
RISK FACTORS

An investment in our H Shares involves various risks. You should carefully consider all the information in this document and in particular the risks and uncertainties described below before making an investment in our H Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the [REDACTED] of our H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we are unable to upgrade and enhance our solutions, our business, financial condition and results of operations could be materially and adversely affected.

The rapid development in AI technologies and digital human agents have attracted significant public attention and gained widespread popularity. As the largest digital human agent provider in China and given the fast pace with which the AI technologies have been and will continue to be developed, we need to stay at the forefront of AI technologies, and meet the ever-evolving needs and preferences of customers. We need to develop expertise across diverse industry sectors, adapt our solutions for different industry verticals, and constantly anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in R&D to drive technological advances, so as to maintain market competitiveness of our solutions.

If we fail to respond successfully to technology challenges and customer needs and preferences, our current technologies or solutions may quickly become obsolete or unattractive, and the demand for our solutions may diminish. We will also need to enhance and launch new features and functionalities of our solutions to enhance their utility to customers and adapt to their changing preferences, in order to maintain existing customers and attract new ones. However, given the inherent uncertainties of R&D activities, there can be no guarantee that we will continue to succeed in technological advancement and effectively commercialize them. Consequently, any failure in our R&D activities or commercialization endeavors may materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, we may need to continuously modify and enhance our technologies to keep pace with changes in AI technologies and updates in mainstream devices and IT systems. We may not be successful in either developing these modifications and enhancements or bringing them to market in a timely fashion. Furthermore, uncertainties about the timing and nature of new technologies, or modifications to existing technologies, could increase our research and development expenses. Any failure of upgrading and enhancing our technologies could reduce the demand for our solutions, result in user dissatisfaction and materially and adversely affect our business, financial condition and results of operations.

If we fail to attract new customers and/or retain existing customers, our business, financial condition and results of operation will suffer.

We had 1,009, 680 and 431 customers for the years ended December 31, 2023, 2024 and 2025, respectively. We intend to further grow our business by attracting new customers across various sectors, in particular, key account customers, and by expanding our global footprint. We also expect to continue to maintain business relationships with our existing customers by not only providing the current solutions but also increasing their spending and exploring their evolving needs to cross sell our other solutions. However, most of our customers purchase our solutions on a project basis depending on their needs. Given such practice, there is no assurance that our customers will make repurchases for our solutions frequently or at all. As a result, engaging new customers and retaining our existing customers are critical to our future operating results. Factors that may affect our ability to attract, retain, and cross sell additional solutions to, our customers, as well as increase the spending by our customers include: the demand of our customers for digital human agents; the price, performance, compatibility,

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effectiveness, and functionality of our solutions; the availability, price, performance, and functionality of competing solutions; the stability, performance, and security of our technological infrastructure; our ability to develop complementary solutions that are tailored to our customers' needs; our ability to respond to constant changes in market and political conditions; the success of our technological upgrades and solution iteration; our brand awareness and recognition; the quality of our customer support; the financial performance and the overall business environment of our customers; and the overall business environment of the industry.

Furthermore, the quality of data and user feedback are key to the improvement of our multimodal technologies models and solutions. The quality and availability of such information cannot be assured. Our data labels may be out of date, inaccurate or lack credible information, which could materially affect the accuracy and validity of our data analytical capability and solutions, and in turn adversely affect our reputation, business operations and financial performance.

We engage in communications with existing and potential customers regarding our solutions on an ongoing basis. These communications may not result in a commercial agreement. In addition, even if customers choose to purchase our solutions, we cannot guarantee they will remain interested in any new solutions that we launch. For customers who utilize our solutions for a period of time, once the service period expires, they have no obligation to renew agreements with us. Moreover, our customers may negotiate terms that are less advantageous to us when procuring new solutions from us, which may reduce our profitability. Factors that are not within our control may result in a reduction in our revenue or profitability. The loss, reduction in scope, or delay of large or multiple contracts, could materially and adversely affect our business.

We may fail to successfully compete against our potential competitors, which may reduce demand for our solutions, resulting in loss of market share and reduced operating margins.

The digital human agent industry in which we operate is rapidly evolving and highly competitive, driven by technological advancement, shifting customer needs, and constant emergence of new industry standards and practices. We primarily compete with other companies focusing on developing and commercializing AI technologies and digital human agents, as well as system integrators. Other than companies in the AI industry, we also compete with companies in various industries as they may develop their own AI algorithms or acquire AI capabilities from other AI companies for the improvement or enhancement of their solutions. If we fail to compete with them, or if we do not have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demand than our competitors.

We may also face competition from new entrants who offer lower prices or new technologies and/or solutions, which could intensify the level of competition in the future. In addition, third parties with greater available resources may acquire our current or potential competitors, consolidate market power and enhance their capabilities through cooperative relationships. Such increases in competition could lead to lower sales, price reductions, reduced margins or loss of market share. Furthermore, we may face greater-than-expected downward pricing pressure arising from potential price competition initiated by certain leading technological companies. Such companies may seek to stimulate demand with a view to increasing their market share. These leading technology companies are capable of devoting significantly more resources to the promotion and sales of their solutions, and possess the ability to launch or sustain substantial price competition. Pricing pressures and intensified competition could lead to a decline in our sales volume and revenue, compression of our profit margins, loss of our competitive market position, or failure to maintain or enhance such position.

