RISK FACTORS

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

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the commercialization of our products and services; (ii) risks relating to our research and development; (iii) risks relating to our intellectual property rights; (iv) risks relating to our financial condition and need for additional capital; (v) risks relating to our operations; (vi) risks relating to doing business in the jurisdiction where we operate; and (vii) risks relating to the [REDACTED] and our Shares.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO THE COMMERCIALIZATION OF OUR PRODUCTS AND SERVICES

The AI technology solution industry is highly competitive, and if we are unable to compete effectively against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.

The AI technology solution industry is evolving rapidly and is expected to become increasingly competitive. Our major competitors include companies that specialize in developing and commercializing AI products and solutions. Additionally, the entry of new companies into the market is expected to further intensify competition. We compete against more established technology firms that have substantial financial resources, advanced technological capabilities, strong brand recognition, well-established supplier relationships and extensive distribution networks. These competitors may be able to develop solutions more cost-effectively and build customer bases more rapidly than us. We also anticipate potential competition from global AI technology companies aiming to enter the Chinese market, which may further intensity the competition within the AI technology solution industry.

To counteract these pressures, we may be forced to significantly increase our investments in research and development, sales, and marketing or engage in aggressive pricing strategies. The heightened competition may therefore lead to lower sales, price reductions, decreased profit margins, and a loss of market share. However, there is no guarantee that such investments or strategies may yield the satisfactory outcomes. Our business model, products and services may also be replicated by competitors, necessitating continuous enhancements to the quality of our offerings to maintain our competitiveness. If we are unable to distinguish our offerings from those of competitors, or if maintaining competitiveness requires costly responses to the market competition, our business, financial condition, and results of operations could suffer material and adverse effects.

Our AI platforms are complex, and any shortcomings in meeting customer expectations or performance standards, failures to integrate with customers' products, coupled with any lapses in providing high-quality customer service, could adversely affect our business, financial condition, and prospects.

Our AI platforms are sophisticated and require professional support and customization to fit the diverse network environments of our customers, making implementation a complex process. Our AI technology solutions must also be continuously updated to ensure compatibility with evolving hardware and software technologies. Any failure to meet customers' specific needs can lead to dissatisfaction and damage our reputation, undermining our competitiveness and harming our business operations. The effective use of our platforms thus requires customer training, as well as initial and ongoing support from our technical personnel. If these services incur substantial costs, our profit margins could be greatly affected.

As we scale our operations and expand our customer bases, maintaining effective support and customer services is crucial. However, challenges in recruiting or retaining qualified personnel could hinder our ability to meet rising demands for technical support and maintenance. Moreover, improper or incorrect use of our platforms by customers, or misuse by unauthorized users, can lead to suboptimal performance or undesired outcomes. Such issues can lead to contract terminations, reduced payments, negative publicity or legal proceedings, jeopardizing future sales and overall business growth.

Our historical business performance may not be indicative of our future development.

Our historical business growth may therefore not be indicative of our future development. Successful commercialization of our AI technology solutions requires significant resources and depends on our ability to recruit, motivate, and retain a skilled sales and marketing team with deep industry knowledge, sales expertise, and extensive connections. There can be no assurance that our future efforts to gain customer acceptance will meet our expectations or that third-party deployments will enhance user experiences or maintain the quality of our offerings.

Our sales and marketing efforts are crucial to our business, but there is no guarantee that our efforts will continue to be successful.

Our sales and marketing team with extensive industry experience and professional expertise is key to our operational results. However, the intensive and unpredictable nature of the market condition, which requires significant investment in evaluating customer needs and educating potential customers about our products and services, may affect our sales performance and results of operations. Our selling expenses amounted to RMB36.7 million, RMB23.3 million and RMB19.4 million for the years ended December 31, 2023, 2024 and 2025, respectively. However, there is no guarantee that our sales and marketing strategy may retain our existing customers or attract new ones, as sales results may be influenced by customer-specific factors and the general economic conditions beyond our control, which may further complicate our financial forecasting accuracy.

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

We have been expanding our customer base to cover a range of industry verticals. Our ability to retain existing customers, attract new customers, as well as increase the spending by our customers depends on a number of factors, including our ability to offer more AI technology solutions that address the needs of our customers at competitive prices, the strength of our technologies and the effectiveness of our sales and marketing efforts. We enter into non-recurring contracts with our customers in offering some of our products and services. However, our services may not satisfy our customers' specified requirements, and our competitors may offer comparable services at more competitive prices. As a result, there is no assurance that our existing customers will purchase future AI technology solutions from us within a short period of time, or at all.

Our revenue is mainly derived from projects which are non-recurring in nature and there is no guarantee that we will be able to secure new projects continuously.

During the Track Record Period, we derived the majority of our revenue from AI vertical industry application projects and AI computing power service projects which were non-recurring in nature. As many of the contracts are awarded on a project-by-project basis, our customers under those contacts have no obligation to award contracts to us in the future. As such, there is no assurance that we will be able to successfully secure projects from our existing customers in the future or that our existing customers will continue to engage us in their upcoming projects. Our ability to successfully secure projects is dependent on a range of factors including our pricing strategy, our competitors' pricing strategy, the level of competition and our customers' evaluation standards. Depending on the then market conditions and competitive landscape, we may have to lower our pricing in order to maintain competitiveness. In addition, the scope of work in a project, which is dependent on its scale and complexity, will affect the profit margin of the project and our financial performance. If we cannot continue to maintain the number of contracts at a similar level or obtain new projects of similar or even larger contract sums, our business, financial position, results of operations as well as business prospects may be materially and adversely affected.

We rely on a limited number of customers for a substantial portion of our revenue, and the loss of, or a significant reduction in sales to, one or more of our major customers would adversely affect our business, financial condition and results of operations.

