distributor network may damage our brand reputation, impair customer loyalty and constrain the long-term development of our business.

In 2025, we launched online direct sales channels through third-party e-commerce platforms and our self-operated websites, which mainly offer our intelligent robotic products directly to end consumers, and involved substantial selling and distribution expenses. These new channels are still in the early stage of development and are exposed to execution risks, intense competition from established online retailers, high customer acquisition costs, reliance on third-party platforms for traffic and visibility, logistics and fulfillment challenges, as well as cross-border regulatory and compliance requirements. If our online direct sales initiatives fail to gain market acceptance, generate sufficient returns or achieve effective scaling, or if we encounter technical, operational or cybersecurity issues relating to our online platforms, our ability to diversify revenue streams and reach end consumers may be materially impaired.

Our multi-channel sales strategy may also lead to potential channel conflicts between our distributors and online direct sales channels, difficulties in cross-channel inventory allocation and management, and reliance on third-party platforms for payment processing, data analysis and customer services. Any adverse developments, including macroeconomic downturns affecting the liquidity of distributors, changes in consumer purchasing behavior, disruptions to distributor operations, changes in e-commerce platform policies or intensified competition, may undermine the effectiveness of our sales channels and have a material adverse effect on our business, financial condition, results of operations and prospects.

We incurred operating loss during the Track Record Period.

We recorded net losses of RMB15.7 million and RMB120.4 million in 2023 and 2025, respectively. There can be no assurance that we will achieve or maintain profitability in the future. Our historical losses were primarily attributable to the substantial increases in our selling and distribution expenses and research and development expenses, as well as the amortization of share-based payments recognized during the Track Record Period. If our revenue does not grow at a rate sufficient to offset such expenses, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our selling and distribution expenses may continue to increase as we expand our sales network, strengthen our marketing efforts and enter into new markets, and our research and development expenses may remain at a relatively high level as we continue to enhance our existing products and develop new products and technologies. In addition, the amount of share-based payments recognized in profit or loss may fluctuate from period to period depending on the number of equity incentives granted and the assumptions used in their valuation. As a result, our operating results may continue to fluctuate, and we may continue to incur losses in the future.

Our brand is integral to our success. If we fail to maintain and enhance our brand recognition and reputation effectively, our business and results of operations may be adversely and materially affected.

We operate under a dual sales model, under which we sell products under our four proprietary brands and supply products on an ODM basis. Our own-branded smart garden equipment products are primarily distributed through our network of distributors, and we expanded our online direct-to-consumer sales channels to include Amazon and our websites in 2025. Our brand strength, reputation and market recognition are fundamental to maintaining relationships with our distributors and end customers, fostering consumer loyalty across our online and offline sales channels, differentiating our products from those of our competitors, and sustaining our market position in overseas markets.

Our brand image depends largely on our ability to continue to provide quality, well-designed, useful, reliable and innovative products. Any loss of trust in our products could harm the value of our brand. In addition, from time to time, we participate in offline promotion activities and industry exhibition, further strengthening our position in the global smart equipment market. We cannot assure you, however, that these activities will be successful or will enable us to achieve increases in revenue and customer base, or that such increases in revenue are sufficient to offset the expenses. As such, if we are unable to maintain our reputation, enhance our brand recognition or promote our offerings, or if we incur excessive expenses in this effort, our business, results of operations and financial condition may be materially and adversely affected.

In addition, any negative publicity, including disputes concerning us, our business partners or our affiliates, even if untrue, could adversely affect our reputation and prospects. Our reputation is vulnerable to potential threats that can be difficult or impossible to control, and costly or impossible to remediate. Negative publicity about us, such as alleged misconduct or improper activities, or negative rumors relating to us, our management, employees, business partners or affiliates, can harm our business, financial condition, results of operations and prospects, even if they are unsubstantiated or are later satisfactorily addressed. Any regulatory inquiries or investigations or other actions against our management, any perceived unethical, fraudulent, or inappropriate business conduct by us or perceived wrongdoing by any key member of our management team or other employees, our business partners or our affiliates, could harm our reputation and materially and adversely affect our business. Regardless of the merits or final outcome of such regulatory inquiries, investigations or actions, our reputation may be substantially damaged, which may impede our ability to attract and retain talent and business partners and grow our business.

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

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. See "Business — Permits, Licenses and Other Approvals." Complying with such laws and regulations may require substantial expense and may impose a significant burden, while any noncompliance may expose us to liability. With the introduction and enactment of new laws and regulations, as well as the refinement of interpretations and applications of existing ones, we cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes and developments in this regard. If we fail to maintain compliance with law, or otherwise fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate our business, we may be subject to adverse consequences.

In addition, in the event that we are required to renew our existing licenses, permits, certifications or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses, permits and certifications in a timely manner. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

Increases in costs of raw materials and components may adversely affect our results of operations and financial performance.

During the Track Record Period, our cost of raw materials amounted to RMB266.0 million, RMB432.4 million and RMB603.0 million for the years ended December 31, 2023, 2024 and 2025, respectively, representing 86.4%, 88.6% and 88.4% of our total cost of sales during the same periods, respectively. The principal raw materials and hardware used in manufacturing our products include circuit board assembly, electronic motors, structural components mainly including metal and plastic components, and packaging materials. Mass production of our products requires timely and adequate supply of various raw materials and hardware. During the Track Record Period, we primarily procured our raw materials from manufacturers and suppliers in China and have maintained stable and longstanding relationship with major suppliers. However, the raw materials we procured are subject to price volatility arising from external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation and governmental regulations and policies.