The competitiveness of our solutions also depends in part on their interoperability with third-party products and services. As we make our solutions available across a variety of IT systems and devices, we rely on the compatibility of our offerings with mainstream devices and IT systems that are not within our control. Any changes to the technologies utilized in our solutions, to the existing features we depend on, or to IT systems, which would render it difficult for our customers or users to access our solutions, may hinder our ability to maintain or grow our revenues.

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We had a concentration of customers during the Track Record Period.

For the years ended December 31, 2023, 2024 and 2025, the percentage of our revenue attributable to our largest customer in each year during the Track Record Period amounted to 36.8%, 64.4% and 41.3%, respectively, while the percentage of our revenue attributable to our five largest customers in each year during the Track Record Period amounted to 57.7%, 78.9% and 57.4%, respectively. Customer A, a leading telecom operator in the PRC, was our largest customer in each year during the Track Record Period. See “Business — Our Customers — Our Relationship with Customer A” for details. We cannot assure you that there will not be any dispute between our major customers and us, or that we will be able to maintain business relationships with our existing customers. As a substantial amount of revenues were generated from a relatively small number of major customers during the Track Record Period, in the event that the existing major customers cease to engage our solutions, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected. In addition, if any of such customers default or delay on their payment or settlement of our trade and other receivables, our liquidity, financial condition and results of operations may be adversely affected.

We had recorded net losses, net operating cash outflow, net current liabilities and net deficit in the past, and our operating results may fluctuate in the future.

We were in net loss and net operating cash outflow position during the Track Record Period. See “Financial Information — Year to Year Comparison of Results of Operations” and “Financial Information — Liquidity and Capital Resources — Cash Flows” for details. We cannot assure you that we will be profitable in the future. We anticipate that our operating costs and expenses will increase in the foreseeable future as we continue to grow our business, attract users and customers, further enhance and develop our solutions, enhance our technological capabilities and increase our brand recognition. These efforts may prove more costly than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these higher expenses. In addition, project fulfillment costs, as the largest component of our cost of sales, cover the services required to deliver customized digital human solutions and are subject to fluctuations in human capital expenses in the industry. See “Industry Overview — Market Cost Analysis” for details. As a result of the foregoing, our operating results may fluctuate in the future.

We recorded net current liabilities and net deficit as of December 31, 2023, primarily due to our redemption liabilities classified as current liabilities. In November 2024, we entered into a supplemental agreement with our [REDACTED] Investors to unconditionally terminate our redemption obligations, pursuant to which, the redemption liabilities were terminated and reclassified to equity. Our future liquidity, payment of trade and other payables and capital expenditure plans will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We cannot guarantee that we will not record net current liabilities or a net deficit position in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations and financial condition.

The size of the digital human agent industry and the demand for our solutions may not be as large as we anticipate due to a variety of factors, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We are pursuing opportunities in rapidly evolving markets characterized by technological advancements and regulatory changes. Accurately predicting the timing and scale of the opportunities for each of our solutions in these markets is challenging. Our success depends on the acceptance and widespread adoption of AI technologies and digital human agents across different sectors. Customer awareness of our solutions and the overall adoption trend for AI technologies play a critical role. However, the demand for AI technologies and digital human agents is uncertain and may fluctuate. We cannot guarantee that potential customers will continue adopting AI technologies and digital human agents at the current pace. Moreover, as AI technologies advance and the commercialization of digital human agents evolves, any potential factors such as declining growth rate in the digital human agent industry, or reductions in pricing and profit margins, could significantly affect our business and growth prospects.

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Moreover, market expansion for the digital human agent industry in China depends on several factors, including the increased deployment of digital human agents across various scenarios, the advancement of AI technologies, the growing prevalence of AIGC, and the perceived performance and value associated with such solutions. If digital human agents do not achieve widespread acceptance in China, or if demand weakens by economic downturns, reduced corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing technologies, solutions or otherwise, our business, growth prospects and results of operations will be materially and adversely affected.

This document also contains estimates and forecasts concerning our industries, including estimates of the market size of our solutions, that are based on industry publications and reports or other publicly available information. These estimates and forecasts involve a number of assumptions and limitations, and are subject to significant uncertainty, which may render the market size smaller than we anticipated. See “— Risks Relating to the [REDACTED] — Certain facts, forecasts and statistics contained in this document are derived from various official government sources and may not be complete or up to date.”

Any misuse or flaws of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by other third parties, could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

AI technologies are at early stages of development and continue to rapidly evolve. AI technologies present risks and challenges, such as potential misuse by third parties for inappropriate purposes or biased applications which breach public confidence or violate applicable laws and regulations in relevant jurisdictions or litigation or other proceedings initiated by certain individuals claiming for infringement of legitimate rights, including privacy or personality rights. Such misuse could affect customer perception, public opinions, views of policymakers and regulators and result in decreased adoption of AI technologies. Any inappropriate or abusive usage of AI technologies, whether actual or perceived, intended or inadvertent and by us or by third parties, may dissuade prospective customers from adopting AI solutions, impair the general acceptance of AI solutions by the society, attract negative publicity, adversely impact our reputation, violate applicable laws and regulations, or subject us to legal or administrative proceedings. As a result, our solutions may be less appealing to customers, and our business, results of operations, financial conditions and business prospects may be adversely affected.

In addition, flaws or deficiencies in AI technologies could undermine the effectiveness of our solutions. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. Any flaws or deficiencies in AI technologies and the related solutions, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

If our expansion into new verticals or our attempt to develop new solutions is unsuccessful, our business, prospects and growth momentum may be materially and adversely affected.

