

RISK FACTORS

[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 deciding to [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial condition and growth prospects. In any such case, the [REDACTED] of our [REDACTED] could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (1) risks relating to our business and industry, (2) risks relating to our financial performance, (3) risks relating to conducting business in China, and (4) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The highly competitive industries that we operate in are characterized by constant changes. If we fail to stay abreast of technology innovation and continuously advance our robotic pool cleaner products to meet the expectations and needs of our customers and end users, our business, results of operations and financial condition may be materially and adversely affected.

The highly competitive industries that we operate in are characterized by constant changes, including rapid technological evolution, frequent introductions of new products, continual shifts in customer demands, and the constant emergence of new industry standards and practices. As such, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. Nowadays, cordless robotic pool cleaners with greater automation and intelligent features are gaining wider adoption for pool cleaning and maintenance, including in more complex scenarios. We need to constantly anticipate the emergence of new technologies and assess their market acceptance. To remain competitive, we must continue to stay abreast of the evolving industry trends and rapid technological development. Our business growth also relies on our ability to identify and anticipate the evolving expectations and needs of customers and end users in a timely manner, and develop and provide satisfying products and services accordingly.

We have invested, and will continue to invest, significant resources to enhance our robotic pool cleaner products. Nevertheless, given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. We also may not be able to leverage new technologies effectively or adapt our offerings to meet customer needs or emerging industry standards, and our technology approach might not align with our future development plans or even become obsolete if we are unable to adapt in a cost-effective and timely manner to changing market conditions, whether for technical, legal, financial or other reasons. Any of the circumstances would render our existing technologies or products obsolete or unattractive. Our failure to keep up with the technological development in the robotic pool cleaner industry and deliver effective results by our products would result in user dissatisfaction, which will materially and adversely affect our business, results of operations, financial condition and prospects.

The success of new product introductions and innovation also depends on other factors, such as timely and successful completion of development efforts, successful production ramp-ups and market acceptance of the products. Further, consumer demands, preferences and lifestyle trends in relation to outdoor living may change from time to time and depend upon various factors, including global lifestyle trends, consumption patterns, disposable income, consumer confidence and other factors beyond our control. If we are unable to compete successfully by introducing competitive new products that meet the demands and preferences of customers, our business, results of operations and financial condition would be adversely affected.

RISK FACTORS

Our addressable markets and the demand for robotic pool cleaners 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, substantially all of our revenue was generated from sales of robotic pool cleaners. Our business largely relies on consumers’ demands for swimming pools and recreational activities, which may vary based on the social and economic conditions in the countries in which our robotic pool cleaners are sold. 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 other acts of God, or sudden downturns in the economy or consumer demands, the demand for robotic pool cleaners may be adversely affected.

The global robotic pool cleaner industry has been developing rapidly, according to the CIC Report. The future demand for robotic pool cleaner products may, however, be difficult to anticipate since it depends on a number of variables, most of which are beyond our control. For instance, the market expansion may depend on the growth in the application of robotic pool cleaner products in various use cases, the prevalence of commercial and residential pools, as well as the benefits and cost-efficiency of these products. If the robotic pool cleaner products do not achieve widespread acceptance, or there is a reduction in customer demand caused by weakening economic conditions, technical challenges, enhanced regulations, alternative technologies or products, our business, results of operations and financial condition will be materially and adversely affected.

In addition, the market acceptance of robotic pool cleaner products may vary across different industry sectors. Whether potential customers accept robotic pool cleaner products depends, to a large extent, on their level of awareness of such products and the widespread use of similar offerings. We cannot assure you that the trend of adopting and utilizing robotic pool cleaner products by potential customers will develop or continue in the future, which in turn would hinder our ability to achieve the desired level of adoption of our products.

We may record net operating cash outflows, which may adversely affect our financial condition.

Although we recorded net operating cash inflows in 2023, 2024 and 2025, we may record net operating cash outflows in the future. In particular, according to our stockpiling cycle, we might incur net operating outflows in the middle of a year and/or ahead of peak sales season for inventory management purposes.

If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. As a result, our business, results of operations and financial condition may be adversely affected.

RISK FACTORS

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

Our ability to retain existing customers, attract new customers and increase the spending by our customers depends on a number of factors, including our ability to offer more intelligent products that address the needs of our customers at competitive prices, the strength of our technologies and the effectiveness of our sales and marketing efforts. If we fail to retain existing customers, attract new customers or increase the spending by our customers, we may not be able to grow our revenue as quickly as we anticipate, or at all. Specifically, if our branded products achieve substantial market success, they could compete directly with the products we manufacture for our ODM customers. This potential competition could lead to the decline of purchases from our ODM customers, negatively impacting our future revenue streams.

As we have been and will continue expanding our customer base, the demands of our customers may differ from each other and evolve over time. As such, we need to upgrade, expand and modify our products to satisfy their requirements. We cannot assure you that we can always provide products that meet our customers’ requirements, or improve and enhance, to our customers’ anticipations, the functionality, performance, reliability, design and cost-effectiveness of our products. Such failures could result in customer dissatisfaction and decrease in the overall demand for our products, which would materially and adversely affect our business, results of operations, financial condition and prospects.

We have been continuously investing in our R&D efforts, which may not generate the results we expect to achieve.

Our R&D capabilities and infrastructure are critical to our success. We have been continuously investing in our R&D efforts. See “—Risks Relating to Our Financial Performance—We have been continuously investing in our R&D efforts, which may negatively impact our profitability in the short term” for details.

We have achieved various breakthroughs in core technologies, including among others, precise underwater acoustic positioning, underwater AI vision, underwater 3D mapping, autonomous navigation and autonomous waste collection. Aiming to further enhance the automation and intelligence level and the sophistication of the application scenarios of robotic pool cleaners, our R&D team is continuously exploring the innovative application of intelligent hardware and AI algorithms in robotic pool cleaners. We are developing AI algorithms to equip robotic pool cleaners with simultaneous localization and 3D mapping technology to chart out unfamiliar underwater environment while keeping track of their locations for enhanced 3D mapping and AI path planning. In addition, we are also developing AI algorithms for sensors with ultrasonic radar to automatically perceive underwater environment, which will allow our products to have enhanced underwater AI vision for improved efficiency, precision and safety in complex cleaning tasks.

Our investments in R&D require significant management time and a high level of financial and other commitments, and we may need to increase expenditure on R&D in response to changes in consumer demand. Our business, results of operations and financial condition may be adversely affected if we fail to successfully anticipate and react in a timely manner to changes in customer preferences. Furthermore, R&D activities are inherently uncertain, and we might encounter practical difficulties in applying and commercializing our R&D results. As such, our significant R&D expenditures may not generate desirable benefits, which could materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

The growth of AI technologies or the usage of AI technologies in the global robotic pool cleaner industry may not meet expectation, and our business, growth and prospects may be significantly affected as a result.

We may face challenges brought by the uncertain demand for the applications of AI technologies in the global robotic pool cleaner industry. Whether potential customers accept our products depends, to a large extent, on their level of awareness of our products offerings and the widespread use of similar products. We cannot assure you that the trend of adopting and utilizing AI technologies by potential customers will continue in the future. In addition, with the continuous development of AI technologies and commercialization of the relevant robotic pool cleaners with AI and intelligence features, any potential future decrease in growth of the global robotic pool cleaner industry in general or the price and profit margin of our robotic pool cleaners could result in material and adverse change to our business, growth and prospects.

Moreover, the development of robotic pool cleaners with AI and intelligence features depends on a number of factors, including the development of AI technologies that applicable for robotic pool cleaners and the growth in such application, the prevalence of such products, and the performance and perceived value associated with such products. If AI technologies that applicable for robotic pool cleaners do not develop as expected, or robotic pool cleaners with AI and intelligence features do not achieve widespread acceptance, or there is a reduction in demand for such products caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing technologies and products or services or otherwise, our business, growth prospects and results of operations may be materially and adversely affected.