In addition, any shortages or delay in the supply of our raw materials could result in further price adjustments or cause delays in our production and delivery to customers. We may in the future experience price fluctuations and supply shortages of certain raw materials, and the predictability of the availability and pricing of these materials may be limited. If we are unable to keep up with demand for our products because of failing to obtain the materials needed to successfully manufacture and deliver our products in a timely manner, our business could be materially impaired, and market acceptance for our products could be adversely affected.

Our manufacturing processes are subject to potential disruptions that could lead to increased production costs. Operational interruptions arising from manufacturing challenges or unforeseen incidents may result in lower sales volume, and could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet the demand of our customers and grow our business relies in part on the efficient, proper and uninterrupted operation of our production facilities. We manufacture our products at our owned production facilities. As of December 31, 2025, we operated three production bases in China. Any disruption at our production facility could have a significant and immediate impact on our ability to meet production targets, deliver products on time, and maintain customer satisfaction.

Potential disruptions could arise from a variety of factors, including equipment failure, accidents, natural disasters, supply chain interruptions, labor strikes, or unforeseen events such as public health emergencies or epidemics. These incidents could result in production stoppages, delays in manufacturing, or quality issues that would require additional resources to resolve. For example, a critical equipment breakdown or unexpected power outage could halt production, while a natural disaster could damage our facilities or disrupt access to key materials.

Additionally, as we expand our operations and increase the complexity of our product lines, the risk of production disruptions may increase. Any failure to maintain operational continuity at our production facility, whether due to internal or external factors, could lead to delayed shipments, increased costs, and potential penalties for missed deadlines. Moreover, such disruptions could undermine our reputation for reliability and efficiency, potentially leading to customer attrition and a loss of competitive advantage. Any unexpected disruption at our production facility could materially and adversely affect our ability to produce and deliver products in a timely manner, damaging our business, results of operations, financial condition, and long-term prospects.

Failure to successfully implement our equipment upgrade and capacity expansions may have a material adverse effect on our business, results of operations and financial condition.

We may from time to time initiate equipment upgrade and production capacity expansions to enhance our production efficiency, improve product quality, meet growing market demand, strengthen our competitive position and support our long-term business development. These plans involve capital expenditure, technical adjustments, operational changes and resource allocation, and their successful implementation is subject to various uncertainties and risks. If we fail to successfully implement such plans, our business, results of operations and financial condition may be materially and adversely affected.

The successful implementation of our equipment upgrade and capacity expansions depends on multiple factors, including timely procurement, delivery, installation and commissioning of new equipment; availability of qualified technical personnel; smooth transition to new production processes; adequate funding; and effective project timeline and cost management. Any failure or delay in these aspects may lead to missed market opportunities, production disruptions, increased costs, or the need to scale back or abandon the plans, hindering our competitiveness.

Even if we complete the plans as scheduled, there is no guarantee of achieving expected operational efficiency, quality improvement or cost reduction. If upgraded equipment underperforms or expanded capacity is underutilized due to lower-than-expected market demand, we may face higher fixed costs, reduced profit margins and underused production facilities, which could materially and adversely affect our business and financial performance.

Failure to maintain inventory at optimal levels could adversely affect our business, financial conditions and results of operations.

Effective inventory management is crucial to our operations, as it directly impacts our ability to meet customer demand, maintain production schedules, and manage working capital. Our inventories mainly consisted of raw materials goods in transit, work in progress and finished goods, all of which are essential for the timely production and delivery of our robotics products. As of December 31, 2023, 2024 and 2025, we had inventory of RMB81.4 million, RMB148.4 million and RMB315.6 million. For the years ended December 31, 2023, 2024 and 2025,our inventory turnover days were 90 days, 94 days and 134 days, respectively.

We plan our inventory levels based on our forecasts of market demands. Such demand, however, can change significantly from time to time and we may not always be able to accurately make predictions. Our internal assessment and forecasts of demands are subject to a variety of factors, some of which are beyond our control, such as fluctuating market demands and changes in customer preferences. Furthermore, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. As we plan to continue expanding our product offerings, we expect to include a wider variety of raw materials, which will make it more challenging for us to manage our inventory and logistics effectively.

In addition, we cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. Any of the above may materially and adversely affect our business, financial conditions and results of operations.

Any failure to offer quality maintenance and support services for our customers may be detrimental to our relationships with them, and consequently, materially and adversely affect our business.

Providing high-quality after-sale maintenance and support services is critical to maintaining positive relationships with our customers and end users. Our after-sales service arrangements for overseas markets are primarily undertaken by our distributors in respective regions, while we provide them with timely and professional technical support on an ongoing basis. In addition, we have established a dedicated in-house iGarden customer service team, which will provide online guidance and remote solutions to end customers for straightforward operational and remote solutions in a timely manner. However, we cannot guarantee that we will be able to recruit or retain sufficient qualified support personnel with experience in providing timely technical support. As a result, we may be unable to respond swiftly to accommodate short-term increases in customer demands for technical support or maintenance assistance.

Additionally, our ability to attract new end customers is highly dependent on our business reputation and on positive recommendations from our existing customers. As we expand to countries and regions where the costs of providing maintenance and support services are higher, our distributors might not be able to provide efficient after-sale services. If our distributors cannot provide qualified maintenance and support services to our end customers in respective regions, our business, financial conditions and results of operations would be adversely affected.