Our major customers include leading internet companies and major telecommunication operators. Revenue generated from our largest customer during the Track Record Period accounted for 18.1%, 15.5% and 11.8%, respectively, of our total revenue for the years ended December 31, 2023, 2024 and 2025. Revenue generated from our five largest customers during the Track Record Period accounted for 35.3%, 35.3% and 36.2%, respectively, of our total revenue for the respective period. Our business, results of operations and financial condition for the foreseeable future may continue to depend on sales to a relatively small number of customers. In the future, our current major customers may decide to stop purchasing our products or solutions, may purchase fewer of our products or solutions than they did in the past, or may use other comparable products and solutions. Further, the amount of revenue attributable to any single major customer, or our major customer concentration generally, may fluctuate in any given period. If our major customers scale back or terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

We plan to diversify our AI technology solutions and expand our offerings. If our expansion into new vertical industry is not successful, our business, financial condition and results of operations may be materially and adversely affected.

Leveraging our advanced computer vision algorithms, multi-modal AI models, and robust software-hardware integration capabilities, we are able to provide innovative AI industry applications specifically designed to address diversified needs of our customers across different vertical industries. However, we cannot assure you that we will be able to maintain this momentum in the future. Expanding solution categories involves new risks and challenges, such as the reduced market demands, strict regulatory scrutiny and unexpected technological challenges. In addition, there may be one or more existing market leaders in any vertical industry that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their industry insight and established relationships with their customers. Our unfamiliarity with those new verticals may undermine our competitiveness. In the meantime, expansion into any new vertical may also place significant strain on our management and resources, and failure to expand successfully could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR RESEARCH AND DEVELOPMENT

We have been and intend to continue investing significantly in R&D. If we cannot continuously make substantial R&D expenditures while achieving technological innovations as expected, our business, financial condition, results of operations and prospects may be materially and adversely affected.

As the AI technology solution industry is subject to rapid technological advancements, we need to continue to invest significant resources in R&D to make technological innovations in order to expand our offerings and make our solutions innovative and competitive in the market. However, we cannot assure you that our efforts will always deliver satisfactory results, as development activities are inherently uncertain. Additionally, we may not be able to obtain and retain sufficient resources, including financial resources or qualified R&D personnel, for our continued R&D efforts. Even if we successfully generate the results we expect, we may still encounter difficulties in commercializing our R&D results, due to the constantly shifting consumer preferences. Furthermore, disruptive technologies developed by others may render our existing technologies and obsolete or unattractive, thereby limiting our ability to recoup R&D costs, which could result in a decline in our revenues, profitability and market share. As a result, any of these events, if occur, may materially and adversely affect our business, financial condition, results of operations and prospects.

Any flaws or misuse of AI technologies, whether actual or perceived, intentional or inadvertent, by us or third parties, may damage our reputation or influence the public perception of the AI technology solution industry, thereby causing material adverse effect to our business, financial condition and results of operations.

AI technologies, which are undergoing rapid development, present inherent risks due to potential flaws or deficiencies. Such technological imperfections could make mission critical services suddenly becoming offline, or alternatively compromise the accuracy and thoroughness of the analyses and decisions derived from our AI technology solutions. We must carefully manage our R&D process to ensure the accuracy and reliability of our solutions. However, we cannot guarantee that we would be able to avoid such flaws or deficiencies in our systems and services, and if such flaws and deficiencies arise, to be able to timely detect and rectify these issues.

Moreover, as disruptive innovations, AI technologies carry risks and challenges that could negatively impact user perception and public opinion. Misuse of AI technologies, whether real or perceived, intentional or inadvertent, by us or third parties, could deter potential users from adopting our AI technology solutions or ceasing to apply AI technologies in their business. Such misuse may also reduce societal acceptance of AI technologies, attract adverse publicity, and negatively affect our reputation. Additionally, any such misuse could result in violations of applicable laws and regulations in China and other jurisdictions, leading to legal or administrative proceedings, pressures from customers and/or other activist organizations, and increased regulatory scrutiny.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

Unauthorized use of our intellectual properties by third parties may harm our brand and reputation and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business, financial condition and results of operations.

Our intellectual property rights, including patents, copyrights, trademarks and other intellectual properties are critical to our success. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent, copyrights, trademarks and other necessary applications in the PRC, and imposing intellectual property rights protection clauses in our agreements with our employees and business partners. See "Business — Intellectual Property Rights."

Competitors and other third parties may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. Additionally, our employees, senior management and business partners may not always comply with our contract terms prohibiting the unauthorized use of our intellectual property rights. The agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Any unauthorized use of our intellectual properties may harm our brand and reputation and divert existing or potential customers from us. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. However, litigation can be expensive and time-consuming, distracting our management from daily operations and diverting our resources from core business development. Furthermore, the substantial discovery required in connection with intellectual property litigation may compromise some of our confidential information during litigation. Defendant counterclaims alleging invalidity or unenforceability are commonplace and can be asserted on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or abroad, which could also result in revocation or amendment to our intellectual property rights. The outcome following legal assertions of invalidity and unenforceability is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our solutions or solution candidates. Such a loss of patent protection could materially and adversely affect our business.

We may be subject to intellectual property infringement claims, which may incur liabilities and financial penalties and may have to redesign or discontinue selling the solutions involved.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise other intellectual property rights held by third parties. Some of our competitors have large patent portfolios and may claim that our expected commercial use of our solutions has infringed their intellectual property rights. Therefore, our competitors may from time-to-time initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of the relevant solutions.

As a result of such proceedings, we may be subject to competitive disadvantage. Whether a solution infringes intellectual property rights involves an analysis of complex legal and factual issues, the determination of which is often uncertain. Additionally, we may hire employees who have previously worked for our competitors, and thus we cannot guarantee that such employees will not use their previous employers' proprietary know-how or trade secrets in their work for us. Our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful.