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

During the Track Record Period, we generated a substantial portion of our revenue from sales of robotic pool cleaner products to overseas customers, primarily including those in North America, Europe, Asia and Oceania. In 2023, 2024 and 2025, our revenue generated from overseas customers outside of mainland China was RMB339.3 million, RMB523.7 million and RMB756.0 million, respectively, accounting for 89.8%, 96.3% and 93.1% of our total revenue in the same periods, 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, including:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing and sales presence;
- difficulty in providing efficient customer service and support in markets abroad;
- consumer preferences for local products, and laws and business practices favoring local companies;
- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we might be unfamiliar, in order to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;
- high costs relating to compliance with the commercial and legal requirements of overseas markets, including those relating to labor, environmental and industry-specific regulations;

RISK FACTORS

- risks associated with local unions and employment disputes, including allegations of discrimination, harassment, violation of collective bargaining agreements, wrongful termination, among others;
- difficulty in obtaining or enforcing intellectual property rights;
- strict foreign exchange controls and cash repatriation restrictions;
- unanticipated changes in prevailing economic conditions and regulatory requirements;
- political instability and civil unrest, cultural and religious conflicts, and acts of terrorism;
- potential for violations of anti-corruption laws and regulations, including those related to bribery and fraud;
- risks associated with compliance with local tax laws and regulations including but not limited to timely filing of tax returns, tax payment, and disputes or disagreements with local tax authorities with respect to matters including but not limited to calculation of tax liabilities and preferential tax treatments;
- risks associated with disputes with local tax authorities on the judgment of transfer pricing arising out of our intragroup transactions, which may result in reallocation or adjustment of our taxable income and a different tax amount payable;
- difficulties in enforcing agreements and collecting overdue receivables through local legal systems; and
- trade barriers such as export requirements, sanctions, tariffs and other restrictions and expenses.

Our overall success as a global business depends, in part, on our ability to succeed in managing such risks. The risks and their potential impact on us or our business partners vary from country to country and are difficult to predict with any degree of accuracy. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct business, and there can be no assurance that our exposure to such risks, which may become greater as we expand our international operations, will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

We are subject to applicable antitrust and competition laws in the jurisdictions in which we operate, and we may be subject to certain regulatory scrutiny procedures and investigations, from time to time, by antitrust or competition regulatory authorities relating to claims of infringement of antitrust or competition laws, or civil lawsuits and criminal proceedings with respect to anticompetitive behaviors, in certain of these jurisdictions. Such regulatory scrutiny procedures and investigations may be carried out by the relevant antitrust or competition regulatory authorities on an individual entity or a group of entities within an industry or a segment of an industry and may relate to a range of activities including acquisitions, pricing and other behaviors. These investigations and scrutiny procedures may be carried out by antitrust or competition regulatory authorities in confidence and we may not become aware of the details of such scrutiny procedures or investigations until we are formally notified of the outcome. In addition, our competitors may resort to making allegations or complaints against us to regulators without our knowledge which may give rise to further scrutiny and investigations. Such scrutiny procedures, investigations, lawsuits and proceedings may result in fines, civil liability or criminal liabilities or may result in a change in the way we operate. Further, there can be no assurance that our business, results of operations and

RISK FACTORS

financial condition will not be adversely affected by the introduction of new antitrust or competition laws in the jurisdictions in which we operate, the interpretation of existing antitrust or competition laws, or the enforcement of existing antitrust or competition laws by competent regulatory authorities or civil antitrust litigation by private parties against us or our subsidiaries. Our business can also be subject to rules and regulations under economic sanctions programs. See “—Export control and economic or trade restrictions that were imposed on a number of entities may affect our business, financial conditions and results of operations” for details.

In addition, if relations between China and the countries and regions where our products are sold worsen, our business and results and operations may be adversely impacted. Specifically, the United States government has previously made statements and taken actions that led to significant changes to United States and international trade policies, including recently-imposed tariffs affecting certain products manufactured in China. For example, the trade war and imposition of tariffs between the United States and China have caused uncertainties to the global market, and have adversely affected our operation and profitability, as our products have been subject to an additional 30.0% tariff since May 2025 for all products being exported to the United States during the Track Record Period. Between February and April 2025, the United States and China engaged in a rapid escalation of trade tensions, with both countries imposing increasingly severe tariffs on each other’s goods. The United States raised tariffs on Chinese imports multiple times, reaching as high as 245%, while China responded with equivalent retaliatory measures. Despite a provisional agreement reached between the United States and China on May 12, 2025 and subsequently on October 30, 2025, the international trade environment remains highly uncertain. We do not engage in direct procurement of raw materials from the United States. Our revenue generated from North America was RMB188.2 million, RMB268.7 million and RMB359.2 million in 2023, 2024 and 2025, respectively, accounting for 49.8%, 49.4% and 44.2% of our total revenue in the same periods, respectively. Furthermore, if the United States implement substantially more favorable tariff policies for other regions compared to those applied to China, our overseas customers might make strategic global supply chain adjustments, which impact the competitive position of our products or prevent us from being able to sell products overseas, which could have an adverse effect on our business, financial condition and results of operations.

We utilize E-commerce marketplaces to sell our branded products. If we fail to maintain our business relationship with these platforms or if they lose their market influence or popularity, our product sales volume may decline, and our business, results of operations and financial condition may be materially and adversely affected.

During the Track Record Period, we utilized E-commerce marketplaces, such as Amazon, Shopify, Woot, Walmart, Best Buy, Lowe’s, Target, and Home Depot, to sell our branded products. In particular, our revenue generated through Amazon was RMB211.1 million, RMB309.8 million and RMB404.1 million in 2023, 2024 and 2025, respectively, accounting for 55.9%, 57.0% and 49.7% of our total revenue in the same periods, respectively. Leveraging the end consumer reach of these E-commerce marketplaces and their overall popularity, we are able to reach more end consumers through these platforms. We have benefited significantly from such cooperation with the E-commerce marketplaces and expect to maintain our cooperation with them so that their massive end consumer base and strong brand could lend us credibility and a broad marketing reach. If we fail to maintain our business relationships with these platforms, we may have to source new platforms to sell our products, which could lead to decline in our sales volume and materially and adversely affect our business, results of operations and financial condition. During the Track Record Period and up to the Latest Practicable Date, we had not had any material dispute with E-commerce marketplaces on which we sold our products.

We cannot assure you that we will be able to maintain our collaboration with Amazon, or other E-commerce platforms on favorable terms. These platforms can also suspend seller accounts and withhold proceeds under certain circumstances. Our agreements with partners generally do not prohibit them from working with our competitors or selling competing products. Competitors may be more effective in providing incentives to E-commerce platforms to favor their products and promote their sales. Building

RISK FACTORS

and maintaining strong relationships with our third-party E-commerce platforms requires significant time and resources. Any deterioration in these relationships, or any material disruptions to the operations of Amazon or other E-commerce platforms could significantly reduce our sales volume and market reach.

If these E-commerce marketplaces lose their market influence, or becomes less attractive to end consumers, it may lead to a significant decrease in their end consumer base and, in turn, affect the reach and popularity of our products and affect the attractiveness of our products to end consumers. If we are unable to find other E-commerce marketplaces with comparable end consumer base to market and sell our products, our business, results of operations and financial condition may be materially and adversely affected. Additionally, any negative publicity associated with these E-commerce marketplaces, or any negative development with respect to their market position, market influence, financial condition, maintenance of its platform infrastructure or compliance with legal or regulatory requirements, would have an adverse impact on the attractiveness of the E-commerce marketplaces and, consequently, the market outreach of our products, which in turn would materially and adversely affect our reputation, business and results of operations.

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

The global robotic pool cleaner industry is highly competitive. Our competitors may have longer corporate operating history and broader established customer base than us. They may also have, or in the future gain, more financial resources and sophisticated technological capabilities than us. In addition, as we develop additional robotic pool cleaner products catering to more diversified use cases or expand into other industry sections in the global smart outdoor living industry, the basis for the competition will become different, and we are likely to face additional competitors. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demand than us.