Future acquisitions of businesses, technologies or know-how could materially and adversely affect our business, financial condition and results of operations if we fail to integrate the acquired businesses or technologies successfully into our existing operations or if we discover previously undisclosed liabilities

To enhance our growth we may acquire businesses, technologies or know-how that we believe would benefit us in terms of product development, technology advancement or customer acquisition. Our ability to grow through acquisition depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. Even if we complete acquisitions, as we have limited experience with significant acquisitions, we may experience: (i) difficulties in integrating any acquired companies, technologies or personnel into our existing business; (ii) delays or failure in realizing the benefits of the acquired companies, technologies or know-how; (iii) the diversion of our management's time and attention from other business concerns; (iv) higher costs of integration than we anticipated; (v) difficulties in retaining key employees of the acquired business who are necessary to manage these acquisitions; (vi) difficulties in obtaining managerial and operational control of the acquired business, which may prevent us from achieving our investment objectives; or (vii) loss of existing customers of the businesses we acquired.

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.

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 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 ordinary 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 operation 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 the robotic and global smart garden equipment industry; (ii) our future profitability, overall financial condition and results of operations; (iii) the general market condition for capital raising activities by companies in our industry, which in turn relies on the prospect of such industry; and (iv) economic, political and other conditions in China and oversea countries.

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 continue to support our business growth could be significantly impaired, and our business and prospects could be adversely affected.

We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period.

We have experienced fluctuations in gross profit margins during the Track Record Period. Our gross profit margin was 36.9%, 36.1% and 33.0% in 2023, 2024 and 2025, respectively. There can be no assurance that we will be able to maintain and secure the gross profit margins at the levels recorded during the Track Record Period. In the future, our gross profit margin may decline if the increase in our unit cost of goods sold outpaced the increase in our average selling prices or if the decrease in our average selling prices outpaced the decrease in our unit cost of goods sold. If there is any decline in our gross profit margin in the future or if we fail to sustain the gross profit margins recorded during the Track Record Period, our profitability and financial condition may be adversely affected.

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

Our trade and bills receivables primarily include amounts due from our customers for products in the ordinary course of business. During the Track Record Period, we generally provided our customers within 180 days. As of December 31, 2023, 2024 and 2025, our trade and bills receivables amounted to RMB76.3 million, RMB116.9 million and RMB111.8 million, respectively. In addition, for the years ended December 31, 2023, 2024 and 2025, our trade and bills receivables turnover days were 34 days, 46 days and 42 days, respectively. For details, please refer to "Financial Information — Discussion of Certain Selected Items of Consolidated Statements of Financial Positions — Trade and Bills Receivables" in this document.

If our customers' creditworthiness declines or a substantial number fail to fully pay their trade and bills receivable for any reasons, we could face impairment losses, materially and adversely affecting our business, financial condition and results of operations. Additionally, we are exposed to credit risks relating to delays in payment and defaults of certain customers. Payment delays from customers beyond their credit terms may lead to impairment loss provisions. There is no guarantee that we will fully recover our trade and bills receivables or that payments will be made promptly. Furthermore, substantial defaults or delays by our customers could materially and adversely affect our cash flow, and we may have to terminate our relationships with such customers.

Failure to maintain effective cash flow management may have an adverse effect on our business operations and financial condition.

For the years ended December 31, 2023 and 2024, we recorded net cash generated from operating activities of RMB20.7 million and RMB79.1 million, respectively. For the year ended December 31, 2025, we recorded net cash used in operating activities of RMB142.7 million. Our net cash outflows in 2025 are mainly attributable to various expenses incurred in align with our business expansion.

However, it typically takes a long period of time to realize returns on such investments, if at all. As such, we expect to continue to have net cash outflow from operating activities in the near future. Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our businesses and fund our investments in our business innovation and expansion. If our future operating cash flows fails to improve to sufficiently cover our overall cash needs, we will have to rely on external debt or equity financing, and we cannot assure you that we will be able to obtain external financing in amounts or on terms acceptable to us, if at all.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

As of December 31, 2023, 2024 and 2025, our contract liabilities amounted to RMB81.9 million, RMB138.2 million and RMB193.0 million, respectively. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the purchase price we have received, which may materially and adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also materially and adversely affect our reputation, business and results of operations in the future.

We have granted, and may continue to grant, share-based awards, which may further increase our share-based payments expenses, adversely affect our financial performance, and dilute existing Shareholders' stake.

We recorded share-based payment expenses of RMB43.1 million, RMB26.6 million and RMB13.3 million for the year ended December 31, 2023, 2024 and 2025, respectively. We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. If we continue to issue share-based awards or other incentive plans to our employees and management, future expenses related to this plan may further increase, potentially reducing our profitability. Additionally, fluctuations in the fair value of our shares may lead to variability in recognized expenses, further impacting our financial results. There is no guarantee that the benefits derived from share-based awards will offset these expenses, which could negatively affect our operating results and financial condition.

The occurrence of any future currency exchange rate fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

We develop and maintain a global customer base and transact business with global suppliers, customers and partners. Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may fluctuate and is affected by, amongst other things, changes in the global geopolitical and economic conditions and the foreign exchange policies. Our foreign currency exposure is mainly with respect to Euro and U.S. dollars. During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars, Euro and Renminbi. However, a majority of our cost of sales and operating expenses are denominated in Renminbi, and our financial information is presented in Renminbi. As a result, when the Renminbi appreciates against the foreign currencies, our margins are pressured.