If we are found to have infringed upon the intellectual property rights of third parties, we could face significant liabilities or be prohibited from utilizing the implicated intellectual property. This could necessitate the payment of licensing fees or compel us to develop alternative solutions independently. Furthermore, should we be subject to a judgment, a substantial fine, or a settlement requiring a significant financial outlay, or if injunctive relief were granted against us, the repercussions could include substantial monetary liabilities and significantly disrupt our business operations by limiting or prohibiting our use of the intellectual property in question. Such events could materially and adversely affect our business, financial condition, results of operations, prospects and reputation.

Obtaining and maintaining our patent protection can be complex and costly, and any non-compliance with the procedure may invalidate our patents.

The patent application process is both costly and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, or at all. Additionally, there is a risk that we may not identify patentable aspects of our R&D outputs in a timely manner to secure patent protection. As a result, we may be unable to prevent competitors from developing and commercializing similar technologies.

Changes in intellectual property laws could impair our ability to protect our intellectual property rights in general, thereby diminishing the value of our solutions and undermining our competitiveness.

The intellectual property laws in China are constantly evolving, and the scope of intellectual property rights protection is uncertain. Changes in these laws or their interpretation could diminish our ability to protect our innovations and affect the value of our intellectual property or narrow our rights. We cannot guarantee that our existing or future patents, copyrights trademarks or other intellectual property rights applications will be successfully issued in any jurisdiction, nor can we ensure that the claims of any such patents will offer robust protection against competitors. The coverage claimed in a patent, copyright or trademark application may be significantly reduced before issuance, and the scope of such protection can be reinterpreted after it has been granted.

We may be unable to protect the confidentiality of our trade secrets, and we may be subject to claims that our employees or third parties have wrongfully used or disclosed alleged trade secrets owned by others.

In addition to our issued patents and pending applications, we also rely on trade secrets and other proprietary information to maintain our competitive strengths. There is no guarantee that we are sufficiently protected against unauthorized use or disclosure of our proprietary information by employees or third parties, which could inadvertently or intentionally compromise our competitive position. Furthermore, disputes may arise regarding the use of third-party intellectual property by our employees or partners, potentially challenging our rights to related know-how and inventions.

RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

We cannot assure you that we will be able to effectively manage our growth or implement our business strategies.

Our total revenue decreased by 1.3% from RMB390.9 million in 2023 to RMB385.8 million in 2024, and increased by 20.2% to 463.9 million in 2025. Our future growth may be affected by a number of reasons, including overall economic growth, technological advancement of the AI, accumulation of AI experts in China, awareness of enterprises and governments to deploy AI applications, our investment in technology innovation and AI technology solutions, our ability to attract and retain our customers, our ability to create value for customers with our innovative AI technology solutions, our ability to manage our costs and enhance operating leverage. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies. If the market for our solutions does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition will be materially and adversely affected.

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

We recorded net cash used in operating activities of RMB183.1 million and RMB23.9 million, respectively, in 2023 and 2024. In 2025, we recorded net cash generated from operating activities of RMB306.4 million. See "Financial Information — Liquidity and Capital Resources — Cash Flow." We cannot assure you that we will always be able to match the timing and amount of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. Negative operating cash flow may require us to obtain additional financing to meet our financing needs and obligations and support our expansion plans. In the event that we are unable to generate sufficient cash flow from our operations or otherwise obtain sufficient external funds to finance our business, our liquidity and financial condition may be materially and adversely affected, and we may not be able to expand our business as expected. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected. We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

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

We are exposed to credit risk related to delay in payment and defaults of our various customers and counterparties. In addition, we are also exposed to credit risk arising from our prepayments, deposits and other receivables. We may not be able to collect all of our trade and bills receivables or recover all of our prepayments, deposits and other receivables due to factors beyond our control, such as adverse operating conditions or financial conditions of our customers and counterparties, and their inability to pay due to delays in payment from their own end users. If our customers and counterparties delay or default on their payments to us, we may need to make impairment provisions and write off the relevant receivables. This would have a negative impact on our liquidity and financial condition. If our trade receivables turnover days continue to remain relatively high, it may lead to a longer cash conversion cycle, which could further add pressure to our cash flow and working capital.

In addition, our trade receivables turnover and trade payables turnover impacted on our cash position and cash conversion cycle given the long payment cycles of certain customers. During the Track Record Period, our cash conversion cycle was 206 days, 251 days and 136 days in 2023, 2024 and 2025. See "Financial Information — Liquidity and Capital Resources — Cash Flow."

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

Our capital requirements will be subject to many factors, including, but not limited to: (i) technological advancements; (ii) market acceptance of our solutions and solution enhancements, and the overall level of sales of our solutions; (iii) research and development expenses; (iv) our relationships with our customers and suppliers; (v) our ability to control costs; (vi) potential acquisitions of businesses and product lines; and (vii) general economic conditions, inflation, rising interest rates, and international conflicts and their impact on the AI technology solution industry in particular.

If our capital requirements are materially different from those currently planned, we may need additional capital sooner than anticipated. Additional financing may not be available on favorable terms, on a timely basis, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our operations as planned, develop or enhance our solutions, expand our sales and marketing programs, take advantage of future opportunities, or respond to competitive pressures.

RISKS RELATING TO OUR OPERATIONS

Any failure to maintain or improve the reliability, effectiveness and availability of our AI technologies, products and services may materially and adversely affect our business, financial condition and prospects.

The effectiveness, reliability and availability of our AI technology solutions and underlying technologies are crucial to our reputation and operations, as well as our ability to retain and attract customers and business partners. However, our technologies, products and services may be vulnerable to unexpected failures or disruptions, which may cause operational risks such as improper information processing, slower response times, inaccurate analysis results and compromised user experiences. If our technologies, products and services fail to accurately process and manage information and/or provide accurate or desired outcome, the quality of our services could be adversely affected, causing damages to our reputation and negatively impacting our business, financial condition and prospects.