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

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 harmed.

We sell our branded products under the brands of *WYBOT* and *Winny Pool Cleaner* to end consumers primarily in North America, Europe, Asia and Oceania. We also conduct offline sales of our branded products to third-party merchants to expand our market reach. In addition, we also sell commissioned products on an ODM basis primarily to world-renowned pool equipment brands, such as Bestway, CASH and Productos QP. We believe that the market recognition of our brand by our end consumers and ODM customers has significantly contributed to the success of our business, and that maintaining and enhancing our brand is critical to sustaining our competitive advantage.

Our brand image depends largely on our ability to continue to provide quality, well-designed, useful, reliable and innovative robotic pool cleaner 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 events, such as industry conferences and exhibitions, and industry research reports in collaboration with third parties to associate our brand image and reputation with advanced technology and raise our profile. We cannot assure you, however, that these activities will be successful or will enable us to achieve increases in revenue and

RISK FACTORS

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.

Our sales are affected by seasonal fluctuations.

Our sales are affected by seasonal fluctuations, which is consistent with industry norm, according to the CIC Report. Our sales under the ODM model typically peak in the first and fourth quarters of each year, as our ODM customers tend to stock up on pool cleaners ahead of the summer season in the Northern Hemisphere to accommodate the heightened demand from end consumers. Correspondingly, our branded product sales also increase between in the second and third quarters of each year for the same seasonal reason. 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.

Disruption in production could interrupt the supply of our products to customers, and cause our sales to drop, which will materially and adversely affect our business, financial conditions and results of operations.

As of the Latest Practicable Date, we operated three manufacturing workshops in China and have depended on these manufacturing facilities for the continuous operation of our business. Natural disasters or other unanticipated catastrophic events, including storms, fires, explosions, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land where our manufacturing facilities are located, could significantly impair our ability to manufacture our products and operate our business. Catastrophic events could also destroy the inventories stored in our manufacturing facilities. The occurrence of aforementioned events could result in the temporary or long-term closure of our manufacturing facilities and severely disrupt our business operations, which may materially and adversely affect our business, financial condition and results of operations.

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

Our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. We have continued to upgrade our current manufacturing equipment, install additional manufacturing equipment and seek additional manufacturing facilities, such as our new production site, to expand our production capacity and enhance our production efficiency. See “Business—Manufacturing—Expansion Plan.” If we fail to achieve these objectives, we may not be able to attain the desired level of economies of scale in our operations or reduce our marginal manufacturing costs to the level necessary to maintain our pricing and other competitive advantages and achieve our business expansion plan.

Our equipment upgrade and capacity expansion require and will continue to require substantial capital investment, significant engineering efforts, timely delivery of manufacturing equipment and substantial management attention, and are subject to the following risks and uncertainties: (1) negative effect on the working capital available to us; (2) the need to finance our equipment upgrade and capacity

RISK FACTORS

expansion through bank or other borrowings, which may not be available on commercially reasonable terms or at all; (3) delay in or denial of government approvals, permits or documents of similar nature necessary and required for our expansion; (4) increase in depreciation charges associated with our new equipment and interest expenses associated with our future borrowings for planned upgrade or expansion; (5) cost overruns, construction delays, manufacturing equipment problems, including delays in equipment delivery or delivery of equipment that does not meet our specifications, and other operating difficulties; (6) failure to improve our operational and financial systems and risk monitoring and management system in line with our upgrade or expansion; (7) decrease in the prices of our products, which fail to cover our increased production cost; (8) failure to maintain or establish relationships with our existing or prospective customers and suppliers to match our increased production output; (9) the failure of our new equipment to perform as expected and lower our manufacturing cost; and (10) insufficient management resources to properly oversee and manage our planned capacity expansion.

Any of the abovementioned or similar risks or uncertainties could significantly delay or constrain our ability to execute our equipment upgrade and capacity expansion as planned, which may in turn hinder our ability to achieve economies of scale and satisfactory utilization rates. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

We may not be able to fully maintain quality control over our products.

The quality of our products depends on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the quality and reliability of parts and components used, including those manufactured by ourselves and our outsourced service providers, the quality of our staff and relevant training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocols. However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards. Any significant failure or deterioration of our quality control and quality assurance protocols could render our products unable to perform its regular functions, cause safety concerns that may result in physical injuries to individuals, or harm our market reputation and relationship with business partners.

In addition, the quality of parts, components and/or products manufactured by our suppliers that we incorporate into our robotic pool cleaners is beyond our control. We cannot assure you that the parts, components and/or products we procure from them are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers. In the event of any quality issues, we could be subject to complaints and product liability claims and we may not be able to seek indemnification from them. If we engage in legal proceedings against our suppliers, such proceedings may be time-consuming and costly regardless of the outcomes. Any of the foregoing incidents may materially and adversely affect our business, results of operations and financial condition.

We may be subject to product liability claims if our products contain defects, and we could incur significant expenses to remediate such defects. As a result, our reputation could be damaged and we could lose market shares, and our business, results of operations and financial condition may be adversely affected.

Robotic pool cleaner products may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our products may contain serious errors or defects, security vulnerabilities or software issues, which we are unable to successfully correct in a timely manner or at all. Some errors or defects in our products may only be discovered after they have been commercialized and deployed by our customers and we may incur costs relating to product recall, repair or replacement. For instance, on April 9, 2026, we conducted a voluntary product recall concerning certain models of our cordless robotic pool cleaners. For details, see “Business—Quality Control.” Furthermore, these issues could potentially lead to lawsuits filed against us by our customers or other parties, exposing us to potential liabilities and damages. We may also experience revenue loss, significant capital expenditures, delay or loss in market acceptance and damage to our reputation and brand, any of which could adversely affect our reputation, business, results of operations and financial condition.

RISK FACTORS

We are exposed to risks associated with cost fluctuation and supply shortage of key raw materials and hardware procured from our suppliers.

The principal raw materials and hardware used to produce our products include batteries, motors, chargers, circuit board assembly, metal components, injection molding materials and packaging materials. Mass production of our products requires timely and adequate supply of various raw materials and hardware. We rely on third-party suppliers to source raw materials and hardware for production of our products, and certain of these key raw materials and components are sourced from a limited number of suppliers. Therefore, we are subject to risks of shortages or discontinuation in supply, cost increases and quality control issues with our suppliers. In addition, some of our suppliers may have more established relationships with our competitors and may choose to limit or terminate their relationships with us or prioritize our competitors’ orders in the case of supply shortages.

Our cost of raw materials was RMB100.4 million, RMB142.8 million and RMB196.0 million in 2023, 2024 and 2025, respectively, representing 26.6%, 26.3% and 24.1% of our total revenue in the same periods, respectively. While we monitor the price of raw materials and hardware and adjust our price quotations accordingly, we may not be able to directly pass on any increase in costs to our customers in time or at all. Furthermore, shortage of or any defect in raw materials and hardware will affect our production output and product quality. In line with our continuous business growth, we expect that our cost of raw materials and hardware will increase in an absolute amount and as a percentage of our total revenue. In addition, as our product pricing is based on our estimated cost plus a markup margin, any fluctuation in the cost of raw materials and hardware will also affect our profitability. All of these events may have a material and adverse effect on our business, financial conditions and results of operations.

We do not have long-term purchase commitments from most of our ODM customers and third-party merchants, which may subject us to uncertainty and revenue volatility from period to period.

We do not have long-term purchase commitments from most of our ODM customers and third-party merchants. Purchases from our ODM customers and third-party merchants are made on a purchase order basis, and it is difficult to forecast quantities of future purchase orders. Our ODM customers and third-party merchants typically place order forecast two to three months in advance. We cannot assure you that the production volume or purchase orders from our ODM customers and third-party merchants will be consistent with our expectation when we plan for our expenditures. Cancellations, reductions or postponements of purchase orders by a major customer or by a group of customers could adversely affect our business, financial condition and results of operations.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, raw material procurement commitments, personnel needs and other resource requirements, based on our estimates of customer demands. The short-term nature of our customers’ commitments and the possibility of rapid changes in their demands reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production, which can strain our resources. We may not be able to increase our production capacity at any given time to meet our customers’ demands. On the other hand, a reduction in customer demand may negatively impact our business, financial condition and results of operations.