We are subject to both translational risks (when converting our international operations' financial results to RMB) and transactional risks (from export sales and international procurement). These currency fluctuations can significantly impact our reported financial results. Despite our efforts to manage foreign exchange risk, there can be no assurance that we can implement effective measures to reduce or eliminate our exposure to fluctuations in foreign exchange rates.

Our sales are affected by seasonal fluctuations.

Our sales of smart pool equipment are subject to seasonal fluctuations, driven primarily by outdoor swimming and pool usage habits in overseas markets. Demand generally peaks in the fourth quarter of each year to support pre-season stocking by downstream customers, ahead of the peak summer pool season in major overseas regions. Sales volume is relatively lower in the first and second quarters due to subdued end-market demand and fewer customer procurement arrangements. Therefore, there is no assurance that our customers' purchase orders and delivery will be consistent with our expectations over each season. Accordingly, our results of operations may vary from period to period. If we cannot effectively plan our production and delivery schedules and secure purchase orders from our customers during non-peak seasons, our business, financial condition and results of operations may be adversely affected.

Furthermore, if seasonal demand is lower than our expectation, we could be left with excess inventory, higher working capital and liquidity requirements, as well as the risk of impairment losses on our inventory. As a result, historical patterns of our results of operations may not be indicative of our future performance, and period-to-period comparisons of our results of operations may not be meaningful, especially given our limited operating history with respect to our branded product sales.

Unauthorized use of our intellectual properties by third parties may harm our brands and reputation and materially and adversely affect our business.

We regard our patents, copyrights, trademarks and other intellectual properties as critical to our success. We rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure, confidentiality agreements with our employees and third parties, and other measures to protect our intellectual property rights. For details, please see "Business — Intellectual Properties."

Our business partners may not always comply with our contract terms prohibiting the unauthorized use of our brands, images, characters and other intellectual property rights. The agreements may not effectively prevent the disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

In addition, our competitors and other third parties may register trademarks or apply for patents that are similar to ours and may divert potential customers from us to them. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential customers away from our products, which could harm our reputation and materially and adversely affect our results of operations.

Implementation of intellectual property laws has been developing. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and a diversion of our resources, which in turn would materially and adversely affect our business, results of operations and financial condition.

We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in a diversion of our financial and management resources, and have a material adverse impact on our business, results of operations and financial condition.

Our business operations, product development and competitive position are dependent on our intellectual property portfolio, including patents, trademarks, copyrights, trade secrets and proprietary technical know-how. As we expand our product offerings, enter new markets and enhance our technological capabilities, we face the risk of being alleged by third parties, including competitors, patent holders and other relevant entities, to have infringed their intellectual property rights. Such infringement claims may arise regardless of their merits, and defending against such claims involves significant time, effort and financial resources.

Defending against intellectual property infringement claims typically requires substantial legal fees, expert witness costs, litigation expenses and other related costs. In addition, the process of resolving such claims, whether through litigation, arbitration or settlement negotiations, may divert the attention of our senior management and key technical personnel from our core business activities, including research and development, production, sales and customer service. This diversion of resources could hinder our operational efficiency, slow down product innovation and delay market expansion efforts.

If we are found liable for intellectual property infringement, we may face a range of adverse consequences, including court-ordered injunctions prohibiting us from manufacturing, selling, distributing or using the allegedly infringing products, technologies or processes; substantial monetary damages, including compensatory damages, statutory damages and attorneys' fees; and the requirement to modify our products, technologies or processes to avoid further infringement. Such outcomes could disrupt our production and sales operations, reduce our market share, damage our brand reputation and erode customer trust.

Furthermore, even if we successfully defend against such infringement claims, the negative publicity associated with intellectual property litigation or proceedings may harm our brand image and market perception. The financial and management resources expended on defending such claims may also limit our ability to invest in research and development, expand our business or maintain our competitive edge in the market.

Changes in international trade policies, geopolitics and trade protection measures, export controls and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations.

Our global operations may subject us to various applicable sanctions and export controls regulations. Our products are sold over 100 countries and regions worldwide. We engaged an International Sanction Adviser to review our business activities during the Track Record Period. For details, please refer to "Business — International Sanctions, Outbound Investment and Export Control Measures" in this document. In the event that any of the countries or regions which we export or plan to export to imposes additional economic sanctions or enforces import restrictions or tariffs in relation to our products, our business and operations may be adversely affected.

Our exports must be made in compliance with various economic sanctions and export controls laws in different jurisdictions in which we operate. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results.

Global trade tensions, such as the ongoing U.S.-China trade disputes, have led to high tariffs, export controls and other restrictive measures targeting specific products and products originating from certain countries or regions. These measures could disrupt our supply chain, increase costs and negatively impact our ability to compete in the global market. It remains uncertain whether any further tariff restrictions will be implemented. These developments have heightened geopolitical uncertainty and prompted retaliatory trade measures from other economies. Additionally, policy changes and related uncertainty about policy changes could increase market volatility. These changes may negatively affect our business and financial condition.