In the event of data outage or loss, our ability to offer AI technology solutions may be materially and adversely affected. Our operations depend on our ability to protect our systems against damage or interruption from natural disasters, power or telecommunications failures, environmental conditions, computer viruses or other attempts to harm our systems, criminal acts and similar events. In addition, if there is a lapse in service or damage to our leased facilities, we could experience business interruptions as well as delays and additional expenses in arranging new facilities, which could harm our relationships with stakeholders of our ecosystem, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we are unable to attract, retain and motivate key management and R&D personnels, our business, financial condition and prospects would be materially and adversely affected.

Hiring and retaining key individuals, such as key management, technical staff, qualified executives, developers, engineers and sales representatives are critical to our business, in particular, to the R&D and commercialization of each of our solutions. The competition for highly skilled employees in the AI technology solution industry is increasingly intense. Changes in our management team would also disrupt our business. Our management and senior leadership team has significant industry experience, and their knowledge and industry insights would be difficult to replace. See "Directors and Senior Management." Changes in our management team may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified personnel as replacements.

Our brand is integral to our success. If we fail to maintain and enhance our brand and reputation, our business, financial condition and prospects may be materially and adversely affected.

Our business and financial performance rely on the strength and the market acceptance of our brands. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot guarantee that these marketing and promotional activities are and will be effective in enhancing our brands or that we can achieve the market acceptance as we expect. In addition, negative publicity and rumors involving us, our shareholders, Directors, officers, employees and business partners, or the AI technology solution industry in general may materially and adversely harm our brand image and reputation and deteriorate the market recognition of and trust in our products and solutions, thereby resulting in reduced sales volumes and revenues, potential loss of business partners as well as the loss of highly qualified personnel with specialized skills.

We are subject to risks related to sanctions, export control laws and economic or trade restrictions, and such laws and regulations may disrupt the operations of our suppliers and business partners and in turn adversely affect our business, financial conditions and results of operations.

Our business operations and the AI technology solution industry in general are subject to deteriorating political and economic relations among countries and sanctions and export controls administered by various government authorities, and other geopolitical challenges, including, but not limited to, tightened export and trade control measures, increased tariffs, taxes and other costs, and political instability.

In particular, the U.S. government imposed economic sanctions, export and trade control laws, and outbound investment screening regulations that may directly or indirectly affect China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. For instance, in recent years, the United States has expanded export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security (the "**BIS**") of the U.S. Department of Commerce. In addition to the United States, Japan, the Netherlands and various other governments are also imposing controls, licensing requirements, and restrictions applicable to exports to China. These types of restrictions could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our solutions.

With respect to U.S. export controls, in October 2022, BIS issued an interim final rule (the "**BIS October 2022 IFR**") aimed at restricting China's ability to obtain advanced computing integrated circuits, develop and maintain supercomputers, and manufacture advanced semiconductors. In October 2023, BIS issued another interim final rule (the "**BIS October 2023 IFR**") that updated and expanded U.S. export controls imposed by the BIS October 2022 IFR (collectively, and together with the BIS's April 2024 interim final rule making technical corrections and clarifications to the BIS October 2023 IFR, the "**BIS 2022/23 IFRs**"). Among other measures, the BIS 2022/23 IFRs add to the Commerce Control List (which is a list of commodities, software, and technologies that are subject to the EAR's more restrictive controls) certain advanced and high-performance computing integrated circuits and computer commodities that contain these integrated circuits, and impose new or expanded license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced node integrated circuits and advanced, or semiconductor manufacturing equipment in certain jurisdictions, including China.

In addition to the restrictions introduced by the BIS 2022/23 IFRs, BIS maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. The United States in recent years has placed an increasing number of entities, including a number of entities in China, on the Entity List and other restricted or prohibited parties lists. Given the sudden and unpredictable nature of these determinations, it is difficult to predict developments in this area and we have no ability to influence such determinations. Moreover, given the important role played by such Chinese high-tech companies on the Entity List in the global supply chain or in China for technology industries, prolonged restrictions against such companies could cause a material negative impact to all such industries, which may in turn materially and adversely affect our business, financial condition and results of operations. Similar or more expansive restrictions that may be imposed on our business partners or suppliers by the U.S. or other jurisdictions in the future may materially and adversely affect such business partners or their suppliers, which would in turn affect our business.

Moreover, the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern ("**Final Outbound Rule**") imposed by the Department of the Treasury took effect on January 2, 2025. The Final Outbound Rule targets investments into "countries of concern," currently only China, including the Special Administrative Region of Hong Kong and the Special Administrative Region of Macau. The Final Outbound Rule focuses on the investments in companies engaged in activities relating to three sectors: (i) advanced microchips and microelectronics, (ii) quantum computing, and (iii) artificial intelligence designed for military or surveillance applications. The Final Outbound Rule would apply investment restrictions to a wide range of transactions but would exclude some investments. The exception includes investments in publicly traded securities, as long as the investment made do not afford a U.S. person certain rights that are not standard minority shareholder protections. The Final Outbound Rule aiming at exerting greater oversight over foreign investments involving China may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based AI companies including us. Should we or any of our major suppliers or customers become subject to the Final Outbound Rule, our international partnerships and growth initiatives may encounter delays or disruptions, impacting the advancement and deployment of our AI technology solutions. We have been advised by our legal advisor that the purchase of the publicly traded securities, such as the [REDACTED] into our H Shares, should be exempted transactions. Based on such legal advice, our Directors believe that the Final Outbound Rule will not have any material adverse impact on our operations, financial performance, investment prospects or the [REDACTED]. However, there remains uncertainty surrounding the implications of the Final Outbound Rule and impact, which adds complexity to our operational planning and strategic decision-making. In such case, the Final Outbound Rule may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, thereby affecting our ability to raise capital.