We integrate our technologies with adaptable scenario-based GJ AI workforce solutions, and merge general AI capabilities deeply into professional roles within vertical industries. Our track record of expanding into new verticals and developing new solutions cannot assure you that we will be able to maintain this momentum in the future. Expanding offering categories into new areas involves new risks and challenges. Our lack of familiarity with new verticals may make it more difficult for us to keep pace with evolving customer demands and preferences. In addition, there may be one or more existing market leaders in any vertical 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 deeper industry insight and greater brand recognition among customers. We may be required to develop new customer relationships and distribution capabilities. We will need to comply with new laws and regulations applicable to these businesses. Expansion into any new vertical and development of new solutions may place significant strain on our management and resources and incur substantial R&D and other costs and expenses before generating any revenues, and failure to expand successfully could have a material adverse effect on our business and prospects.

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Any failure to offer efficient after-sales services for our customers may harm our relationships with them and, consequently, our business.

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient after-sales services that meet our customers’ needs at scale. We may not be able to engage, retain or train sufficient qualified support personnel with experience in supporting customers of our solutions. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or assistance. We may also be unable to modify the future scope and delivery of our support services to compete with changes in the technical services provided by our competitors. If we experience increased customer demand for comprehensive support services, we may face increased costs that may harm our results of operations. In particular, we may expand into countries and regions where the costs of providing support services are higher as a result of more stringent consumer protection regulations and market practices. Any failure to maintain efficient comprehensive support services or a market perception that we do not maintain efficient comprehensive support services for our customers, would harm our business.

If we fail to maintain an experienced sales force, or if our marketing and branding efforts are not successful, our sales and business prospects could be materially and adversely affected.

We consider our dedicated sales force to be the vital connection for developing and maintaining our sales network, executing our sales and marketing strategies and promoting our brand. Nevertheless, we cannot assure you that our sales efforts will always remain effective and competitive, if at all. If our sales force fails to market our solutions in a cost-effective manner, or provide satisfactory services during the sales process, our sales performance may decline, which may materially and adversely impact our business, prospects, results of operations and financial condition. Additionally, we will need to continue to expand and optimize our sales force and efforts in order to grow our customer base and business. Identifying and recruiting qualified sales personnel and training them to be familiar with our solutions requires significant time, expense and attention. Our business may be adversely affected if our efforts to expand and train our sales personnel do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

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

Our trade receivables arose primarily from our solutions provided in the ordinary course of business. We are exposed to credit risks related to delays in payment and defaults of our customers. As of December 31, 2023, 2024 and 2025, the net carrying amount of our trade receivables was RMB146.7 million, RMB232.5 million and RMB281.6 million, respectively, and we recorded impairment of trade receivables of RMB16.5 million, RMB37.6 million and RMB64.7 million as of the same dates, respectively. The turnover days of our trade receivables were 70 days, 106 days and 119 days, respectively, for the years ended December 31, 2023, 2024 and 2025. As our business continues to scale, our trade receivables balance may further grow accordingly, which may increase our risks for uncollectible receivables. We generally do not require collateral or other security from our customers. We may not be able to collect all trade receivables due to various factors that are beyond our control, including adverse operating condition or financial condition of customers, which could cause our customers to delay payments to us, request adjustments to their payment arrangements or default on their payment obligations to us. If our customers delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables, and our liquidity and financial condition would be adversely affected.

Moreover, for the years ended December 31, 2023, 2024 and 2025, our inventory turnover days were 10 days, 24 days and 43 days and our trade payables turnover days were 85 days, 90 days and 77 days, respectively. We are exposed to the risk of cashflow mismatch in view of the longer inventory and trade receivables turnover days together as compared to the trade payables turnover days in 2024 and 2025. Such cashflow mismatch may increase our working capital requirements and liquidity risks from

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time to time. Any default or delay in payment by our customers may broaden such cashflow mismatch, which may result in significant cash flow shortfalls in the future and adversely affect our cash position and operating results.

We have been and will continue investing in R&D, which may adversely affect our profitability and operating cash flow in the short term and may not generate the results we expect to achieve.

The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological advancement. To compete successfully, we must maintain successful R&D efforts, upgrade our technologies, and improve or develop new solutions, all ahead of any competitors. We need to invest significant resources, including financial resources, in R&D to achieve technological advancements in order to expand our offerings and make our solutions competitive in the market. However, we cannot guarantee that our R&D efforts will deliver the benefits we anticipate or be recognized as expected. R&D activities are inherently uncertain, and we might encounter practical difficulties in developing, conceptualizing and commercializing our R&D results, and may not be able to obtain and retain sufficient resources including qualified R&D personnel. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our R&D results. Given the fast pace of development in the markets in which we operate, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies could render our technologies, our technological infrastructure or solutions that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related development costs, which could result in a decline in our revenue, profitability and market share. Our R&D efforts may not contribute to our future results of operations in the short term, or at all, and such contributions may not meet our expectations or even cover the costs of such R&D efforts, the occurrence of which would materially and adversely affect our business, results of operations, financial condition and competitive position.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition and prospects.

For the years ended December 31, 2023, 2024 and 2025, the government grants we recognized as other income amounted to RMB13.8 million, RMB10.2 million and RMB2.4 million, respectively, which are generally non-recurring in nature. We also recorded deferred income in relation to unamortized conditional government grants as subsidies for leased properties. In addition, our Company is qualified for lower EIT rates of 15%, instead of the statutory EIT rate of 25%, as a High and New Technology Enterprise (高新技術企業). Continued eligibility to such preferential tax treatments is subject to review and evaluation by the relevant government authorities in China every three years. For more details of the preferential tax treatments, see Note 7 to the Accountants’ Report set out in Appendix I to this document.