In addition, the United States has introduced an outbound investment regime targeting certain investments by U.S. persons in "countries of concern," including the PRC, in specified sectors such as semiconductors, quantum technologies and artificial intelligence (the "**Outbound Investment Rules**"). As advised by our International Sanction Adviser, (i) we are a "covered foreign person" as we are incorporated in the PRC; (ii) our business activities may fall within the classification of a "covered activity" as our products may incorporate AI algorithms and/or are embedded within robotic devices; and (iii) the Outbound Investment Rules provide exemptions where investments in securities/shares that are publicly-traded on recognized exchanges (including the Stock Exchange) are generally exempt from both the prohibition and notification requirements. As a result, the Outbound Investment Rules will not be applicable to the [**REDACTED**]. If we derive or incur the financial metrics described above in the further or otherwise engaged in any covered transactions, covered transactions by U.S. persons may either be prohibited or restricted, depending on the nature of the covered activity.

We have been continuously investing in our research and development efforts, which may negatively impact our profitability in the short term.

Our business strategy heavily relies on continuous and substantial investments in research and development to maintain our competitive edge in the smart garden equipment industry. We have been continuously investing in our research and development efforts. Our research and development expenses were RMB64.9 million, RMB91.9 million and RMB142.8 million for the year ended December 31, 2023, 2024 and 2025, respectively, representing 13.3%, 12.0% and 14.0% of our revenue in the same periods, respectively. As part of our long-term growth strategy, we will continue to focus on strengthening technological research and development, such as efforts on robot underlying technologies and smart garden technology.

However, research and development is a capital-intensive process that does not guarantee immediate returns. The development timelines for new robotic products are long and may take several years before generating meaningful revenue. During this period, our research and development spending may adversely impact our profitability, as we continue to allocate significant resources to innovation without immediate financial returns.

Furthermore, there is no assurance that our research and development efforts will yield the desired results. Technological breakthroughs are inherently uncertain, and our ability to anticipate market trends or develop products that meet evolving customer demands may fall short. If we are unable to successfully convert our research and development investments into commercially profitable products or achieve the expected levels of market acceptance, the financial burden of our research and development activities could negatively affect our operating cash flow, hinder profitability, and reduce shareholder value. Additionally, ongoing research and development expenditures may strain our financial position and delay the achievement of profitable operations.

Our future success depends in part on our continuing ability to retain key executives and to attract, train, retain and motivate qualified and skilled personnel. If we are unable to retain, attract and train such personnel, our business may be materially and adversely affected.

We depend on the continued contributions of our directors, senior management and other key employees, many of whom may be difficult to replace. Replacing executives, scientific employees and other qualified personnel could be difficult and could take a long time because of the limited number of individuals in our industry with the skills and experience necessary to successfully develop our products. The loss of the services provided by any of our top executives or other key employees could prevent us from achieving our research and development and sales and marketing goals.

To retain valuable employees, in addition to salary and cash incentives, we may provide share incentives that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the [**REDACTED**] of our Shares that are beyond our control and may, at any time, be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time. As a result, our business may be severely disrupted, and our results of operations and financial condition may be materially and adversely affected.

Our future success also depends on our ability to retain existing key personnel, including the members of our research and development team and sales and marketing team to further our research and development and marketing initiatives, and attract and train a large pool of other qualified employees. We believe that competition for skilled management, technical, sales and other personnel with industry experience is intense and will continue to be so. We need to significantly increase the number of qualified employees and retain key employees, which may result in a substantial increase in our compensation-related costs, including share-based compensation. We must offer competitive compensation packages and a good working environment in order to hire, retain and motivate employees. Should we fail to retain and motivate existing employees and attract qualified personnel, such failure could impede the achievement of our research, development and sales objectives and seriously harm our ability to successfully implement our business strategy.

If we are unable to effectively manage the scale and expenditures of our staff, our business, financial condition and results of operations may not be adversely affected.

As of December 31, 2025, we had 1,784 full-time employees in China. The economy of China has been experiencing significant growth, leading to inflation and increased staff costs, particularly in large cities. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pensions, housing provident fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Any labor shortage or attrition at our production base may significantly disrupt our business operations or delay our expansion plan. We may have difficulties in hiring or retaining sufficient and qualified employees. In addition, average wages in China are expected to continue to rise, which we anticipate will have an upward pressure on our staff costs and employees' salaries and benefits, which in turn will negatively affect our profit margins. Any failure to attract qualified employees at reasonable cost and in a timely manner, and any future disputes with our employees may materially and adversely affect our business, financial conditions and results of operations.

We have been involved, and may continue to be involved, in litigations, 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 legal or other proceedings arising out of our operations from time to time, which can expose us to reputational risks and significant liabilities. Disputes may arise with various parties involved in our business operations, including customers, suppliers, employees, logistics service providers, insurers and banks. These disputes have the potential to escalate into legal or other proceedings, including threats of legal action. Such proceedings can damage our reputation, incur substantial costs, and divert our resources and management's attention. 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 technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks. Our reputation and business may be harmed by service disruptions or by our failure to timely and effectively scale up and adapt our existing technology and infrastructure.

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 mechanisms or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our products. It may be difficult for us to respond to such interruptions in a timely manner, or at all.

Any such disruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could affect our ability to timely deliver customer orders or harm user experience. 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. As a result, our reputation, business, results of operations and financial condition could be adversely affected.

Any failure to comply with data privacy and security laws may adversely impact our business, financial condition and results of operations.

