

INDUSTRY OVERVIEW

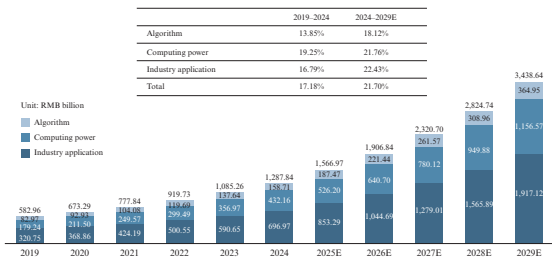
The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and no representation is given as to its accuracy.

OVERVIEW OF AI TECHNOLOGY SOLUTION MARKET

Development of AI Technology Solution Market

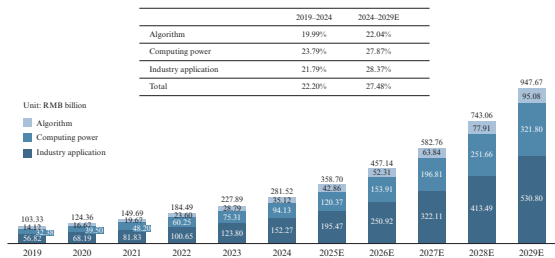
AI technology is transforming various industries by offering intelligent services, optimizing decision-making, and driving digital transformation. With the rapid advancement of AI and increased computing power, its widespread application is reshaping global competitiveness. The core components of the AI technology solution industry include algorithms, computing power and industry applications. These three elements complement each other, forming a complete industry ecosystem. Computing power, as the underlying support, spans the upstream and downstream of the entire industrial chain, while algorithms drive the intelligent transformation of industry-level applications. The global AI technology solution market reached RMB1,287.8 billion in 2024. By 2029, the market is expected to hit RMB3,438.64 billion. China’s AI technology solutions market reached RMB281.5 billion in 2024, and is projected to reach RMB947.7 billion by 2029.

Global market size for AI technology solutions, 2019–2029E



Source: Frost & Sullivan

China market size for AI technology solutions, 2019–2029E



Source: Frost & Sullivan

Market Drivers of AI Technology Solution Market

- Industry Adoption:** Industries like manufacturing, healthcare, and finance are adopting it for digitization, automation, and efficiency — driving demand for vertical, sector-specific solutions.
- Favourable Policies:** Backed by government and private funding and supportive policies, AI is shifting from pilots to large-scale deployment, accelerating market growth and broad business transformation.

Competitive Landscape of AI Technology Solution Market in China

There were approximately three thousand companies in China primarily engaged in provision of AI technology solutions. The Company was the 12th largest player in the AI technology solution market in China. Leveraging its full-stack capabilities in provision of computing power, algorithms and industry application throughout the AI technology solutions, the Company was also the tenth largest full-stack AI technology solution provider, in terms of revenue in 2024.

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Top AI Technology Solution Providers in China (2024)				
Ranking	Company	Whether Offer Full-stack Solutions	Revenue (RMB Billion)	Market Share (%)
1	Company A	✓	20	7.1%
2	Company B	✓	8	2.8%
3	Company C	✓	5	1.8%
4	Company D	✗	2.4	0.9%
5	Company E	✗	2.0	0.7%
6	Company F	✓	1.5	0.5%
7	Company G	✓	1.5	0.5%
8	Company H	✓	1.5	0.5%
9	Company I	✓	1	0.4%
10	Company J	✓	0.6	0.2%
11	Company K	✓	0.5	0.2%
12	The Company	✓	0.4	0.1%

Source: Frost & Sullivan

Note:

- 1) Full-stack refers to integrated provision of computing power, algorithmic and industry application within AI technology solution commercially at large scale.
- 2) Company A is a public company listed on the Shenzhen Stock Exchange, founded in 2001 in Zhejiang, which primarily provides computer vision solutions, IoT solutions, robotics solutions and among others across various industries.
- 3) Company B is a public company listed on the Shenzhen Stock Exchange, founded in 2001 in Zhejiang, which primarily provides computer vision solutions across various industries.
- 4) Company C is a public company listed on the Shenzhen Stock Exchange, founded in 1999 in Anhui, which primarily provides AI audio technologies such as voice recognition in various industries such as education, healthcare and others.
- 5) Company D is a public company listed on the Hong Kong Stock Exchange, founded in 2014 in Hong Kong, which primarily provides computer vision and other AI technologies with applications across smart cities, smart business, smart life and others.
- 6) Company E is a private company founded in 2011 in Zhejiang, which primarily provides AI technologies focusing on computer vision, IoT solutions and others.
- 7) Company F is a private company, founded in 2012 in Shanghai, which primarily provides AI technologies focusing on computer vision across various industries such as healthcare, financial services, smart city and others.
- 8) Company G is a public company listed on the Hong Kong Stock Exchange, founded in 2014 in Beijing, which primarily provides platform centric AI solutions, generative AI solutions and others across various industries such as financial services, manufacturing and others.
- 9) Company H is a public company listed on the Shen Zhen Stock Exchange, founded in 2000 in Beijing, which primarily provides digital transformation services across various industries.
- 10) Company I is a private company founded in 2011 in Beijing, which primarily provides AI technologies focusing on computer vision for smart cities, logistics and others.
- 11) Company J is a public company listed on the Hong Kong Stock Exchange, founded in 2012 in Beijing, which primarily provides AI technologies focusing on speech recognition and natural language processing across various industries such as healthcare.
- 12) Company K is a public company listed on the Shanghai Stock Exchange, founded in 2015 in Guangdong, which primarily provides AI technologies in smart cities and others.

Entry Barriers of AI Technology Solution Market

- **Skill Requirement:** Developing effective AI models and applications requires deep expertise in machine learning (ML) and deep learning (DL).
- **Data Availability:** AI models rely on large amounts of high-quality industry data, which may not be readily available in certain industries, making data collection and curation a significant barrier.

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Threat and Cost Analysis for AI Technology Solution Market

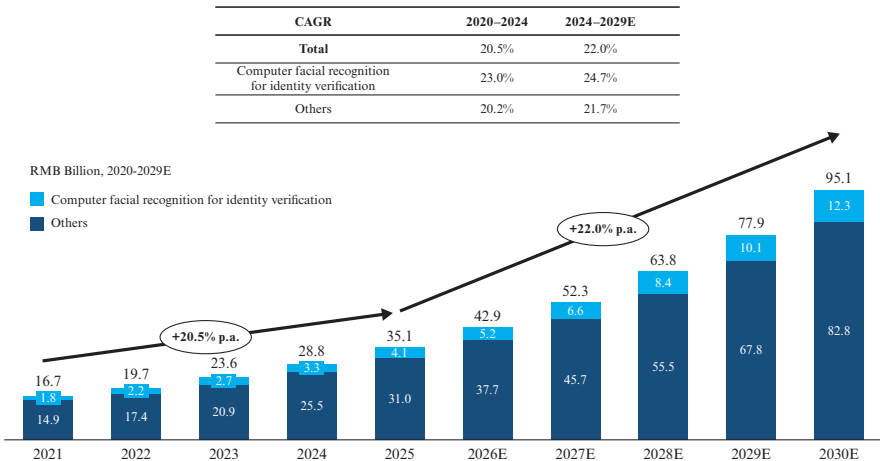
- **Data Privacy and Security.** The integration of AI solutions requires the collection and processing of large amounts of sensitive data. This creates a significant risk of data breaches, privacy violations, and unauthorized access, particularly as AI systems become more integrated into business operations.
- **Implementation Cost.** Integrating AI solutions into existing infrastructure often requires significant investment in customized technologies, specialized hardware, and skilled personnel, leading to high upfront costs.

OVERVIEW OF AI ALGORITHM MARKET

Development of AI Algorithm Market

Algorithms are a core driver of AI, processing data, learning patterns, and making predictions or decisions. With increased data volume and computing power, AI algorithms are advancing deep learning and automated decision-making across industries. Once focused on academic research, they are now widely used in sectors like transportation, finance, healthcare, and retail to improve efficiency and decision-making. AI algorithms handle tasks such as classification, prediction, and optimization through data analysis and pattern recognition. The global AI algorithm market grew from RMB83.0 billion in 2019 to RMB158.7 billion in 2024. It is expected to reach RMB365.0 billion by 2029. The AI algorithm market in the AI technology solutions industry in China, from 2019 to 2024, grew from RMB14.1 billion to RMB35.1 billion. It is projected to reach RMB95.1 billion by 2029. The AI technology solutions algorithm market includes companies specializing in developing, optimizing, and commercializing AI algorithms and model-based technologies. There are less than 1,500 companies primarily participate in AI algorithm market in China, focusing on commercialization of proprietary algorithmic models in China.

AI Algorithm Market in China



Source: Frost & Sullivan

From 2019 to 2024, the market size of computer facial-recognition services for identity verification in China’s AI technology solutions industry expanded from RMB1.4 billion to RMB4.1 billion, representing a CAGR of 23.4%. During this period, continuous improvements in AI algorithms, the digital transformation of key sectors such as security and finance, and government support for smart city and public safety initiatives significantly broadened the application scenarios of facial-recognition technology, driving rapid market expansion. From 2024 to 2029, the market is forecast to rise further from RMB4.1 billion to RMB12.3 billion, with a CAGR of 24.7%.