The PRC government authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received at any time, which could adversely affect our business, results of operations, financial condition and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations and financial condition. Furthermore, in the ordinary course of business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. As such, the PRC tax authorities may challenge our position and may require us to pay taxes, interest on such taxes, and/or penalties in excess of our tax provisions.

If we fail to perform our contractual obligations, our liquidity and financial positions may be materially and adversely affected in the future.

Our contract liabilities mainly arise from the non-refundable advance payments made by customers while the underlying services are yet to be provided. Our contract liabilities were RMB46.5 million, RMB50.2 million and RMB75.6 million as of December 31, 2023, 2024 and 2025, respectively.

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If we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, our customers may request not to prepay us in the future. Any of these circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

If we are unable to manage our inventory risks efficiently, our financial and results of operations may be adversely affected.

Our business expansion requires us to manage our inventory effectively. We had inventories of RMB15.0 million, RMB42.4 million and RMB79.2 million as of December 31, 2023, 2024 and 2025, respectively. Our inventory turnover days were 10 days, 24 days and 43 days in 2023, 2024 and 2025, respectively. Our solutions may quickly become outdated due to fast-changing trends and constant technological advancements. Our inventories may be subject to impairment if their net realizable value falls before we sell them. With the expansion of our business operation and iteration of our solutions, any mismanagement of inventory could lead to write-downs directly impacting our profitability, tied-up capital in slow-moving inventory reducing our liquidity, and higher storage and handling costs pressuring our margins, which may adversely and materially affect our business, results of operations and financial condition.

Negative publicity with respect to us, the digital human agent industry in general, our business partners may materially and adversely affect our business, results of operations and financial performance.

As the largest digital human agent provider in China, we have built a well-recognized industry reputation. As we continue our growth in business scale, broaden the scope of our solutions, and expand into foreign markets, it will be increasingly difficult to maintain the efficiency and quality of our solutions, which may negatively impact our brand and market reputation. Many factors, some of which are beyond our control, may negatively impact our brand image and corporate reputation if not properly managed. These factors include our ability to provide superior solutions to our customers, successfully conduct marketing and promotional activities, manage relationships with and among business partners, respond to complaints and negative publicity, and maintain a positive perception of our company, our competitors and the digital human agent industry in general. Any actual or perceived deterioration of our solution quality, which is based on an array of factors including customer satisfaction, rate of complaints or rate of quality accidents, could subject us to damages such as the loss of key customers. If we are unable to promote our brand image and protect our corporate reputation, we may not be able to maintain and grow our customer base, and our business and growth prospects may be adversely affected.

Incidents that reflect doubt as to the solution quality or ethical issues in the digital human agent industry, including those related to our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the digital human agent industry as a whole. Even if such parties or incidents have no relation to us, our management, our employees, our suppliers or our other business partners, such negative publicity may indirectly and adversely undermine the confidence of customers and affect our reputation and business operations.

We are subject to the risks in relation to our distributors.

In line with industry practice, we have engaged distributors to expand our sales network. As of December 31, 2023, 2024 and 2025, we engaged 251, 157 and 94 distributors, respectively. In 2023, 2024 and 2025, our revenue generated from sales to distributors amounted to RMB20.8 million, RMB14.9 million and RMB6.6 million, respectively, accounting for 3.9%, 2.3% and 0.8% of our total revenue for the same years, respectively. See “Business — Marketing and Promotion — Our Sales Network” for details. Our success therefore partially depends on the performance of our distributors and our ability to maintain long-term relationships with them. A substantial reduction in the volume of orders placed by distributors, or unexpected cessation of cooperation may materially and adversely affect our business performance. In addition, our requirements on our distributors to comply with

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distribution agreements may not guarantee their strict adherence to these agreements or our prompt detection of their non-compliant activities. Any of their failure to fulfill contractual obligations or non-compliance with applicable regulatory requirements could negatively impact our business, leading to potential reputation damage, reduced sales volumes, costly litigation, or additional costs in finding new distributors as replacements due to early termination.

In addition, we cannot assure you whether our distributors can effectively market and sell our solutions successfully or maintain their competitiveness as a result of various factors. If our distributors fail to promote and sell our solutions successfully, we may be subject to the risk of channel stuffing and reduced orders from distributors, and our business, financial condition and results of operations may be materially and adversely affected.

Our business is subject to seasonal fluctuations which could have a material effect on our revenue, cash flow and results of operations.

Our business and results of operations are affected by seasonality, resulting from seasonal fluctuations in customer purchases. Our enterprise customers adhere to an annual cycle for budget planning and implementation. As we typically recognize revenue upon acceptance by the customer, we had higher revenue from our solutions in the second half of the fiscal year, which is in line with the industry norm, according to CIC. See "Business — Seasonality" for details. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition in the future. As a result, any comparisons of our operating results between different periods within a single financial year, or between different periods in different financial years are not necessarily meaningful and cannot be relied on as indicators of our performance.

Our operations depend on the performance of the internet infrastructure and telecommunications networks in the PRC.

Our business depends on the performance and reliability of the internet infrastructure in the PRC. The reliability and availability of our solutions depend on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into or renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our abilities to provide our solutions to the users could be adversely affected. The failure of telecommunications network operators to provide us with the requisite bandwidth could interfere with the speed and availability of our solutions. Service interruptions prevent users from accessing our solutions, and frequent interruptions could frustrate users and discourage them from continuing utilizing our solutions, which could cause us to lose users and harm our operating results.