Our international operations may be subject to transfer pricing adjustment by competent authorities.

During the Track Record Period, we engaged in intra-group transactions involving transfer pricing arrangement. These transactions primarily involved the purchase and sale of tangible goods and provision of operational services among our subsidiaries and us. See “Business—Transfer Pricing Arrangement.” In 2023, 2024 and 2025, the total value of such intra-group transactions was RMB156.8 million, RMB176.9 million and RMB332.0 million, respectively.

RISK FACTORS

During the Track Record Period, we did not receive any demands or challenges from relevant authorities in any jurisdiction for additional tax payment. We believe that our transfer pricing arrangement aligns with arm’s length principle and that we have complied with the relevant laws and regulations on transfer pricing. Further, we expect that the transfer pricing arrangement will continue in the foreseeable future and we will conduct transfer pricing arrangement in accordance with arm’s length principle basis.

However, there is no assurance that the relevant authorities will not challenge our transfer pricing arrangement in the future, or that the relevant regulations or standards governing such arrangement will remain unchanged. If the relevant authorities later find that the transfer prices and terms that we have applied are not in line with arm’s length negotiations, they may require us to re-assess the transfer prices, re-allocate the income, or adjust the taxable income. Any such re-allocation or adjustment could result in higher tax liabilities for us and may adversely affect our business, results of operations, and financial condition. Furthermore, failure to rectify any incidents within the limited timeframe required by the relevant authorities may result in late payment interest, surcharge, or other penalties for any unpaid taxes. Additionally, if relevant authorities challenge the transfer pricing arrangement, it could give rise to tax recoverable in certain jurisdictions due to adjustments in taxable income. However, there is no assurance that we would successfully recover such taxes from the relevant authorities, which could have a material adverse effect on our business, results of operations, and financial condition.

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 and other agreements that restrict the use of our intellectual properties to protect these rights. For details, see “Business—Intellectual Property.”

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 in China 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.

We cannot assure you that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. From time to time, we may be subject to intellectual property disputes or litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights or other rights. We have been, and currently are involved in intellectual property disputes. See “Business—Legal Proceedings

RISK FACTORS

and Compliance” for details. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is costly and time-consuming and may divert management’s time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief was issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

Moreover, our agreements with customers and other third parties generally include indemnification provisions, under which we agree to indemnify them for losses incurred as a result of claims of intellectual property infringement arising from our products. Indemnity payments could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, in some cases, those limitations may not cover all situations. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other customers and may harm our business and results of operations.

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

We rely on the expertise, experience and vision of our senior management. If any member of our senior management becomes unable or unwilling to continue their services, we may not be able to replace them in a timely manner, or at all. 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 R&D team and sales and marketing team to further our R&D and marketing initiatives, and attract and train a large pool of other qualified employees. In order to compete for talents, we may need to offer higher compensation, better training and more attractive career opportunities and other employee benefits, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain the qualified workforce necessary to support our future growth. Furthermore, any disputes between our employees and us or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above circumstances may materially and adversely affect our business operations and future growth.

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 have been, and may continue to be, subject to claims, disputes and various legal and administrative proceedings in the ordinary course of our business. These may concern issues relating to, among others, intellectual property disputes, labor disputes, licenses and permits relating to our daily business operations, and contract disputes.

We were involved in certain concluded legal proceedings regarding alleged patent infringement. For instance, on July 29, 2022 Zodiac commenced a Section 337 investigation at the United States ITC alleging that Aiper infringed United States Patent Nos. 8,393,029 and 8,393,031 in connection with the importation and sale of certain robotic pool cleaners (“ITC Investigation”). The ITC Investigation did not

RISK FACTORS

proceed to a final merits determination against our Group on infringement or validity of Zodiac’s asserted patents, as it was voluntarily dismissed by Zodiac in February 2023 after Aiper entered into a settlement agreement on its own with Zodiac in February 2023. See “Business—Legal Proceedings and Compliance—Concluded Legal Proceedings” for details.

We are currently involved in a pending patent infringement litigation in front of the Paris Judicial Court (the “French Proceeding”) initiated by Zodiac Europe on December 15, 2022 and a complaint was recently filed before a United States court (the “U.S. Complaint”) initiated by Zodiac on May 23, 2025, for alleged infringement of certain patents held by the Zodiac registered in Europe and the United States. In the French Proceeding, Zodiac Europe requested, among other things, EUR2,544,000 as provisional damages to be confirmed once financial documents have been provided, and an injunctive remedy to discontinue marketing and to recall from commercial circuit of infringing products. In the U.S. Complaint, Zodiac sought both injunctive relief and monetary damages, which had not been quantified as of the Latest Practicable Date. See “Business—Legal Proceedings and Compliance—Pending Legal Proceedings” for details.

We are also currently involved in one insurance claim in front of Superior Court of Arizona in the United States, in which the complaint alleged product liability claims in connection with an alleged defect in a battery-operated pool cleaner that purportedly caused a residential fire. Such complaint seeks recovery of approximately US\$38,000 in damages. The Arizona Proceeding is at an early stage. See “Business—Legal Proceedings and Compliance—Pending Legal Proceedings” for details.

We are also currently involved in one pending contract dispute litigation in front of a PRC court filed by one of our domestic customers, who claimed damages and the repayment of their pre-payment of approximately RMB1.7 million in aggregate and we counterclaimed and claimed damages of approximately RMB7.3 million. See “Business—Legal Proceedings and Compliance—Pending Legal Proceedings” for details. On July 8, 2025, the PRC court held, as the first instance judgment, that subject matter products were subject to safety risks and ordered that (1) the two contracts were validly terminated, (2) we shall return Suzhou Proceeding Plaintiff the pre-payment of the two contracts of approximately RMB0.5 million, (3) we shall pay Suzhou Proceeding Plaintiff the damages of approximately RMB0.5 million, and (4) our counterclaim be dismissed (“First Instance Judgement”). We have appealed the First Instance Judgement and the appellate procedure was still pending as of the Latest Practicable Date. See “Business—Legal Proceedings and Compliance—Pending Legal Proceedings” for details.

We are also currently involved in one pending contract dispute litigation in front of a PRC court in Tianjin filed by one of our domestic suppliers of batteries (“Tianjin Proceeding Plaintiff”). The Tianjin Proceeding Plaintiff claimed for RMB1.3 million from us, consisting of our unpaid contract amount of RMB1.2 million, the interests thereupon and the relevant legal costs. In January 2026, we counterclaimed that the quality of the batteries supplied by the Tianjin Proceeding Plaintiff did not meet the stipulated standards and claimed for RMB5.8 million from them. The first instance hearings for this dispute were conducted on January 22 and March 18, 2026, and the first instance judgment is still pending. See “Business—Legal Proceedings and Compliance—Pending Legal Proceedings” for details.

In addition, agreements we entered into sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party. Any such claims or proceedings against us, with or without merit, may be expensive, time-consuming and disruptive to our operations and distracting to management.

Our Directors have confirmed that, as of the Latest Practicable Date, there had been no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in the aggregate, have a material effect on our business, results of operations and financial condition. However, new legal or administrative proceedings and claims may arise in the future, and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts

RISK FACTORS

in excess of our management’s expectations, or certain injunctions are granted to prevent us from using certain technologies in our robotic pool cleaner products, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, unfavorable outcomes could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, corporate remedial measures, injunctive relief or specific performance against us that could materially and adversely affect our results of operations and financial condition.

We are subject to risks in relation to our product transportation and custom clearance.