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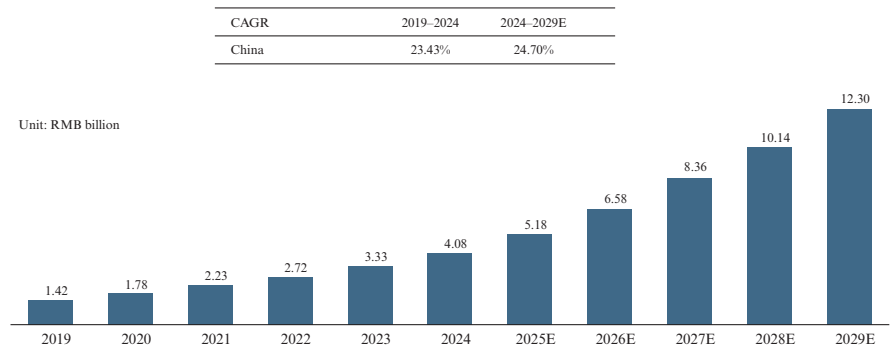
Market Drivers of AI Algorithm Market

- **Vertical AI Demand.** Growing demand for industry-specific AI in sectors like finance, manufacturing, and transportation — supported by ongoing technological advances — is driving adoption as organizations embed algorithms to improve efficiency and decision-making.
- **Enterprise Integration.** AI is increasingly integrated into existing enterprise systems such as ERP, CRM, and workflow platforms, enabling smarter operations and accelerating large-scale adoption across industries.

Future Trend of AI Algorithm Market

- **Intelligent Algorithms & Industry Integration.** AI algorithms will provide tailored solutions across industries like finance, healthcare, and plant and industrial park, supporting automation and digital transformation.
- **Innovation in Algorithm Models.** Advances in deep learning will improve accuracy and efficiency, helping algorithms tackle complex challenges and enhance data processing.
- **Algorithm & Computing Power Collaboration & Green Development.** Integration of algorithms with computing power will boost efficiency, while energy-efficient designs promote sustainable, green computing technologies.

China market size for computer facial recognition for identity verification in the AI technology solution industry, 2019–2029E



Source: Frost & Sullivan

Competitive Landscape of Computer Facial Recognition for Identity Verification market in China

In the computer facial recognition for identity verification industry in 2024, our Company ranked 8th with a 2.5% market share.

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Top Computer Facial Recognition for Identity Verification Solution Providers in China (2024)			
Ranking	Company	Revenue (RMB Billion)	Market Share (%)
1	Company A	0.6	15.7%
2	Company B	0.5	12.7%
3	Company D	0.4	9.8%
4	Company I	0.3	7.8%
5	Company L	0.2	5.9%
6	Company F	0.2	4.9%
7	Company K	0.2	3.9%
8	The Company	0.1	2.5%

Source: Frost & Sullivan

Note:

- 1) Company L is a public company listed on Shanghai Stock Exchange, which primarily provides AI technologies focusing on computer vision in financial services industry and others.

Entry Barriers of AI Algorithm Market

- **Expertise Requirement.** Developing high-quality AI systems requires specialized machine learning knowledge and domain expertise, making talent acquisition a major barrier for new entrants.
- **Data Access Challenges.** Access to large, high-quality, and often proprietary datasets remains critical for building competitive AI models, giving established players a structural advantage.

OVERVIEW OF AI COMPUTING POWER MARKET

Development of AI Computing Power Market

The computing power industry uses advanced equipment and technology to provide computing resources for big data, AI training, and real-time computing. It meets various industries’ computing needs through resource integration and intelligent management. The global AI computing power market in the AI technology solution industry reached RMB432.2 billion in 2024 and is expected to reach RMB1,156.6 billion by 2029. China’s AI computing power market in the AI technology solution industry grew from RMB32.4 billion in 2019 to RMB94.1 billion in 2024 and is projected to reach RMB321.8 billion by 2029.