In recent years, government authorities across the world have been increasingly focusing on data security and personal information protection. During the course of our business operations, we collect, store and process business data, transaction data and personal data. We are subject to various laws and regulations regarding data security and personal information protection in the jurisdictions where we operate.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving and is likely to change from time to time for the foreseeable future. As such, we cannot assure you that our data security and personal information protection measures are, and will be, always considered sufficient under applicable laws and regulations. If we are unable to comply with the then-applicable laws and regulations or to address any data security and personal information protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers and users and could subject us to significant legal, financial and operational consequences.

Given the evolving regulatory environment in these areas, we are subject to substantial legal and economic uncertainties for our future business operations. The legal and regulatory developments could affect the way we design and deliver our offerings, our business operations, and how we and our business partners deal with data protection. We may incur substantial costs to comply with these laws and regulations, to address the needs of our customers and users relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies. If we fail to effectively and timely comply with these laws and regulations and respond to relevant changes, our business operations, results of operations, financial condition and prospects will be materially and adversely affected.

We are subject to risks relating to our third-party payment arrangements during the Track Record Period.

During the Track Record Period, we accepted payments made on behalf of certain customers through the accounts of third-party payors designated by the relevant customers. For details, please refer to "Business — Third-Party Payment Arrangements" in this document.

We may be subject to risks relating to such third-party payment arrangements during the Track Record Period, which primarily include: (i) possible claims from third-party payors for return of funds as we had no contractual relations with such third-party payors and they were not contractually obliged to pay us, and possible claims from liquidators of such third-party payors; and (ii) potential money laundering risks as we have limited knowledge in relation to the source and purpose of the funds utilized by third-party payors under such third-party payment arrangements. In the event of any claims from third-party payors or their liquidators, or legal or administrative proceedings instituted or brought against us for the return of the relevant funds or for violation or non-compliance of laws, rules and regulations, we will have to address these claims or proceedings, which would adversely affect our business and financial condition.

Our risk management and internal control systems may not be adequate or effective.

We have established risk management and internal control systems and we expect to continue to improve such risk management and internal control systems from time to time. However, our risk management and internal control systems may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated.

In addition, we will become a public company upon the [**REDACTED**], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. If we encounter difficulties in improving our internal controls and management information systems, we may incur additional costs and management time in meeting our improvement goals. We cannot assure you that the measures taken to improve our internal controls will be effective. If we fail to maintain effective internal controls in the future, our business, financial condition, results of operations and reputation may be materially and adversely affected.

Effective implementation of our risk management and internal control policies and procedures also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended, or such implementation will not be subject to human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

Our taxable profits may be subject to transfer pricing adjustments by tax authorities.

We carry out certain intra-group transactions in the PRC and overseas. We have engaged an independent Transfer Pricing Consultant to perform transfer pricing review on our cross-border intra-group transactions for the years ended December 31, 2023, 2024 and 2025. Please refer to "Business — Transfer Pricing Arrangements" for further details. We expect that the relevant arrangements will continue in the foreseeable future.

There is no assurance that tax authorities reviewing such arrangements would agree that we are in compliance with transfer pricing related laws and regulations, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that the transfer prices were not on an arms' length basis and could have an effect on taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby reallocate revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such reallocation or adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. During the Track Record Period, our insurance policies primarily cover commercial insurances including product liability insurance, accident insurance, property insurance, transportation insurance and liability insurance for senior management personnel. We maintain social insurance and housing provident funds for our employees in accordance with relevant PRC laws and regulations. During the Track Record Period, we did not make any material insurance claims in relation to our business. However, our insurance coverage may be insufficient to cover any claim for product liability or damage to our fixed assets. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Our insurance might not adequately cover claims brought against us, or at all and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our collaborators, our collaborators do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

Negative publicity involving us or failure to maintain and enhance our recognition and reputation may materially and adversely affect our business.

We may, from time to time, receive negative publicity about us, our product offerings, management, business partners or shareholders. Certain of such negative publicity may be the result of malicious harassment or unfair competition acts by third parties. Any negative publicity, including disputes concerning us, our business partners or our affiliates, even if untrue, could adversely affect our reputation and prospects. Moreover, if we are unable to maintain a good reputation, our ability to attract and retain key employees and business partners could be harmed which, in turn, may materially and adversely affect our business, financial condition, results of operations and prospects.

Our reputation is vulnerable to potential threats that can be difficult or impossible to control, and costly or impossible to remediate. Negative publicity about us, such as alleged misconduct or improper activities, or negative rumors relating to us, our management, employees, business partners or affiliates, can harm our business, financial condition, results of operations and prospects, even if they are unsubstantiated or are later satisfactorily addressed. Any regulatory inquiries or investigations or other actions against our management, any perceived unethical, fraudulent, or inappropriate business conduct by us or perceived wrongdoing by any key members of our management team or other employees, our business partners or our affiliates, could harm our reputation and materially and adversely affect our business. Regardless of the merits or final outcome of such regulatory inquiries, investigations or actions, our reputation may be substantially damaged, which may impede our ability to attract and retain talent and business partners and grow our business.

The discontinuation of any favorable government policies and government subsidies and economic incentives currently available to us could adversely affect our business, results of operations and financial performance.

We have received government subsidies and economic incentives in support of our growth. We recognized government grants of RMB0.9 million, RMB0.8 million and RMB0.5 million, for the years ended December 31, 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 incentives and subsidies 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 require us to repay part or all of the government subsidies we previously received. Any reduction, elimination, repayment or other negative trends in government subsidies or incentives could adversely affect our business, results of operations and financial condition.