Transportation disruptions may occur due to various reasons that are beyond our control, including transportation bottlenecks, legislation, typhoon, flood, earthquakes and other natural disasters and labor strikes, which could lead to delayed or lost deliveries. In addition, our products may face the risk of theft or damage due to any poor handling by us or the logistics companies. Furthermore, the custom clearance procedures for our products could be lengthy and may involve unexpected complexity. If our products are not delivered on time or are damaged or lost during delivery, we may have to pay compensation to the relevant parties and could lose certain customers as well as suffer harm to our reputation, business, financial conditions and results of operations.

Negative publicity involving us, our product offerings, management, business partners or shareholders or the industries we operate in may materially and adversely affect our reputation and business.

We may, from time to time, receive negative publicity about us, our 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 such negative coverage in the media, with or without merit, may threaten the perception of our brand. In addition, other companies operating in the global robotic pool cleaner and similar industries may a high degree of negative media coverage or citation concerning their products, services, customers and business practices, which may also harm the perception of us and our brand.

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

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

Our policy allows products with defects to be repaired for free within the warranty period. As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient customer support that meets our customers’ needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers of our products. As a result, we may be unable to respond quickly enough to accommodate spikes in customer demand for technical support or maintenance assistance. We may also be unable to modify the future scope and the delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. If we experience increased customer demand for support and maintenance, we may face increased costs that may affect our results of operations. If we are unable to provide efficient customer maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation. Any failure to maintain quality maintenance and support services, or a market perception that we do not maintain quality maintenance and support services for our customers, would harm our business.

RISK FACTORS

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

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

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.

We are subject to various risks relating to the Third-Party Payment Arrangements.

During the Track Record Period, certain of our customers (the “Relevant Customers”) settled payments with us through bank accounts that were not held by the contractual parties specified in the corresponding sales and purchase agreements (the “Third-Party Payment Arrangements”). In 2023, 2024 and 2025, the number of the Relevant Customers was two, one and one, respectively. The aggregate amount they settled under the Third-Party Payment Arrangements was RMB0.4 million, RMB1.2 million and RMB0.6 million, respectively, accounting for 0.1%, 0.2% and 0.1% of our total revenue in the same periods, respectively. No individual Relevant Customer has made material contribution to our revenue during the Track Record Period. See “Business—Third-Party Payment Arrangements.”

We were exposed to several risks related to these Third-Party Payment Arrangements during the Track Record Period, including (1) the designated third party payers who are not contractually obligated debtors may seek reimbursement of funds from us; and (2) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. If any

RISK FACTORS

claims are made by third-party payers, or if any legal proceedings are initiated or brought against us regarding any third-party payments, we may need to allocate additional financial and management resources to address these claims or legal proceedings, which could adversely affect our business and financial performance.

We could be adversely affected as a result of any transactions with persons in countries that are, or become, subject to sanctions administered by the relevant sanctions authorities.

Through executive orders, passing of legislation or other governmental means, the certain authorities of the United Nations, the United States, the European Union, the United Kingdom, and Australia, have implemented measures that impose economic sanctions against certain countries or targeted industry sectors, groups of companies, persons or organizations.

During the Track Record Period, we sold our products to customers located in Russia, Belarus and Venezuela, which are subject to certain forms of international sanctions programs administered by certain sanctions authorities. In 2023, 2024 and 2025, our revenue from these countries was RMB1.1 million, RMB2.3 million and RMB0.8 million, respectively, accounting for 0.3%, 0.4% and 0.1% of our total revenue in the same periods, respectively. Our comprehensive screening against relevant sanctions programs, including those of the U.S. and EU, confirms that none of our customers are sanctioned entities related to Russia, Belarus, or Venezuela. Furthermore, as our products are entirely of domestic origin with no foreign components, we ensure full compliance in all our transactions with customers from these countries. We do not expect to further expand our sales efforts in these countries in the future.

Sanctions laws and regulations are constantly evolving, and new targeted industry sectors, groups of companies, persons or organizations are regularly added to the list of international sanctions programs. Further, new laws or restrictions could increase the obstacles for us to conduct our business internationally, and some or all of our products may be deemed subject to sanctions restrictions in the future.

Furthermore, if we fail to keep ourselves updated with the latest developments of the international sanctions or other laws and regulations, we may be involved in sanctions risk exposures. If the relevant authorities of the relevant jurisdictions determine that any of our future activities as a violation of the sanctions imposed by these authorities or designate us, any of our Directors and/or substantial shareholders as a sanctioned company, person or organization, our business and reputation will be materially and adversely affected.

In addition, any association with customers, suppliers and service providers in countries that are subject to any form of sanctions programs could subject us to reputational harm, which may lead to the loss of customers, suppliers or service providers, and in turn adversely affect our business, results of operations and financial condition.

Export control and economic or trade restrictions that are imposed on a number of entities may affect our business, financial conditions and results of operations.

In recent years, the U.S. government has imposed targeted export control and trade restrictions on China and a number of Chinese companies and institutions, including by adding them onto the Entity List maintained by the Bureau of Industry and Security (“BIS”) of the U.S. Department of Commerce (the “Entity List”). The Entity List imposes specific license requirements for the export, reexport, and/or transfer (in-country) of items (commodities, software, and technology) subject to the Export Administration Regulations (the “EAR”). To the extent that any of our customers or suppliers are listed on the Entity List and are consequently restricted from sourcing or selling technologies, software, or

RISK FACTORS

products to or from us, there can be no assurance that we will be able to obtain, extend, or maintain the requisite regulatory licenses for our transactions with such parties, or that such licenses would cover all existing and potential transactions with them.

U.S. export controls and trade laws, policies and regulations are complex and subject to frequent changes, which could have an impact on our business operations. In addition, the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by geo-political, geo-economic and/or other factors that are not within our control or that might be heightened by international and national security concerns. Any potential restrictions, associated inquiries or investigations, or other government actions may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology and robotic pool cleaner products and hinder the stability of our supply chain. These changes could also result in negative publicity, require significant time and attention of the management, subject us to fines, penalties or orders, and mandate us to cease or modify our existing business practices. Any of these events may have a material and adverse effect on our business, financial conditions and results of operations.

We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.

Companies operating in China are required to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident fund with respect to certain of our employees, as required by the relevant PRC laws and regulations.

As advised by our PRC Legal Advisor, if the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a stipulated period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions were due. In the unlikely event that we are required to settle the shortfall of social insurance contribution, if this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. We cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specific time limit or impose late or additional fees or fines on us in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government or relevant local authorities.

Future acquisitions of businesses, technologies or know-how could materially and adversely affect our business, financial condition and results of operation 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 acquisitions 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: (1) difficulties in integrating any acquired companies, technologies or personnel into our existing business; (2) delays or failure in realizing the benefits of the acquired companies, technologies or know-how; (3) the diversion of our management’s

RISK FACTORS

time and attention from other business concerns; (4) higher costs of integration than we anticipated; (5) difficulties in retaining key employees of the acquired business who are necessary to manage these acquisitions; (6) difficulties in obtaining managerial and operational control of the acquired business, which may prevent us from achieving our investment objectives; or (7) loss of existing customers of the businesses we acquired. If we invest in businesses that operate outside of China, these risks may increase because of our limited experience in operating overseas.

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 beyond those generated by the [REDACTED] from time to time to grow our business, better serve our customers, develop and enhance our offerings, and improve our operating infrastructure. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our 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: (1) our market position and competitiveness in the robotic pool cleaner industry; (2) our future profitability, overall financial condition, and results of operations; (3) the general market condition for capital raising activities by companies in our industry, which in turn depends on the prospect of such industry; and (4) economic, political and other conditions in China and globally.

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

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and know-how. Although we enter into employment agreements with confidentiality provisions with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in a timely manner or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

RISK FACTORS

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

We have implemented risk management and internal control systems for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. See “Business—Internal Control and Risk Management” for details. The proper function of our risk management and internal control systems depends on implementation by our employees. We cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from any mistakes. If we fail to timely update, implement and modify our risk management and internal control systems, or if we fail to deploy sufficient human resources to maintain our risk management and internal control policies and procedures, our business, results of operations and financial condition may be materially and adversely affected.