We utilize third-party cloud-based infrastructure as a supplement to support certain aspects of our operations. Any disruptions in the operations of such third-party providers, limitations on capacity offerings or interferences with our usage could materially and adversely affect our business, financial condition and results of operations.

Apart from our self-built and self-owned cloud-native architecture to support our solutions, we also utilize the cloud services transmitted by third-party cloud service providers. We do not control, or in some cases have limited control over, the operation of the facilities or technologies from the third-party providers. Due to the nature of our business, our users expect to access our solutions at any time, without interruption or degradation of performance. Any limitation on the capacity of the cloud infrastructure provided by third-party providers could impede our ability to serve existing customers or attract new customers, which could adversely affect our business, financial condition and results of operations.

We may incur significant costs and expenses for deploying alternative cloud-based infrastructure. In the event that our service agreements relating to our third-party cloud infrastructure are terminated, or there is a lapse of service, elimination of services or function that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our systems. We may also experience significant delays and additional expenses in arranging and

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transferring to new facilities or re-architecting our system for deploying an alternative cloud-based infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency, cyber-based attacks or security breaches, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We rely on information technology networks and systems for electronic communications between our personnel and our users as well as to manage and monitor our daily operations. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, network overload, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. The occurrence of unanticipated problems that affect our information technology networks could result in interruptions in the availability of our solutions. If our information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. Failures in information technology systems, especially those related to product safety and associated data, could potentially affect the ability of users to use cloud-based features of our solutions, hinder our ability to effectively provide our solutions, subject us to regulatory scrutiny, and could cause our loss of users, data assets and trade secrets, disruption to our R&D activities, transaction errors and processing inefficiencies. Furthermore, our technological infrastructure is also vulnerable to damage from fires, floods, earthquakes and other natural disasters, power loss and telecommunication failures. If we do not effectively resolve these issues in a timely manner, our reputation, business, results of operations and financial condition may be materially and adversely affected, and we could experience delays in reporting our financial results.

We rely on a number of key operating data to evaluate the performance of our business. Any real or perceived inaccuracy or incompleteness in such data may negatively affect our reputation and business.

We track certain key operating data, such as number of GJ AI workforces, average customer acquisition cost, average customer value and average project value, with internal tools. Our internal tools have a number of limitations and our methodologies for tracking these data may change over time, which could result in unexpected changes to our data. If the internal tools we use to track these data undercount or overcount performance or contain algorithm or other technical errors, the data we report may not be accurate. In addition, limitations or errors with respect to how we measure data (or the data that we measure) may affect our understanding of certain details of our business, which could affect our long-term strategies. If our operating data are not accurate representations of our business, or if we discover material inaccuracies in our data, our reputation may be harmed, and our operating and financial results could be adversely affected.

If we fail to obtain or maintain the requisite licenses, permits, certificates, approvals, registrations or filings required under the regulatory environment applicable to our business in any jurisdiction where we operate, or if it is time-consuming or costly to obtain or maintain such licenses, permits, certificates and approvals, our business, financial condition and results of operations may be materially and adversely affected.

Given the nature of our business involving AIGC, large model and algorithms, we are required to obtain or maintain a number of licenses, permits, certificates, approvals, registrations or filings in connection with our business operations. Some of our licenses, permits, certificates, approvals, registrations or filings are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. There are also uncertainties regarding the interpretation and implementation of laws and regulations governing our business activities. There is no assurance that we can update or renew the licenses, permits, certificates, approvals, registrations and filings required for our business in a timely manner or at all. If we fail to complete, obtain, maintain or renew any of the required licenses, permits, certificates and approvals or

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make the necessary filings, we may be subject to imposition of fines and the discontinuation or restriction of our operations. Any such penalties may materially and adversely affect our business, financial condition and results of operations.

We may be subject to administrative penalties for failure to fully comply with the relevant laws and regulations in connection with social insurance and housing provident funds.

PRC laws and regulations require us to participate in various employee benefit plans, including social insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund. On July 31, 2025, the Supreme People’s Court issued *Interpretation (II) of the Supreme People’s Court on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases* (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the “**New Judicial Interpretation**”). According to Article 19(1) of the New Judicial Interpretation, if an employer and an employee agree or the employee undertakes that social insurance contributions do not need to be paid, the court shall deem such agreement or undertaking invalid. Where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the PRC Labor Contract Law, the court shall support such claims. In such case, the employer shall remain liable for paying economic compensation (calculated based on the years of employment multiplied by the monthly salary) to the employee, notwithstanding any prior agreement to waive social insurance contributions. See “Regulatory Overview — Laws and Regulations Related to Labor Protection, Social Insurance and Housing Provident Funds.” If the relevant PRC authorities hold a different view from us and determine that we are not in compliance with the New Judicial Interpretation, our business, financial condition and results of operations may be adversely affected. During the Track Record Period, we failed to make social insurance and housing provident funds contribution in full for certain employees, with details in “Business — Employees.” Based on: (i) consultations with competent government authorities indicate that they would not voluntarily initiate regulatory actions to require supplementary contributions or impose penalties in the absence of employees’ complaints; and (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties related to social insurance and housing provident funds contributions, and we had not received any notifications from the relevant government authorities requiring payment of shortfalls or overdue charges for social insurance and housing provident funds, our PRC Legal Advisors are of the view that (i) the New Judicial Interpretation does not repeal or revise the social insurance laws and regulations currently in force in the PRC, and would not cause us to undertake additional social insurance contributions; and (ii) on the premise that there are no significant changes to the current policies and regulations, as well as in the implementation and supervision requirements of local governments, the risk that we may be required by the relevant PRC authorities to pay the full amount of any outstanding social insurance and housing provident funds contributions is remote, and the risk that we may be subject to any material administrative penalties for failing to make full social insurance and housing provident funds contributions is also remote. However, we cannot assure you that the relevant government authorities will not impose new requirements on us according to regulatory development in the future, such as ordering us to make supplemental social insurance and housing provident fund contributions, imposing late fees or fines on us or ordering us to take other measures, any of which may materially and adversely affect our business, financial condition and results of operations.