Our business may be impacted by geopolitical uncertainties and disasters.

Overseas expansion is an important component of our growth strategy. We have planned to continue exploring our overseas presence by pursuing market opportunities with demand for our products and systems and collaborating with reputable local partners and distributors to enhance our global presence. However, our international operations may expose us to operational risks that may materially and adversely affect our business, financial conditions and results of operations, such as changes in political, economic and regulatory environments, longer payment cycles and collection challenges, adverse tax and foreign exchange impacts, geopolitical events and increased compliance and operating costs. For instance, the conflict in the Middle East has escalated significantly since late February 2026, resulting in heightened military actions and increased regional tensions and market volatility. The potential regional conflict may disrupt operations and project implementation and could result in delays in or negatively impact customer payments or future projects or future project revenue. While the impact to date has been limited, any escalation or continuation of conflict could materially and adversely affect our ability to secure new orders or recover receivables.

Any catastrophes, including natural disasters, outbreaks of health epidemics and other extraordinary events, could disrupt our business operations.

Our business could be materially and adversely affected by catastrophes, including natural disasters, such as snowstorms, earthquakes, fires or floods, outbreaks of a widespread health epidemic or pandemic, or other extraordinary events such as wars, acts of terrorism, environmental accidents, power outages or communication interruptions. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global economy in general.

We face risks related to certain of our leased properties.

As of the Latest Practicable Date, 13 leased properties of us, with a gross floor area of approximately 13,746.75 sq.m., have not been registered with the relevant government authorities in accordance with the relevant PRC laws and regulations. These properties are primarily used for operation and production. While the failure to complete the administrative filings may not affect the legality, validity or enforceability of the lease agreement, the government authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. It is not clear under PRC laws if the fine will be borne by the lessor or the lessee. According to applicable PRC laws and regulations, lessors of the related lease agreements need to provide us with certain documents (such as their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. If we fail to complete the administrative filings for all non-registered leases within the period specified by the relevant government authorities, and the relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, we might be subject to a fine ranging from RMB13,000 to RMB130,000.

Additionally, if disputes or government actions due to title challenges arise to the above-described properties, we may encounter difficulties in continuing to lease such properties and may be required to relocate. If any of these leases terminated or voided as a result of challenges from third parties or government agencies, we would need to seek alternative premises and incur relocation costs. We cannot assure you that we will be able to relocate such operations to suitable alternative premises, and any such relocation may result in disruption to our business operations and result in loss of earnings. We also cannot assure you that we will be able to effectively mitigate the possible adverse effects that may be caused by such disruption, including loss and costs. Any of such disruption, loss or costs could adversely affect our business, results of operations and financial condition.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations can result in penalties.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments, and contribute for each of our employees under such plan should be calculated based on a specified percentage of the employee's salary level. According to the Notice of the General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rates (Guo Ban Fa [2019] No.13,《國務院辦公廳關於印發〈降低社會保險費率綜合方案〉的通知》), it is imperative to properly handle the historical arrears of enterprises, and in the reform of the collection system, it is not allowed to integrate collection the historical arrears of enterprises without authorization. In addition, due to the different levels of economic development in different regions, there are no uniform requirements for the implementation of employee benefit plans by local governments. As such, there can be no assurance that any new laws and regulations or changes in the enforcement of existing laws and regulations will not cause us to retroactively make up any historical shortfall in social insurance and housing provident fund contributions. If the relevant authorities order us to pay the outstanding social insurance and/or housing provident funds in accordance with applicable laws and regulations, we will make such payments promptly within the specified period to avoid administrative penalties for overdue payment. In such case, we may incur additional costs to comply with the laws and regulations and even be subject to fines or penalties arising from above non-compliance.

During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds for certain of our employees as required by the relevant PRC laws and regulations, partially because certain employees were unwilling to pay their full share of social insurance and housing provident fund contributions, as this would require additional payments from them. As advised by our PRC Legal Advisers, pursuant to the applicable PRC laws and regulations, if an employer fails to make full social insurance and housing provident funds contributions, the relevant authorities may (i) order the employer to pay the outstanding social insurance amount within a prescribed time limit, together with an additional overdue fine calculated at a daily rate of 0.05%. If the employer still fails to pay the overdue contributions within such time limit, a fine of one to three times the outstanding amount may be imposed on the employer; and (ii) order the employer to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People's Court for compulsory enforcement. Therefore, we could be subject to fines of up to one to three times the total amount of the social insurance contribution shortfall during the Track Record Period and a late fee of 0.05% of the outstanding amount for each day of delay.

Any non-compliance with labor-related laws and regulations of the PRC may subject us to late payments and fines.

We have been subject to strict regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance and unemployment insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementing rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations may change, our employment practice could inadvertently violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

The interpretation and enforcement of PRC laws, rules and regulations need to be determined in accordance with the relevant laws and regulations in effect at that time.

Our Company is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China, and the interpretation and enforcement of these laws, rules and regulations subject to adjustments and refinements.

Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations maybe subject to different interpretation. As other civil law countries, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. As these laws and regulations are continually evolving in response to changing economic and other conditions, these uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to [**REDACTED**] and us.