Historically, the implementation of these broad export control measures has had the effect of limiting the access of certain semiconductors that are AI capable, which may be involved in the application of our AI computing technical services that commenced in late 2023. This had the effect of requiring us to limit the scope application of our AI computing technical services, such as discontinuing our procurement agency services in 2025 to minimize risks arising from applicable export control laws and regulations. There is no assurance that we have always been or will always be able to maintain in full compliance with all applicable economic sanction, export control, and trade restriction laws and regulations. If any domestic or foreign authority initiates investigations or impose penalties or sanctions against us for any actual or alleged violation of such laws and regulations, our business, financial conditions, results of operations and prospects could be adversely affected.

Furthermore, as these sanctions, export controls, trade restrictions, and the Final Outbound Rule-related laws and regulations continue to expand and evolve, future sanctions, export controls, trade restrictions, and outbound investment restrictions may materially affect or target some of our significant customers or suppliers, raw materials or key components or technologies necessary for our operations. If our customers, suppliers or our business partners are unable to source the necessary chips, servers or other major components on acceptable terms, or at all, their production or operations could be disrupted, in which event our business may be affected if we fail to promptly secure alternative sources of supply on terms acceptable to us.

We may be subject to product liability claims if our technologies, products and services contain defects, which require significant expenses to remediate. As a result, our reputation may be damaged, and our business, financial condition and prospects may be adversely affected.

AI technologies, products and services, may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first launched or when new versions or enhancements are released. Despite internal testing and stringent quality control systems, our technologies, products and services may contain serious errors or defects, security vulnerabilities or software issues that we are unable to correct in a timely and cost-effective manner, or at all. Some errors or defects in our technologies, products and services may only be discovered after they have been tested, commercialized and deployed, and we may incur substantial additional development expenses and incur costs relating to product recall, repair or replacement. As a result, sales of such technologies, products and services may expose us to product liability claims and may require product recalls or other actions. Furthermore, these product liability claims will lead to lawsuits, including class actions, filed against us by our customers or other parties, exposing us to potential civil and criminal liabilities or damages. Any material product liability claim, or litigation could have a material and adverse effect on our business, financial condition and prospects. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation, and we could lose market shares as a result.

We rely on third parties to manufacture hardware components for our products and solutions. Such arrangements could reduce our control over product quality, manufacturing yields, development, enhancement and product delivery schedule, thereby adversely affecting our business and financial performance.

We engage third party manufacturers to produce hardware components, such as hardware used for our AI vertical industry applications business. These arrangements could reduce our direct control and oversights over the production process. We may experience operational difficulties with our third party manufacturers, including reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, increases in assembling costs and longer lead time required. Our manufacturers may experience disruptions in their production and assembly operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, environmental non-compliance issues or other similar problems that are beyond our control. In addition, we may not be able to renew contracts with our manufacturers or identify substitute partners who are capable of supplying services, components and assembly capacities for new products we target to launch in the future. Although arrangements with these manufacturers may contain provisions for warranty expense reimbursement, we may remain responsible for the customer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. Any failure of our manufacturers to perform their responsibilities or to be in compliance with all applicable laws and regulations may have a material negative impact on our cost or supply of components or finished goods, thereby adversely affecting our business operations and financial performance.

Disruptions and delays in local and global supply chains and logistics could have a material and adverse impact on our business operations.

Our major suppliers are suppliers of hardware components and software. Purchase amount from our largest supplier in 2023, 2024 and 2025 accounted for 9.3%, 8.4% and 19.6%, respectively, of our total purchase amount for the respective period. Purchase amount from our five largest suppliers during the Track Record Period accounted for 30.9%, 34.1% and 51.5%, respectively, of our total purchase amount for the respective period. We cannot assure you that we will be able to secure a stable supply of qualified products and services at all times from our suppliers going forward. Additionally, since finding qualified suppliers and vendors is often a lengthy process, we may not be able to resume our services in a timely and cost-effective manner. As a result, any disruptions and delays in supply chains and logistics may result in interruptions in our business operations or additional costs, which would harm our business and results of operations.

We may not be successful in implementing our business plans and strategies effectively or at all, which could materially and adversely affect our business, financial condition and prospects.

Our business plans and strategies are based on our assumptions of future events which may entail certain risks and are inherently uncertain. However, these assumptions may not be correct and fail to reflect the reality, which could affect the commercial viability of our business plans and strategies. As such, we cannot guarantee that our business plans and strategies will be implemented successfully as scheduled or at all.

We rely on our employees to maintain our information technology systems, and our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We have implemented various information technology systems to cover key areas of our operations, including monitoring of our daily operations and management of our customers, suppliers, inventories, receivables and payables. We also rely on our information technology systems for developing our Unicorn AI platform and our various AI vertical industry applications, and particularly for the timely delivery of our products and solutions to customers.

However, any failure or disruption in the operation of these systems or the loss of data due to such failure or disruption (including due to human error or sabotage) may affect our ability to plan, track, record and analyze work in progress and sales, process financial information, meet business objectives based on information technology initiatives such as product life cycle management, manage our creditors, debtors and hedging positions, manage payables and inventory or otherwise conduct our normal business operations, which may increase our costs and otherwise adversely affect our business, financial condition and results of operations.