We face risks in relation to the lease non-registration.

We lease properties in the PRC as premises primarily for our office premises, R&D facilities and employee dormitories. See “Business — Properties.” As of the Latest Practicable Date, we had one lease agreement failed to be registered with the relevant PRC government authorities. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its validity. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for such unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period.

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If we are unable to attract, retain and motivate key individuals, our business, results of operations and financial condition would be materially and adversely affected.

The competition for experienced and skilled employees in our industries is increasingly intense. Changes in our management team would also disrupt our business. Our senior management and other key personnel may elect to join our competitors after the non-compete periods stipulated in the non-compete and confidentiality agreements with us have lapsed. 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. If one or more of our senior management and other key personnel join a competitor, or form a competing business, our business, financial condition and results of operations may be adversely affected.

In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, results of operations and financial condition.

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

We may in the future enter into strategic alliances with various third parties to pursue opportunities for collaborations, licensing, investments, acquisitions of business, technology or IP, or partnerships that we believe would advance our development. Our competitors may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis or acceptable terms, or at all.

Strategic alliances with third parties could subject us to risks associated with sharing proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions, and to the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could adversely affect our business. Valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, there could be impairments in valuations or other-than-temporary declines in fair value, which could materially adversely affect our business, financial condition and operating results through the write-off of goodwill and other impairment charges. Acquisitions could also result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, amortization expenses for intangible assets and exposure to potential unknown liabilities of the acquired business. Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments and materially and adversely affect our reputation, business and results of operations.

Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

International expansion is a significant component of our growth strategy and may require significant capital investment in the future, which could strain our resources and adversely affect current performance, while adding complexity to our current operations. Operating internationally subjects us to additional risks and challenges such as: limited brand recognition globally (compared

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with our presence in China); costs and expenses in connection with global expansion, including recruitment of local personnel and lease of new premises; ability to anticipate international consumers’ and collaborators’ needs and preferences; and wars, political and economic instability.

In particular, we face regulatory uncertainties and may incur substantial compliance costs when we enter into a new overseas market. Regulations in different overseas markets could vary significantly. Being compliant with laws and regulations in one jurisdiction does not necessarily mean our business practice would comply with laws and regulations in another jurisdiction and we may need to make adjustments to our business accordingly to comply with local laws. We also have to closely monitor changes in local laws and complete all necessary procedures and filings accordingly. If any of our overseas operations violate laws in the relevant jurisdictions, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations and financial condition.

Our strategic collaborations with academic institutions for joint R&D projects and other initiatives may not continue.

We have entered into strategic collaborations with academic institutions for joint R&D projects and other initiatives. See “Business — Research and Development.” There can be no assurance that these institutions will continue to collaborate with us on commercially reasonable terms or at all. We also cannot assure you that we will be able to establish new joint research projects, or extend existing relationships with academic institutions when our agreements with them expire. Furthermore, certain of our agreements with the institutions may be terminated prior to their specified termination dates, the institutions may alter the contract terms previously agreed between us, and they are under no obligation to continue our collaboration. If we are unable to maintain our relationships with the institutions, or any of our collaboration with the institutions are terminated, our business, results of operations and prospects could be materially and adversely affected.

We rely on a combination of intellectual property laws and contractual arrangements to protect our proprietary rights. We may not be able to effectively protect our intellectual property rights or enforce our contractual rights.

Our intellectual properties, especially those relating to our solutions and our proprietary brands, are crucial to our business operations and success. We rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others, to protect our proprietary rights. See “Business — Intellectual Property” for details. Our efforts to enforce or defend our intellectual property rights may not be adequate or effective. We are susceptible to infringement of our intellectual property rights and any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated.

Confidentiality and non-compete agreements may be breached by counterparties, and we may not be able to protect our intellectual property rights or to enforce our contractual rights effectively and timely. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by third parties, which may be time-consuming and costly, and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. There can be no assurance that we will prevail in the relevant legal proceedings. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. We may incur expenses and require attention of management in defending against these third-party infringement claims, regardless of their merit. An adverse determination in any such litigations or proceedings to which we may become a party could

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subject us to liabilities to third parties, require us to seek consent or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision and marketing of our relevant solutions. To the extent that such consents or licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies or rebranding our solutions, if any, or we may be forced to delay or suspend the relevant solutions or the promotion of the relevant brand. Protracted litigation could also result in reduced customers. In addition, we could face disruptions to our business operations as well as damages to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

Additionally, the application and interpretation of intellectual property right laws and regulations, as well as the procedures and standards for granting trademarks, patents and copyrights are evolving. There can be no assurance that courts or regulatory authorities would agree with our legal analysis. If we were found to have violated the intellectual property rights of third parties, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our reputation, business and financial condition may be materially and adversely affected.