Governmental control of currency conversion, and restrictions on the remittance of Renminbi into and out of China, could have a material adverse impact on our financial condition and results of operations, and may reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

Conversion and remittance of foreign currencies are subject to certain foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we would have sufficient foreign exchange to meet our foreign exchange needs. For example, under the PRC current foreign exchange regulation system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (the "**SAFE**"). However, we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under capital account, however, normally need to be approved by or registered with the SAFE or their local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approval from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be affected. Moreover, non-compliance with any applicable foreign exchange regulations could subject us to administrative penalties and fines, and could affect our business and reputation.

Fluctuations in exchange rates could have an adverse effect on our business, financial condition and results of operations.

During the Track Record Period, a portion of our revenue was derived from overseas jurisdictions and denominated in foreign currencies, mainly in U.S. dollars. Fluctuations in foreign exchange rates against the Renminbi could result in changes in reported revenue and results of operations due to the foreign exchange impact of translating these transactions into Renminbi. Currency fluctuations could decrease revenue and increase our cost of sales.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in the global political and economic conditions and by the PRC foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar or other currencies in the future. It is difficult to predict how market forces, international relationships or policies may impact the exchange rate between Renminbi and the U.S. dollar or other currencies in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenue, earnings and financial position, and the value of any dividends we may pay. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollar could have an adverse effect on the Renminbi amount we could receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings.

Our operations are subject to, and may be affected by, changes in tax laws and regulations in the countries and regions where we operate.

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) ("**EIT Law**") imposes a tax rate of 25% on business enterprises. To the extent there are any adjustments in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. Due to the fact that the tax environment can alter in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

We are headquartered in China for research, development, and manufacture of smart garden equipment. Therefore, it may not be possible for [**REDACTED**] to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of some other jurisdictions.

On July 14, 2006, Hong Kong and Chinese Mainland entered into the Arrangement of the Supreme People's Court between the Chinese Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction. Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Chinese Mainland. Similarly, a party with a final judgment rendered by a Chinese Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese Mainland court is expressly designated as the court having exclusive jurisdiction for the dispute. The Supreme People's Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Chinese Mainland and of the Hong Kong Special Administrative Region (《最高人民法院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》), or the New Arrangement, effective in January 2024, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the Chinese Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western jurisdictions or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the current PRC foreign exchange regulation, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] of our H Shares, and an active [REDACTED] for our H Shares may not develop or be sustained.

There was no [**REDACTED**] for our H Shares prior to the [**REDACTED**]. There can be no guarantee that a [**REDACTED**] for our H Shares with adequate liquidity and [**REDACTED**] volume will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us, which may not be indicative of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of our H Shares may be materially and adversely affected.

As the [REDACTED] of our H Shares may be higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], [REDACTED] of our H Shares in the [REDACTED] may experience an immediate dilution.

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

The liquidity, [REDACTED] volume and [REDACTED] of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to [REDACTED].

The [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the [**REDACTED**] of other companies with business operations located mainly in Chinese mainland that have listed their securities in Hong Kong may affect the volatility in the price of and [**REDACTED**] volumes for our H Shares. A number of Chinese mainland-based companies have listed their securities, and some are in the process of preparing to list their securities, in Hong Kong. The share price of some of these companies has experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward Chinese mainland-based companies listed in Hong Kong and consequently may impact the [**REDACTED**] performance of our Shares. These factors may significantly affect the [**REDACTED**] and volatility of our Shares, regardless of our actual operating performance.

Future [REDACTED] or perceived [REDACTED] of our H Shares in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The [**REDACTED**] of our H Shares could decline as a result of future [**REDACTED**] of a substantial number of our Shares or other securities relating to our H Shares in the [**REDACTED**], the [**REDACTED**] of new shares or other securities, or the perception that such [**REDACTED**] or [**REDACTED**] may occur. Future [**REDACTED**], or perceived [**REDACTED**], of substantial amounts of our securities, including any future [**REDACTED**], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities [**REDACTED**] by us may also confer rights and privileges that take priority over those conferred by the Shares.

Our Controlling Shareholders have substantial influence over our Group and their interests may not be aligned with the interests of our other Shareholders.

Immediately upon the completion of the [**REDACTED**], our Controlling Shareholder Group will continue to have significant influence over our business and affairs, including decisions of mergers and acquisition, disposition of assets, [**REDACTED**] of additional Shares or other equity securities, timing and amount of dividend payments, and our management. There may be a conflict between the Controlling Shareholder Group's interests and your interests. In addition, without the approval of the Controlling Shareholder Group, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a [**REDACTED**] for the Shares as part of a sale of our Company and may significantly reduce the [**REDACTED**] of our H Shares.

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

During the Track Record Period, a vast majority of our revenue and expenditures were denominated in Renminbi, and a vast majority 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 H Shares in Hong Kong dollars. For instance, 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 H Shares 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.

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

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

Under the existing foreign exchange regulations of mainland China, 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 Chinese mainland to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of Chinese mainland.

Should the [REDACTED] be higher than the net tangible book value per Share, subject to [REDACTED], you may experience an immediate dilution in the book value of the [REDACTED] you [REDACTED] in the [REDACTED] and may experience further dilution if we [REDACTED] additional Shares in the future.

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

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

Certain facts, forecast and other statistics in this document are derived from various government and official resources. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [**REDACTED**] 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, our [**REDACTED**] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [**REDACTED**] should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us, our H Shares or the [REDACTED].

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