Failure to protect our leasehold interests could adversely affect our business operations.

As of the Latest Practicable Date, certain of our leased properties had title defects that may adversely affect our ability to continue to use them in the future. We entered into seven lease agreements as the tenant in mainland China with a gross floor area of 17,637.09 square meters, all of which had yet to be registered with the relevant government authorities in accordance with PRC Law. 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. 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 RMB7,000 to RMB70,000.

In addition, as at the Latest Practicable Date, the lessor of one leased property located in Tianjin have not provided us with property ownership certificates or other relevant certificates. One of such leased properties is used merely for business registration and the remaining of such leased properties are primarily used as warehouses. As a result, we may face challenges from the property owners or other third parties regarding our right to occupy the premises. Furthermore, if the landlords fail to perform its obligations under the lease agreements between the landlords and us due to any reason, including but not limited to its own non-compliance with relevant laws and regulations, government demolition or any other unforeseeable events, we may be unable to continue using such properties. As of the Latest Practicable Date, we were not aware of any challenges being made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Although we do not expect to become subject to any fines or penalties if any of these leases are terminated as a result of challenges by third parties or government authorities for any of these title defects, we may be forced to relocate the affected business registration place and the warehouses and incur additional expenses accordingly. If we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business and results of operations could be adversely affected.

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

Misconduct and omissions by our employees could subject us to liability or negative publicity. For instance, our employees or other relevant persons may engage in fraudulent, corrupt or other unfair business practices, which may subject us to investigations and proceedings by governmental authorities for alleged infringements of anti-corruption, anti-money laundering, anti-bribery and other relevant laws

RISK FACTORS

and regulations in the jurisdictions where we operate. These proceedings may result in penalties, fines, sanctions or other liabilities and could have a material adverse effect on our reputation, business, results of operations and financial condition. Although we have implemented internal rules and guidelines to govern our commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance, we cannot assure you that our employees will not engage in misconduct or omissions that could materially and adversely affect our business, results of operations and financial condition.

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

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

We believe we maintain insurance policies in line with industry standards. We do not maintain business interruption insurance, key-man life insurance or litigation insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss, and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, results of operations and financial condition could be materially and adversely affected. If such risk materializes, we may also suffer substantial losses as we do not have insurance coverage.

Changes in global and regional macroeconomic conditions and any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, results of operations and financial condition.

Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our products. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects. In particular, COVID-19 has materially and adversely affected the Chinese and global economy. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

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 57.5%, 58.0% and 62.9% 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 derive a significant portion of our revenue from our top five customers during the Track Record Period, and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect our business, financial conditions and results of operations.

A significant portion of our revenue was derived from our top five customers. In 2023, 2024 and 2025, revenue from our top five customers was RMB102.2 million, RMB127.1 million and RMB178.6 million, respectively, accounting for 27.0%, 23.4% and 22.0% of our total revenue in the same periods, respectively. Revenue generated from our largest customer in 2023, 2024 and 2025 was RMB29.4 million, RMB39.8 million and RMB71.7 million, respectively, accounting for 7.8%, 7.3% and 8.8% of our total revenue in the same periods, respectively.

Despite our long-term business relationships with our major customers, we cannot assure you that we will be able to continue to collaborate with them in the future, or accurately forecast their actual demands. We form our business and future expansion plans based on our estimation of the demands from the market and our customers, in particular from these major customers. However, the actual demands may fall short of our estimation, due to, among others, changes in our customers’ business models, strategies or financial conditions, changes in local policies regarding the robotic pool cleaner industry and specific products, or changes in the local market conditions and economic development. Although our reliance on our top five customers, in terms of revenue contribution from such customers as a percentage of our total revenue, generally declined during the Track Record Period, any adverse changes in our relationships with our major customers or in the key commercial arrangements with them, such as purchase price, could materially and adversely affect our business, financial conditions and results of operations. Our major customers may also choose our competitors over us in the future.

If any of our top five customers or major customers significantly reduces its purchase volume or ceases to place orders with us, or if we misjudge or predict demands from such customers, or if we are unable to identify new customers in a timely manner and conduct our sales on comparable terms or seek alternative ways to make up for the decrease in our sales, our business, financial conditions, results of operations and prospects will be materially and adversely affected.

If we are not able to control our staff costs in an effective way, our business, financial condition and results of operations may be adversely affected.

The manufacturing of robotic pool cleaners is labor intensive. As of the Latest Practicable Date, we had 209 members of manufacturing staff. Our staff costs were primarily incurred in China and were RMB62.8 million, RMB71.5 million and RMB113.4 million in 2023, 2024 and 2025, respectively, representing 16.6%, 13.2% and 14.0% of our total revenue in the same periods, respectively.

RISK FACTORS

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 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.

Our success depends on our ability to maintain and expand our online and offline sales. We incurred substantial selling and marketing expenses during the Track Record Period, and we cannot assure you that such investment could bring comparable increase in our product sales volume.

We have been investing heavily in our sales and marketing efforts. Our selling and marketing expenses was RMB97.2 million, RMB173.8 million and RMB302.5 million in 2023, 2024 and 2025, respectively, representing 25.7%, 32.0% and 37.2% of our revenue in the same periods, respectively. Our sales network comprise primarily online E-commerce marketplaces, our E-commerce independent sites and offline third-party merchants, which include primarily pool equipment specialty retail chain stores, shopping malls and supermarkets. Going forward, we plan to continue to invest in our sales and marketing initiatives and further expand our omni-channel sales efforts. We cannot assure you that such investment will bring about positive impact on our customer development and product sales volume that is sufficient to recoup such investment. If our sales and marketing initiatives do not achieve the desired results, our business, results of operations and financial condition may be adversely affected.

To maintain and increase our market share, we actively evaluate the operational performance of our sales network and we may enter into new collaboration arrangements with our business partners. We may not be successful in any of these respects. Our ability to maintain and expand our offline and online sales depend on a number of factors, including among others, our ability to maintain relationships with the large national and overseas retailers, regional chain store retailers, and major E-commerce marketplaces on terms that are commercially acceptable to us and our ability to respond to changes in their needs, including providing network infrastructure and logistics support. If we are unable to effectively maintain or expand our sales network, our results of operations, growth potential and profitability could be materially and adversely affected.

We have been continuously investing in our R&D efforts, which may negatively impact our profitability in the short term.

We have been continuously investing in our R&D efforts. Our research and development expenses was RMB19.3 million, RMB22.1 million and RMB30.4 million in 2023, 2024 and 2025, respectively, representing 5.1%, 4.1% and 3.7% of our revenue in the same periods, respectively. The industries in which we operate are subject to continuous technological changes and are evolving rapidly in terms of technological innovation. We need to invest significant resources, including financial, human and managerial resources, in technological advancement to ensure that our offerings will remain innovative and competitive in the market. As a result, we expect that our research and development expenses will continue to increase in absolute amount, which may adversely affect our short-term profitability.

RISK FACTORS

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

Maintaining an optimal level of inventory is critical to the success of our business. As of December 31, 2023, 2024 and 2025, we had inventory of RMB120.0 million, RMB202.2 million and RMB281.7 million, respectively. Our inventory mainly consists of raw material, work-in-progress, semi-finished goods and finished goods. Our inventory turnover days were 248 days, 258 days and 293 days in 2023, 2024 and 2025, respectively. We recorded inventory write-down of RMB4.5 million, RMB6.0 million and RMB8.9 million in 2023, 2024 and 2025, respectively.

We plan our inventory levels based on our forecasts of market demands. However, our internal assessment and forecasts are subject to a variety of factors, some of which are beyond our control, such as fluctuating market demands and changes in customer preferences. We cannot assure you that we can accurately predict the demands for our products to avoid the under-stocking or over-stocking of our inventory. Further, we cannot assure you that we will be able to manage our inventory level effectively. If we fail to manage our inventory at an optimal level, our business, financial conditions and results of operations may be adversely affected.