We may be subject to liability claims if our solutions contain defects. We could incur significant expenses to remediate such defects, as a result, our reputation could be damaged and we could lose market share, and our financial condition and results of operations may be negatively affected.

Solutions developed by us may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new features or enhancements are launched. Our internally tested solutions may still contain errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all, which could result in revenue loss, significant capital expenditures, loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, reputation, financial condition, and results of operations. Given that many of our customers use our solutions in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or issue in our solutions could result in losses to our customers. Our customers may seek compensation from us for any losses they suffer or cease conducting business with us altogether. In the event that any of our customers bring a claim against us, even if unsuccessful, it would likely to be time-consuming, costly to defend and may have a material adverse impact on our reputation and brand, making it harder for us to sell our solutions.

We may be involved in legal or administrative proceedings and commercial disputes, which could materially affect our business, financial condition and results of operations.

We have, from time to time, been subject to claims and various legal and administrative proceedings in the ordinary course of business or pursuant to governmental or regulatory enforcement activities, and may be subject to the same in the future. Regardless of their merit, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time-consuming or disruptive to our operations and distracting to management, and may lead to administrative measures, settlements, injunctions, fines, penalties, negative publicity, or other results that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. In recognition of these considerations, we may enter into arrangements to settle litigation and resolve such disputes. No assurance can be given that such arrangements can be obtained on acceptable terms or that litigation will not occur. These arrangements may also significantly increase our operating expenses.

New legal or administrative proceedings and claims may arise in the future. If one or more legal or administrative matters are resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific

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performance against us that could materially and adversely affect our financial condition and operating results. In addition, from time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. It is possible that the administrative and court authorities would not interpret and enforce the statutory provisions and contractual terms in a manner favorable to us, and it may be more difficult to predict the outcome of any administrative and court proceedings that we may be involved in the future.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers (the “**Relevant Customers**”) sporadically engaged third-party payors (the “**Third-party Payors**”) to settle their payments with us (the “**Third-party Payment Arrangements**”). For the years ended December 31, 2023, 2024 and 2025, there were only 18, 4 and nil Relevant Customers, respectively. For the years ended December 31, 2023, 2024 and 2025, the aggregate amount settled under the Third-Party Payment Arrangements was RMB6.5 million, RMB1.1 million and nil, respectively, accounting for 1.5%, 0.2% and nil of the total payments we received from all customers, respectively, in the same years. See “Business — Our Customers — Third-party Payment” for details.

We are subject to various risks relating to such Third-Party Payment Arrangements, including: (i) possible claims for return of funds from third-party payors who were not contractually indebted to us; (ii) potential risks arising from the fact that we have limited knowledge about the source and purpose of the funds utilized by the third-party payors; and (iii) possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of any third-party payments, we may have to use additional financial and managerial resources to defend against such claims or legal proceedings, and our financial condition and results of operations may be adversely affected as a result.

We adopted *Sales Management System* (《销售管理制度》) in September 2025. Under this internal policy, we strictly prohibit payments from third parties. When confirming receipt of funds, we require our sales and marketing employees to verify that the actual payer matches the contracted party. If a discrepancy is found, the payment shall be returned and resubmitted by the correct payer. However, we cannot guarantee that such measures will always be effective. Any failure in their effectiveness could leave us exposed to the aforementioned risks.

The changes in international political relationships, trade policies and trade barriers, or the escalation of trade tensions, may have an adverse effect on our business operations.

As we seek to expand our global footprint, our business operations and financial performance may be influenced by international political relationships, trade policies and trade barriers, or the escalation of trade tensions. International trade policies and geopolitics are subject to frequent changes and uncertainties, often driven by political, economic, and social factors beyond our control. We currently operate primarily within the PRC market, and to a much lesser extent, we have also provided solutions for overseas customers. Such countries/regions may, to the extent needed, impose new or additional trade restrictions or other trade barriers. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. Political tensions as a result of trade policies could reduce trade volume, cross-border investment, technological exchange, and other economic activities between major economies, resulting in a material adverse effect on global economic conditions. Furthermore, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence and have a material adverse effect on our business, results of operations and, ultimately, the market price of our H Shares. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the relevant major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

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In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. It is possible that the extent and scope of such sanctions may escalate. There is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be subject to such export controls, sanctions, tariffs, or new trade policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact on our industry and the global economy.

For example, in recent years, the United States has increased export control restrictions on China through the Export Administration Regulations (the “**EAR**”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce, which includes a list of foreign persons on which certain trade restrictions are imposed (the “**Entity List**”). The export, re-export and/or transfer (in-country) of items subject to the EAR to a listed foreign person is generally prohibited unless the specified license requirements are met. These restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may materially and adversely affect our ability to acquire technologies, systems or components that may be critical to our technology infrastructure, solutions and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our reputation and business. If certain of our customers and/or suppliers are listed on the Entity List and subject to restrictions from sourcing or selling technologies, systems or components from or to us, we may not be able to maintain our collaboration with such customers and suppliers.