We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. We are subject to a variety of laws and regulations relating to data security and privacy, as our business operations involve collection, use, storage, retention, transfer, disclosure and other processing of data, and procurement of data from third parties for training purpose. The interpretation and application of laws, regulations and standards relating to cybersecurity, data protection and privacy remain uncertain and are constantly changing, and these regulations are also affected by different interpretations or significant changes which leads to uncertainty about the scope of our responsibility in this regard. For instance, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “**Data Security Law**,” effective since September 1, 2021). The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals engaged in data-related activities. It also prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of the competent authorities in China. Besides, the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which was promulgated by Cyberspace Administration of China on July 7, 2022 and became effective on September 1, 2022, stipulates the obligation that before applying for the security assessment of outbound data transfer, data processors shall conduct a self-assessment of the risks in the outbound data transfer. And on November 7, 2016, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》, effective since June 1, 2017), and pursuant to which, the state is to advance the development of a socialized service system for cybersecurity, and encourage related businesses and institutions to carry out cybersecurity services such as certification, testing and risk assessment. According to the Measures for Cybersecurity Review (《網絡安全審查辦法》), which was promulgated by the

Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the National Administration of State Secrets Protection, and the State Cryptography Administration on December 28, 2021 and became effective on February 15, 2022, entities meeting certain standards shall apply for a cybersecurity review. Meanwhile, the Regulation on Network Data Security Management (《網絡數據安全管理條例》), which was promulgated by the State Council on September 24, 2024 and came into effect on January 1, 2025 further provide rules on network data security.

While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation.

Our technologies, products and services are used to process a large amount of business and operation data, and any improper collection, hosting, use or disclosure of such data could harm our reputation and have a material adverse effect on our business and prospects.

Although we do not collect any personal data of consumers or end users, our technologies, products and services are used to process a large amount of data through our solutions as necessary during normal business operation. As a result, our success depends in part on our ability to provide effective data security protection in connection with our platforms and products. Because many of our customers use our platforms to transmit and otherwise process proprietary, confidential, or sensitive information, they have a lower risk tolerance for security vulnerabilities in our platforms and products than for vulnerabilities in other, less critical, software products and services. If any of our customers' cloud or on-premises environments are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of us may be harmed, and we may lose business and incur losses or liabilities.

Any accidental or willful security breaches or other unauthorized access could cause confidential information to be stolen and used for improper or even illegal purposes. Furthermore, if we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate the data. Security breaches or unauthorized access to confidential information could also expose us to liabilities related to the loss of the information, time-consuming and expensive litigations and other regulatory and legal proceedings, as well as negative publicity. If security measures are breached because of third party action, employee error, malfeasance or other similar factors, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with our customers and partners could be severely damaged and we could incur significant liabilities or subject to legal or regulatory actions that may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, concerns about our practices with regard to security of confidential information or other privacy-related matters, such as cybersecurity breaches, misuse of personal data and data sharing without necessary safeguards, even if unfounded, could damage our reputation and operating results. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material incidents of cyberattacks or data security breaches. However, if any of the foregoing risks materializes, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Moreover, we rely on data provided by our customers and third-party data partners. However, we cannot ensure the accuracy and timeliness of the various sources of data that we use. Low quality and inaccurate data could materially affect the accuracy and validity of our data analytical capability, products and services which could adversely affect our reputation, business operations and financial performance.

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

We use open-source software in developing our AI platforms and algorithms and expect to continue to use open-source software in the future. While we monitor our use of open-source software to avoid subjecting our software to conditions we do not intend to be bound, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open-source license, including by demanding release of the open-source software, derivative works, or our proprietary source code that was developed using such software. These allegations could also result in litigation. The terms of many open-source licenses have not been interpreted by courts. There is also a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our software and platform. In such an event, we may be required to seek licenses from third parties to continue offering our software commercially, to make our proprietary code generally available in source code form, to re-engineer our software or to discontinue the sale of our software if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business and revenue.

Our employees and business partners may engage in intentional or negligent misconduct, or violate our internal policies and laws, which could impair the quality of our service or subject us to liabilities.

We face significant risks if our employees and business partners do not adhere to our quality standards. We have established internal policies and guidelines to monitor and ensure that the solutions delivered to our customers meet satisfactory standards. We also have rigorous procedures in place to verify the integrity and qualifications of our employees and partners before engagement and cooperation. Despite these precautions, there is no guarantee against potential intentional or negligent misconduct by our employees and business partners.

Additionally, our Company may be vulnerable to risks of fraud or other unlawful activities perpetrated by our employees and business partners. Such illicit activities could include unauthorized misrepresentations to customers, misappropriation of third-party intellectual property and other proprietary rights, misuse of sensitive customer information, and involvement in bribery or other illegal payments. Should any of these events occur, we could face liability to our customers or other affected parties.

Changes in the market or our technologies, products and services may affect our pricing models and adversely affect our financial performance and operating results.

Our pricing models are based on various factors, including our costs, customer demands and market trends. However, these pricing models may face challenges from evolving market changes that are unpredictable in nature. As the market for our technologies, products and services grows, as our competitors may introduce new solutions that compete with ours or reduce their prices, or as we enter into new verticals or overseas markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Given our limited operating history and limited experience with our historical pricing models, we may not be able to accurately predict customer renewal or retention. In addition, regardless of the pricing model used, certain customers may demand deeper price discounts. As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our business, financial condition and prospects.

Any deterioration in labor relations, shortage of labor, material increase in labor costs or violations of labor laws and regulations may have a material adverse effect on our business, financial condition and prospects.

Our success depends on our ability to hire, train, retain and motivate our employees. As of December 31, 2025, we had 371 full-time employees. See "Business — Employees." We have not experienced any material work stoppages or strikes in the past. However, we cannot guarantee that any of such events will not arise in the future. If our employees engage in a strike or other work stoppage, we may experience significant operational disruption and/or accept higher labor costs, resulting in an adverse effect on our business, financial condition and prospects. We regard favorable labor relations as a significant factor that can affect our performance and any deterioration in our labor relations with employees could cause labor disputes, which could result in the disruption of operations.

Moreover, as the application and interpretation of labor-related laws and regulations are limited and still evolving, our employment practices may violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations including those relating to obligations to make full social insurance payments and contribute to the housing provident funds. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

We and our Shareholders may be involved in lawsuits, claims, regulatory investigations or legal proceedings and commercial or contractual disputes in our ordinary course of business, which could materially and adversely affect our reputation, business, financial condition and prospects.