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

We recorded equity-settled share-based payment expenses of RMB4.6 million, RMB0.4 million and RMB11.1 million for the years 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. As a result, our share-based payment expenses may increase, which may further increase our share-based payments expenses, adversely affect our financial performance, and dilute existing Shareholders’ stake.

Our exchange, return and warranty policies may adversely affect our results of operations.

Our policy generally allows products with defects to be returned and exchanged by our customers, and we typically offer a limited warranty for our products and services. We may be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve user experience of our products and services and help to acquire and retain customers and end-users, we will incur higher costs associated with return, exchange and warranties if we experience any deterioration in the quality of our products and services, and we may be subject to additional costs and expenses which we may not recoup. We cannot assure you that our return, exchange and warranty policies will not be misused by our customers and end-users, which may significantly increase our costs and may adversely impact our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers and end-users may be dissatisfied, which may result in loss of existing customers and end-users or failure to acquire new customers and end-users at a desirable pace, which may materially and adversely affect our results of operations.

We are subject to credit risks relating to delay in payment and defaults of certain customers, and we incurred impairment losses in the past. Any significant delay in payment or default on our receivables could materially and adversely affect our liquidity, results of operations and financial condition.

We are exposed to credit risk relating to delay in payment and defaults of certain customers. As of December 31, 2023, 2024 and 2025, our trade receivables were RMB63.7 million, RMB105.8 million and RMB140.9 million, respectively, and our allowance for credit losses of trade receivables was RMB4.4

RISK FACTORS

million, RMB6.1 million and RMB8.6 million as of the same dates, respectively. We may not be able to collect all such receivables in a timely manner, or at all, due to a variety of factors that are beyond our control, such as long payment cycles and adverse financial situation of certain customers. See “Financial Information—Discussion of Major Statements of Financial Position Items—Trade and Other Receivables.” If any of our customers experience financial difficulties in settling trade receivables with us, or if the relationship between us and any of our customers is terminated or deteriorated, our corresponding receivables might be adversely affected in terms of recoverability.

The increase in the amount of provisions made on our trade receivables will be recorded as expenses on our results of operations. As such, if we are unable to manage the credit risk associated with our trade receivables effectively, our results of operations may be materially and adversely affected. 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.

Fluctuations in exchange rates may result in foreign exchange losses and adversely impact our profitability.

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, among 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 incurred net foreign exchange loss of RMB33.0 thousand in 2024 and we had net foreign exchange gain of RMB6.2 million and RMB4.8 million in 2023 and 2025, respectively. During the Track Record Period, we did not utilize derivative contracts to hedge against our exposure to currency risk.

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 condition.

We have received government subsidies and economic incentives in support of our growth. We recognized government grants of RMB2.2 million, RMB2.6 million and RMB1.5 million in 2023, 2024 and 2025, respectively. However, these policies may be subject to changes that are beyond our control. We cannot assure you that favorable government policies will continue. In addition, the timing, amount and conditions of government 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.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (together, “Trial Measures”), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. The filing is required to be conducted within three business days after the submission of the application for initial public offering and listing overseas to the overseas regulators. The CSRC will review the filing application and may have queries and may consult with other relevant regulators. Filings granted by the CSRC will have a valid term of one year during which the issuer should complete the offering. Further follow-up offerings after overseas listings also require a filing within three business days after the completion of the offering, and the listed companies will need to report to the CSRC upon the occurrence and public disclosure of certain significant matters such as a change in control, penalty received from overseas securities regulators or relevant regulators, a switch of listing status and a termination of listing. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines, and its controlling shareholders and actual controllers that organize or instruct the aforementioned violations may also be subject to administrative penalties, such as fines.

As advised by our PRC Legal Advisor, we are required to go through the filing procedures with the CSRC under the Trial Measures. We [REDACTED] with the CSRC within the specific time limit as required by the Trial Measures and will seek guidance from the relevant regulator and/or legal advisors to ensure our compliance in all respects. However, rescission of any such approval or filing obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities, and such failure may adversely affect our ability to finance the development of our business and could have a material adverse effect on our business and financial condition.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (“Archives Rules”) which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic companies, either in direct or indirect form, such domestic companies, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [REDACTED] before settlement and delivery of the [REDACTED] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures

RISK FACTORS

for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, [REDACTED] price of the [REDACTED].

However, given that the Trial Measures and Archives Rules were recently promulgated, there remain uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

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

A substantial portion of our business operations is conducted in China. Our business, results of operations and financial condition are affected to a significant degree by the economic, political and social conditions in China. The Chinese economy has its unique characteristics in many respects, including the amount of government involvement, level of development, control of foreign exchange and allocation of resources. The PRC government has implemented various measures to encourage, but also to control, economic growth and to guide the allocation of resources. Some of these measures benefit the overall Chinese economy but may have a negative effect on us. We cannot predict the changes in China’s economic, political and social conditions in the future and the impact of the new government policies on our business and prospects. Any actions and policies taken by the Chinese government, or the long-term slowdown of Chinese economy, especially the slowdown of the growth of China’s robotic pool cleaner industry, may have a negative impact on our business, operating performance and financial situation in many ways.

Moreover, the global macroeconomic environment has been facing challenges and uncertainties recently. The Chinese economy has shown slower growth compared to the previous years and the trend may continue. There is also considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States, as well as the problems that may arise from the unwinding of such policies, such as the rise in interest rates. There have also been concerns over the relationship between China and other countries, including the United States and the surrounding Asian countries. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to economic or trade policies, export controls, tariffs, and foreign investment filings and approvals. Moreover, there have been heightened tensions in international relations globally, such as the recent Russia-Ukraine conflict. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may also increase market volatility globally. Economic conditions in China are sensitive to global economic and geopolitical conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations, financial condition and prospects.

The development of the PRC legal system and changes in the interpretation and enforcement of PRC laws, regulations and policies in China could materially and adversely affect us.

Our Company is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. 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 may be 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

RISK FACTORS

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 investors 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.

The remittance of currency in and out of China is subject to various laws and regulations. Our revenues and expenses are substantially denominated in Renminbi, and the net [REDACTED] from the [REDACTED] and any dividends we pay on our H Shares will be in Hong Kong dollars. Under China’s existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from SAFE.

However, in the future, the PRC government may take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of our H Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require SAFE’s approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

Furthermore, the net [REDACTED] from the [REDACTED] are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these [REDACTED] into onshore Renminbi. If the net [REDACTED] cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these [REDACTED] efficiently may be affected as we will not be able to invest these [REDACTED] on Renminbi-denominated assets onshore or deploy them in uses onshore where Renminbi is required. All of these factors could materially and adversely affect our business, financial condition and results of operations.

The PRC government policy on foreign investment in the PRC may affect our business and results of operations.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024) (外商投資准入特別管理措施(負面清單)(2024年版)) (the “Negative List”) issued by the NDRC and MOFCOM, which sets out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 11 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our main business in China had not fallen within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards. Also, as the Negative List could be updated in the future, we cannot assure you that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China that becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, results of operations and financial condition may be adversely affected.

RISK FACTORS

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

We enjoy various types of preferential tax treatment according to the prevailing mainland Chinese tax laws. Our mainland Chinese entities may, if they meet the relevant requirements, qualify for preferential tax treatments. We were qualified as “high and new technology” enterprise (高新技術企業) in 2021 and 2024, and was entitled to a preferential income tax rate of 15% during the Track Record Period. We shall, in accordance with the requirements of the tax authority and other relevant authorities, retain and submit our financial statements together with details of our R&D activities and other technological innovation activities for future reference to enjoy the preferential tax treatment. Furthermore, we were entitled to claim research and development expenses incurred as tax deductible expenses and one-time pre-tax deduction for equipment and apparatus when determining our assessable profits during the Track Record Period.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations.