Development of AI Computing Power Service Market

Computing power service involves integrated software and hardware solutions for acquiring, deploying, and optimizing computing power. It includes procuring infrastructure, building networks, tuning performance, and providing customized server solutions. These services help enterprises build cost-effective, adaptable computing infrastructures for large models, AI, and scientific computing, ensuring high-performance, scalability, and low-latency environments. Computing power services can be categorized as follows:

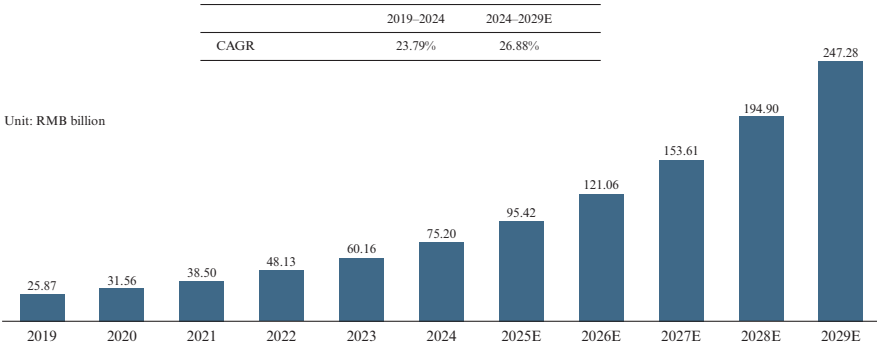
- **Computing power procurement and deployment:** Assisting in the procurement and deployment of computing infrastructure products such as high-performance servers, advanced computing chips and storage devices to meet customers’ needs for both computing performance and deployment efficiency.
- **Computing network construction:** According to the requirements of business scenarios, provide efficient network solutions to build low-latency, high-bandwidth computing networks connecting various computing nodes.

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- **Computing tuning and performance optimization solution:** Provide system-level tuning services covering server parameters, storage configurations and network performance to help the computing power infrastructure continue to perform optimally.
- **Customized server technology solution:** Delivering customized servers based on individual demand for computing resources, covering diverse application scenarios and technical specifications.

From 2019 to 2024, global market size for computing power service in the AI technology solution industry is expected to reach RMB345.8 billion in 2024. China market size reached RMB75.2 billion in 2024. Looking ahead, the market is expected to grow at a CAGR of 26.88% reaching RMB247.3 billion by 2029. There are approximately 700 companies in the AI computing power service market.

China market size for computing power service in the AI technology solution industry, 2019–2029E



Source: Frost & Sullivan

Market Drivers of AI Computing Power Market

- **Rising AI Workload.** Surging AI/data-heavy workloads (healthcare, finance, transportation) are driving demand for high-performance compute.
- **Increasing Model Complexity.** As AI models become more sophisticated, they demand greater computational power. Complex applications in fields like natural language processing and computer vision require advanced computing technologies to handle their increasing scale and complexity.
- **Scalable Cloud Solutions.** Cloud computing continues to provide scalable, on-demand access to computational power, reducing the need for significant hardware investment. As cloud services evolve, they will offer more customizable solutions for businesses, making high-performance computing more accessible.

Future Trends of AI Computing Power Market

- **Diversified and Customized Services:** As customer demands grow more complex, service providers are shifting from a single leasing model to customized services, such as heterogeneous clusters and algorithm optimization, tailored to specific industries and business scenarios.
- **Networking and Tuning:** High-performance computing is evolving from single-machine competition to cluster-level efficiency, driving increased demand for high-speed networking and fine-tuning of server parameters and storage structures to ensure stability and scalability.

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- **Service Delivery Expansion:** Computing power is moving to an “as a service” model, allowing flexible usage and scalability, with a standardized delivery system improving efficiency across procurement, deployment, and maintenance, while China’s domestic computing power is rapidly advancing through indigenous chips, servers, and AI frameworks supported by national strategies.

Entry Barriers for AI Computing Power Market

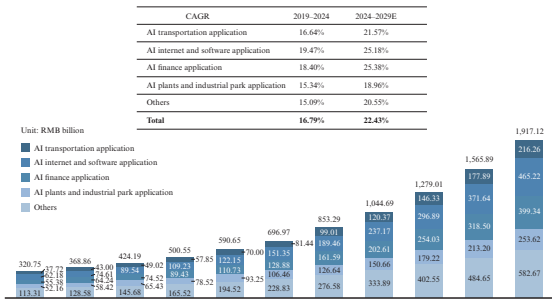
- **High Initial Investment:** Entering the computational power market requires significant investments in research and development (R&D) and building the infrastructure needed to support advanced computing solutions.
- **Data Requirements:** Efficient computational power relies heavily on large-scale, high-quality datasets, which are often difficult to acquire. Collecting, processing, and protecting data requires significant resources and technology, especially when dealing with privacy and security concerns.
- **Specialized Hardware Costs:** High-performance computing often depends on specialized hardware, such as GPUs or TPUs, which can be costly to purchase, maintain, and upgrade. With the rapid pace of technological advancement, companies are required to frequently invest in new hardware to stay competitive.