We and certain of our Shareholders have been involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business during the Track Record Period. We cannot guarantee that we or our Shareholders will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including court fees and fees relating to execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws and regulations. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible. Non-compliance with anti-corruption or anti-bribery and anti-money laundering laws and regulations could subject us to whistle-blower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, financial condition and prospects.

We require various approvals, licenses, permits and certifications to operate our business, any failure to obtain or renew any of these approvals, licenses, permits or certifications could materially and adversely affect our business and results of operations.

The industries we operate in are highly regulated, and we are required to maintain various approvals, licenses, permits and certifications in order to operate our businesses. For example, under the current PRC regulatory scheme, a number of governmental authorities, including but not limited to the SAMR, MIIT and CAC, jointly regulate major aspects of our industries. We are also required to obtain and maintain the requisite licenses and approvals required in other jurisdictions where we operate our business. Complying with such laws and regulations may require substantial expense, and any non-compliance may expose us to liability.

As confirmed by our PRC Legal Advisor, during the Track Record Period and as of the Latest Practicable Date, we had obtained all necessary licenses, approvals and permits from relevant regulatory authorities which could have a material impact on our current business operations in China. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes in the relevant authorities' interpretation of these laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate our business, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed business activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition. For further details on the requisite licenses and approvals for our business operations, see "Regulatory Overview."

Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential costs, and as a result, our business, financial conditions and prospects may be materially and adversely affected if any such liability or losses arise.

Insurance policies available to business operations in mainland China are limited. The insurance coverage for our business operations may not be adequate to fully compensate for all kinds of losses we may suffer in the future. In particular, any uninsured occurrence of business disruption, litigation or natural disaster, product liability claims, third party indemnifications, or significant damages to our information technology networks and systems could have a material adverse effect on our business, financial condition and prospects. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our business, financial condition and prospects could be materially and adversely affected.

We may be subject to penalties if we fail to make adequate contributions to social insurance and housing provident fund for our employees as required by PRC regulations laws.

Pursuant to relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing provident fund for their employees. During the Track Record Period, we did not make social insurance and housing provident fund contributions in full for certain of our employees. For further information, see "Business — Employees — Social Insurance and Housing Provided Fund."

Our PRC Legal Advisor has advised us that, under PRC laws and regulations, we may be subject to late fees and fines for not being in strict compliance with such contribution requirements. If the competent government authority is of the view that the social insurance contributions we paid for our employees did not satisfy the requirements under applicable laws and regulations, we may be ordered to make up for the unpaid amount within a specified period and pay a late fee that equals to 0.05% of the total unpaid amount per day, accruing from when the social insurance contribution was due. If we fail to pay the unpaid amount or the late fee within the specified period, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance contribution. In addition, we may be ordered by the relevant authority to make up for the unpaid housing provident fund contributions within a specified time period, failing which we may face court proceedings to enforce such unpaid amount. If we are required to make up for the historical unpaid amount or to pay late fees or fines, our financial condition and results of operations may be materially and adversely affected.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any investigation or penalty from the relevant governmental authorities due to the abovementioned practice of making contributions to the social insurance and housing provident fund. We cannot assure you that we will not receive any complaint or demand for social insurance or housing provident fund contribution from our employees, or that the relevant PRC authorities will not require us to make additional social insurance and housing provident fund contributions. As a result, our financial condition and results of operations could be adversely affected.

As some of our leased properties have title defects, or the lessors are unable to provide property ownership certificates and have not completed registration procedures with the relevant authorities, we may be required to cease occupying and using such leased properties.

As of the Latest Practicable Date, the lessor of four of our material leased properties had not provided us with valid title certificates or proof of authorization or permission from title owner to lease the property to us. As a result, the leases may not be valid, and we may not be able to continue to use such property if the lessor's right to lease such property is successfully challenged by any third party. The leased properties are used primarily as our office premises. Vacating the relevant property and relocation could result in additional operating costs and disruption to our ordinary business operations, thereby adversely affecting our business and financial conditions.

As of the Latest Practicable Date, the leasing agreements of our material leased properties had not been registered with the competent PRC government authorities as required by applicable PRC laws and regulations. Our PRC Legal Advisor has advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC laws, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the lease registration after we are requested to do so by the competent PRC government authorities.

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.

We may form strategic alliances with third parties in the future, which could expose us to several risks including the sharing of proprietary information, counterparty non-performance and increased expenses associated with establishing new alliances.

Furthermore, we may pursue acquisitions of assets, technologies, or businesses or investments in other businesses that complement our existing operations. These acquisitions and the integration of new assets and businesses require substantial management focus and could divert resources from our current operations, potentially adversely affecting our business performance. Acquisitions or investments may not yield the anticipated financial or operational results and could lead to significant expenditures, including the use of cash reserves, potentially dilutive equity issuances, the incurrence of debt, significant goodwill impairment charges, amortization expenses for intangible assets, and exposure to unknown liabilities of the acquired entities.

Our Controlling Shareholder have significant influence over us and their interests may not always be aligned with the interest of our other Shareholders.

Our Controlling Shareholder will, through his voting power at the Shareholders' meetings and his directorship, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholder may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholder, we could be prevented from entering into certain transactions that could be beneficial to us. This concentration of ownership and voting power may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Shares held by certain of our Shareholders are subject to freezes.