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

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our reputation, business, results of operations and financial condition. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For instance, under the Individual Income Tax Law of the People’s Republic of China (the “IIT Law”) (中華人民共和國個人所得稅法), which was amended on August 31, 2018 and came into effect on January 1, 2019, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for 183 days or more cumulatively within a tax year, would be subject to PRC individual income tax at progressive rates on their income gained within or outside the PRC. Foreign nationals who have no domicile in China and have not resided in China, or who do not have a domicile in China but have resided in China for less than 183 days cumulatively within a tax year would be subject to PRC individual income tax on their income gained within the PRC. Should this rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research personnel to work in China may be materially affected. Further adjustments or changes to PRC tax laws or regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, results of operations and financial condition.

Holders of our [REDACTED] may be subject to PRC income tax obligations.

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

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (財政部、國家稅務總局關於個人所得稅若干政策問題的通知) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and

RISK FACTORS

bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

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

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

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

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us and our Directors and management.

We are a company incorporated under the PRC laws, and the vast majority of our assets and subsidiaries are currently located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside China. Moreover, China does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from other jurisdictions may be difficult or impossible.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of Hong Kong signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”) any party concerned may apply to the relevant PRC court or Hong Kong High Court for recognition, and enforcement of the effective judgments in civil and commercial cases under the 2019 Arrangement. We

RISK FACTORS

cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court. Although we will be subject to the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our [REDACTED] on the [REDACTED], the holders of [REDACTED] will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules.

Payment of dividends is subject to restrictions under PRC law.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable our company to make dividend distributions to its shareholders in the future, including periods for which our company’s financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects, our Company may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS Accounting Standards, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Restrictions on dividend payment could have a negative impact on our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

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

In recent years, government authorities across the world have been increasingly focusing on data security and personal information protection. In particular, the PRC government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. We may be subject to laws and regulations regarding data security and personal information protection in China. In addition, as we expand our global operations, our customers may leverage our product offerings outside China and are thus required to comply with laws and regulations regarding data security and personal information protection in such jurisdictions. As a result, we may be required to upgrade or alter our offerings to fully comply with such laws and regulations.

We have adopted various measures to ensure our compliance. However, the laws and regulations regarding data security and personal information protection in China, as well as in other jurisdictions, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. 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.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law (中華人民共和國數據安全法), which became effective on September 1, 2021. The PRC Data Security Law provides for data security obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests or legitimate rights and interests of individuals or organizations when

RISK FACTORS

such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data processing activities which may affect national security and imposes export restrictions on certain data and information. On February 24, 2023, the CSRC, Ministry of Finance, State Secrecy Administration, and State Archives Bureau released the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the “Confidentiality Provisions”), which became effective on March 31, 2023. Pursuant to the Confidentiality Provisions, domestic joint-stock enterprises listed in overseas markets via direct offering and domestic operational entities of enterprises listed in overseas markets via indirect offering must obtain approval and complete filing or other requirements before they publicly disclose any documents and materials that contain state secrets or government work secrets or that, if divulged, will jeopardize China’s national security or public interest, or before they provide such documents or materials to entities or individuals such as securities companies, securities service providers and overseas regulators.

On August 20, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Personal Information Protection Law (the “PIPL”), which came into effect in November 1, 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. As uncertainties remain regarding the interpretation and implementation of the PIPL, we cannot assure you that we will comply with the PIPL in all respects. We may also become subject to fines and/or other penalties which may have material adverse effect on our business, results of operations and financial condition.

On December 28, 2021, the CAC and 12 other relevant PRC government authorities published the amended Cybersecurity Review Measures (網絡安全審查辦法), which became effective on February 15, 2022. According to Articles 5 and 7 of the Cybersecurity Review Measures, enterprises shall apply for cybersecurity review under the following circumstances: (1) critical information infrastructure operators (“CIIO”) purchasing network products in a manner which affects or may affect national security; and (2) internet platform operators holding personal information of more than one million users and seeking a foreign listing. According to Article 16 of the Cybersecurity Review Measures, the competent PRC government authority may initiate cybersecurity review if the authority believes that any network product, service or data processing activity affects or is likely to affect national security. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO, nor had we been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in this respect. However, we cannot assure you that we will not be required to follow the cybersecurity review procedures, and if required so, whether we would be able to complete the applicable cybersecurity review procedures in a timely manner. In addition, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance or perceived non-compliance with the PRC Cybersecurity Law or related regulations may prevent us from using or providing certain products and services, and may result in fines or other penalties such as making certain required rectification, suspending our related business, closing our website or taking down our operations and proceedings or actions against us by PRC regulatory authorities, customers or others, which may have a material adverse effect on our business, reputation, results of operations and financial condition.

On September 24, 2024, the Cyber Data Security Regulations (網絡數據安全管理條例) was promulgated by the State Council and came into effect on January 1, 2025. The Cyber Data Security Regulations reiterate the general regulations for data processing activities and rules of personal information protection, important data security protection, network data cross-border transfer management, and internet platform service providers’ obligations.

As of the Latest Practicable Date, we had not been subject to any inquiry, investigation, notice, inspection, action or penalty from the PRC authorities or any other relevant regulatory authorities in relation to our compliance with cybersecurity and data protection laws and regulations. However, 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

RISK FACTORS

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.

Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations regarding cybersecurity, information security, data security and personal information protection with various standards and applications. We may from time to time be required to rectify or further improve our measures regarding cybersecurity, information security, data security and personal information protection. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity, information security, data security and personal information protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage our current and potential customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations. To the extent we expand our business to any overseas market, we may become subject to additional or new laws and regulations regarding cybersecurity, information security, data security and personal information protection in foreign jurisdictions, which may result in additional expenses to us and subject us to potential liability and negative publicity.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] market for our [REDACTED] may not develop or be sustained.

Prior to the completion of the [REDACTED], there has been no [REDACTED] for our [REDACTED]. We cannot assure you that an active [REDACTED] with adequate liquidity will develop or be sustained following the completion of the [REDACTED]. The initial [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our [REDACTED] will be traded following the completion of the [REDACTED]. The [REDACTED] of our [REDACTED] may drop below the initial [REDACTED] at any time following the [REDACTED].

We have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the [REDACTED] (including any [REDACTED] which may be [REDACTED] pursuant to the exercise of the [REDACTED]). A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and [REDACTED] for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the [REDACTED] will not decline following the [REDACTED]. If an active [REDACTED] for our [REDACTED] does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our [REDACTED] could be materially and adversely affected.

The price and [REDACTED] of our [REDACTED] may be volatile, which could lead to substantial losses to [REDACTED].

The price and [REDACTED] of our [REDACTED] may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [REDACTED] of the shares of other companies engaging in similar business may affect the price and [REDACTED] of our [REDACTED]. In addition to market and industry factors, the price and [REDACTED] of our [REDACTED] may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments,

RISK FACTORS

relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies [REDACTED] on the [REDACTED] with significant operations and assets in China have experienced price volatility in the past, and it is possible that our [REDACTED] may be subject to changes in price not directly related to our performance.

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

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

While investors subscribing shares in the [REDACTED] are not subject to any restrictions on the disposal of the [REDACTED] they subscribed (except as disclosed in “Information about this Document and the [REDACTED]”), they may have existing arrangements or agreements to dispose part or all of the [REDACTED] they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED].

Any sale of the [REDACTED] subscribed by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our [REDACTED] and any sizeable sale could have a material and adverse effect on the [REDACTED] of our [REDACTED] and could cause substantial volatility in the [REDACTED] of our [REDACTED].

You will incur immediate and significant dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution. We cannot assure you 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 Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we [REDACTED] additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Facts, forecasts and statistics in this document obtained from various official government sources have not been independently verified.

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

RISK FACTORS

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the [REDACTED] for [REDACTED] and [REDACTED] could decline.

The trading market for our [REDACTED] and will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our [REDACTED], the [REDACTED] for our [REDACTED] would likely decline.

If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [REDACTED] of or [REDACTED] volume for our H Shares to decline.

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

During the Track Record Period, 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, including [REDACTED] from the [REDACTED], 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.

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

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