OVERVIEW OF AI INDUSTRY APPLICATION MARKET

Development of AI Industry Application Market

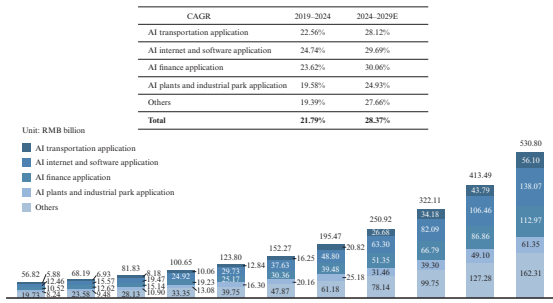
AI industry applications span multiple industry sectors, leveraging AI to improve efficiency, optimize decision-making, reduce costs, enhance safety, and elevate customer experience. These applications cover a broad range of technical fields including data analysis, automation control, computer vision, and natural language processing. Industry applications of AI are broadly categorized into several sectors, such as AI transportation, AI internet and software, AI finance, AI plant and industrial park, AI healthcare, AI retail, and AI intelligent driving. These industries can be divided into technology providers and direct application enterprises. Technology providers focus on supplying advanced technologies and solutions, while direct application enterprises leverage these technologies to innovate and enhance their own business operations. The global AI industry application market in the technology solutions industry grew from RMB320.8 billion in 2019 to RMB696.97 billion by 2024, with a CAGR of 16.79% from 2019 to 2024 and 22.43% from 2024 to 2029. In China, the AI industry application market is expected to grow at a CAGR of 28.37% from 2024 to 2029, reflecting rapid sector-wide expansion despite varying adoption challenges. There are approximately 3,000 companies in the AI industry application market in China, offering customized AI solutions that drive digital transformation across key industries.

Global industry application market in the AI technology solution industry, 2019–2029E



Source: Frost & Sullivan

China industry application market in the AI technology solution industry, 2019–2029E



Source: Frost & Sullivan

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Market Drivers of AI Industry Application Market

- **Automation Growth.** Automation across industries such as transportation, finance, and manufacturing is driving significant demand for AI technologies. Stronger algorithms and computational power are enabling scalable AI solutions that can be applied to specific sectors
- **Emerging AI Opportunities.** The rise of big data, IoT devices, and cloud computing is creating new opportunities for AI technologies to be integrated into various sectors. These technologies provide the necessary data and computational infrastructure, enabling AI to be used for data analysis, real-time decision-making, and process automation.
- **AI-driven Efficiency.** AI technologies are being increasingly adopted to streamline operations, automate tasks, and optimize processes, leading to significant cost reductions. The ability of AI to provide data-driven insights also helps businesses make smarter, faster decisions, further boosting its demand.

Future Trends of AI Industry Application Market

- **AI Vertical Industry Application.** AI will be increasingly tailored to industries like finance, healthcare, and plant and industrial park, enhancing predictive maintenance, risk assessment, and operational optimization. AI solutions will drive digital transformation and smarter decision-making, with customized solutions for sector-specific challenges.
- **Expansion of AI Ecosystem & Collaboration.** The AI ecosystem will become more interconnected, with businesses forming strategic alliances to integrate AI across industries. Collaboration will accelerate AI deployment, drive innovation, and enhance competitiveness.
- **AI Solutions & Global Market Expansion.** As AI matures, solutions will scale globally, with companies adapting to *diverse* markets. AI solution providers will focus on region-specific customization while ensuring scalability and flexibility to meet global demands.

Entry Barriers for AI Industry Application Market

- **Data Integration Challenges:** Certain industries, especially industrial and finance, face unique data challenges. Industrial data is often scattered across various systems and machines, while financial data is highly regulated and sensitive, making it difficult to access and integrate for AI model training. Additionally, industry-specific data standards require AI technologies to be customized for effective processing and modeling.
- **Trust and Brand Loyalty:** New companies entering the AI market often struggle with brand recognition and trust, especially in industries where established players already have customer loyalty.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare the Frost & Sullivan Report. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to a total of RMB500,000 in fees and expenses for the preparation and use of the Frost & Sullivan Report. The payment of such an amount was not contingent upon our successful [REDACTED] or on the results of the Frost & Sullivan Report. Apart from the Frost & Sullivan Report, we have not commissioned any other industry report in connection with the [REDACTED].

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We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this Document to provide our [REDACTED] with a more comprehensive presentation of the industries in which we operate. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan’s research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.