As of the Latest Practicable Date, certain Shares (representing in aggregate approximately 8.73% equity interest in our Company as of the Latest Practicable Date) held by three other Shareholders independent from our Controlling Shareholder were subject to freezes. Please see "History and Corporate Structure — Capitalization of Our Company" and "History and Corporate Structure — Corporate Structure." We believe that such freezes will not have a material impact on our shareholding structure or result in a material adverse impact on the [REDACTED]. However, if the Shares subject to freezes are to be subsequently transferred or disposed of pursuant to judicial orders, our shareholding structure may be subject to change.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

Changes in the economic, political, social conditions or regulatory landscapes in the jurisdictions where we conduct our business could affect our business, financial condition and prospects.

Our business, financial condition and prospects may be influenced by the general political, economic, social conditions in the jurisdictions where we operate. Our operations are also subject to various laws, rules and regulations at the regional and national levels of the AI industries in the PRC and other jurisdictions. For instance, in recent years, the PRC government has, on many occasions, promoted the development of AI-related industry and commercialization of AI technologies in China. Nevertheless, new laws, rules and regulations relevant to our businesses may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced, requiring us to conduct business with additional oversight and regulatory compliance. As a result, we may not be aware in a timely manner that we have violated certain policies and rules. There can be no assurance that we can adapt to the evolving regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial compliance costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel or services to comply with the latest laws and regulations, and such may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

In addition, the PRC government has implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. The AI technology solution industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our business, financial condition and prospects.

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

We are a company incorporated under the laws of the PRC, and nearly all of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. Judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the 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》) are met. Nonetheless, it may be difficult for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or other laws. In addition, it may be difficult for you to bring an original action against us or our PRC resident officers and Directors in a PRC court based on the liability provisions of non-PRC securities laws.

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

Governmental control over capital inflow/outflow, currency conversion and fluctuations in exchange rates may affect the value of your [REDACTED], result in [REDACTED] losses, and limit our ability to utilize our cash effectively.

The Renminbi is not currently a freely convertible currency. We receive substantially all of our payments from customers in Renminbi and may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. We may not be able to pay dividends in foreign currencies to our Shareholders if the Chinese government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Any significant revaluation of the Renminbi may materially and adversely affect our results of operations, cash flows and financial condition. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China and in international political and economic conditions. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

If the Renminbi appreciates against other currencies significantly, and as we need to convert and remit the [REDACTED] from the [REDACTED] and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our businesses, results of operations, financial condition and prospects.

We are a mainland China enterprise and we are subject to mainland China tax on our global income and any gains on the [REDACTED] of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor's jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發 [1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from 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》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

If mainland China income tax is imposed on gains realized from the [REDACTED] of our H Shares or on dividends paid to our non-mainland China resident investors, the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has been no prior [REDACTED] for our H Shares, an active [REDACTED] market for our H Shares may not develop following the [REDACTED] and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the [REDACTED], there was no [REDACTED] for our H Shares. We cannot assure you that a [REDACTED] for our H Shares with adequate liquidity and [REDACTED] will develop and maintain following completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] and us, and may not be an indication of the [REDACTED] of our H Shares following completion of the [REDACTED]. If an active [REDACTED] for our H Shares does not develop following completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

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

The [REDACTED] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant [REDACTED] volatility that are not related to the operating performance of any particular company. The business and performance and the [REDACTED] of the shares of other companies engaging in similar business may also affect the [REDACTED] of our H Shares. In addition to market and industry factors, the [REDACTED] of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, the shares of other companies [REDACTED] on the Hong Kong Stock Exchange have experienced price volatility in the past, and the [REDACTED] of our H Shares may change that is not directly related to our performance.

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

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

According to the promulgations by the State Council's securities regulatory authority and the Articles of Association, our [REDACTED] may be converted into H Shares and such converted H Shares may be [REDACTED] on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, [REDACTED] must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the [REDACTED] of all or any portion of our [REDACTED] on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the [REDACTED]. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may materially and adversely affect the [REDACTED] of H Shares.

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

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

Any possible [REDACTED] of our [REDACTED] Shares into H Shares in the future could increase the supply of our H Shares in the [REDACTED] and negatively impact the [REDACTED] of our H Shares.

Subject to the completion of the filing with the State Council securities regulatory authority, our [REDACTED] Shares may be converted into H Shares, and such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange. Any [REDACTED] of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the [REDACTED] of the converted Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the [REDACTED] of a company, the shares of that company which are issued prior to the [REDACTED] shall not be transferred within one year from the date of the [REDACTED]. Therefore, upon completion the requisite filing, [REDACTED] Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year following the [REDACTED], which could further increase the supply of our H Shares in the [REDACTED] and could negatively impact the [REDACTED] of our H Shares.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

We plan to use the [REDACTED] from the [REDACTED] in a number of ways. See "Future Plans and [REDACTED] — [REDACTED]." However, our management will have discretion as to the actual application of our [REDACTED]. Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED].

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

Our historical dividends may not be indicative of our dividend policy in the future. We cannot guarantee when and in what form dividends will be paid on our H Shares after the [REDACTED]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot guarantee that we will make and can make dividend payments on our Shares in the future. See "Financial Information — Dividend." If we retain most, or all, of our available funds and any future earnings after the [REDACTED] to fund the development and commercialization of our pipeline products and solutions, we may not expect to pay any cash dividends in the foreseeable future.

Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future financial condition and cash flow, our capital requirements and surplus, the number of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [REDACTED] in our H Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our H Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

Certain facts, forecasts and other statistics obtained from official government or other sources contained in this document may not be reliable in terms of accuracy, competence or reliance.

Certain facts, forecasts and other statistics contained in this document relating to China, the PRC economy and the AI technology solution industry in which we operate have been derived from various official government or other sources. We have taken reasonable care in the reproduction or extraction of official government or other sources for the purpose of disclosure in this document, however, we cannot guarantee the quality or reliability of such source materials. The information so reproduced or extracted from official government sources has not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, [REDACTED] should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking information in this document is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media or research analyst reports regarding us, our business, our industry and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this Document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this Document but prior to the completion of the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it, and you should not rely on such information.