On August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (“**Reverse CFIUS EO**”) granting the U.S. government the authority to establish and enforce an outbound investment screening regime (“**Outbound Investment Program**”). On October 28, 2024, the U.S. Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “**Final Rule**”) to implement the Executive Order of August 9, 2023. The Final Rule has become effective on January 2, 2025. The Final Rule targets investments involving persons and entities associated with “countries of concern,” currently including China, and it imposes requirements (such as prohibition or notification requirements) on a wide range of investments in persons engaged in activities in certain sectors such as semiconductors and microelectronics, quantum information technologies or AI, which the Final Rule defines as “covered activities,” with persons from countries of concern engaged in covered activities defined as “Covered Foreign Persons.” Investments by U.S. persons subject to the Final Rule, which are defined as “covered transactions,” include acquisitions of equity interests (including purchases of shares in an initial public offering), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of “covered transactions,” including those in publicly traded securities. The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers, including us. If we were to be deemed a “Covered Foreign Person,” and if U.S. persons engaged in a “covered transaction” that involves the acquisition of our equity interests, such U.S. persons may need to make a notification pursuant to the Final Rule. In addition, even though U.S. persons’ acquisitions of certain publicly traded securities will be exempted from the scope of covered transactions under the Final Rule, the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. investors after this [REDACTED] given that relevant laws, regulations, and policies continue to evolve and we cannot rule out the possibility of being deemed a “Covered Foreign Person” in the future due to different views taken by the U.S. Department of the Treasury, potential amendments to the Final Rule or the introduction of similar regulations. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. In such cases, the value of our H shares may decline, or in extreme cases, become worthless.

Moreover, one of our major customers and suppliers, Customer A, include non-listed subsidiaries of a Non-SDN Chinese Military-Industrial Complex company (“**CMIC**”). U.S. persons are prohibited from engaging in the purchase or sale of any publicly traded securities of companies designated on the

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CMIC list. We cannot assure you that our cooperations with Customer A will not subject us to any sanction risks in the future or any potential sanction imposed on Customer A in the future will not affect their cooperation with us.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers, business partners or other third parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, suppliers, business partners or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. There can be no assurance that the internal control policies we adopted and the reporting channel we established will prevent fraud or illegal activity by such parties or ensure that similar incidents will not occur in the future. See “Business — Risk Management and Internal Control” for details of our internal control measures. Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, suppliers, business partners or other third parties, including, but not limited to, those in violation of anti-corruption, anti-money laundering or anti-bribery laws, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers, business partners or other third parties could materially and adversely affect our business, results of operations, financial condition and prospects.

Increasing focus with respect to ESG matters may expose us to additional risks. Failure to keep up with the evolvement in social trends and policies relating to ESG matters may adversely affect our business, financial condition and results of operations.

In recent years, public awareness of ESG has been increasing. Given the nature of our business, we do not believe our business is subject to significant ESG-related risks, as we do not operate any production facilities. Nonetheless, we monitor environmental and climate-related risks that may impact on our business, strategy and financial performance and evaluate the magnitude of the resulting impact over the short-, medium- and long-term horizons. See “Business — Environmental, Social and Corporate Governance.” Changes in social trends and policies associated with environmental protection, public health and other ESG issues may have growing influence on our business model and daily operations. With growing attention on ESG matters, investors are increasingly focused on ESG issues and tend to incorporate ESG performance into their investment decisions, while consumers are becoming more environmentally conscious, preferring solutions with green and environmentally friendly design. Any new ESG concern or change in social trends and political policies relating to ESG matters may require us to adjust our practices in a way that could adversely impact our results of operations. Failure to adapt to or comply with the evolving expectations and standards of ESG, regardless of whether there is a legal requirement to do so, could adversely affect our reputation, business operations and financial condition.

Failure to comply with laws and regulations relating to generative AI, algorithm, cybersecurity, information security, data privacy and protection could result in claims and penalties imposed by relevant government authorities, which could harm our brand and reputation, and materially and adversely affect our business operations and financial performance.

In recent years, the PRC government has enacted a series of laws and regulations in areas related to our business, and we expect such laws and regulations will continue to evolve in the future. Our business requires us to process personal information either on our own behalf or as entrusted by our clients and business partners, in relation to and to the extent necessary for their usage of our solutions. The PRC government has in recent years tightened the regulation on the processing of personal information. See “Regulatory Overview — Laws and Regulations Related to the Protection of Cyber Security, Information Security, Data and Privacy” for more information.

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As of the Latest Practicable Date, we have not received any official notification from relevant regulatory authorities designating our network facilities and information systems as Critical Information Infrastructure (“CII”), and therefore we are not deemed as a CII operator. On October 17, 2025, our PRC Legal Advisors relating to Data Compliance conducted a verbal consultation with the China Cybersecurity Review, Certification and Market Regulation Big Data Center (the “CCRC”), which is delegated by the CAC to accept applications for cybersecurity review via the contact information published on the CCRC’s official website. During the consultation, the CCRC confirmed that a listing in Hong Kong does not fall within the scope of the term “listing abroad” under Article 7 of the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) (the “**Review Measures**”). As of the Latest Practicable Date, we had not received any notice that we are required to conduct a cybersecurity review under the Review Measures or our data processing activity affects or may affect national security. Nevertheless, there has been no further explanation or interpretation for “affect or may affect national security” under the Review Measures. In addition, the Review Measures grant the government authorities the discretion to initiate a cybersecurity review if they deem any data processing activity affects or may affect national security. Therefore, we cannot rule out the possibility that the relevant government authorities may conduct cybersecurity review on us accordingly. If a cybersecurity review for any of our activities is required, we will actively cooperate with the CAC to conduct such cybersecurity review. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results.

On July 7, 2022, the CAC promulgated the *Measures on Security Assessment of Cross-border Data Transfer* (《數據出境安全評估辦法》), which became effective on September 1, 2022. On March 22, 2024, the CAC promulgated the *Provisions on Promoting and Regulating Cross-border Data Flows* (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The above measures and provisions provide that the cross-border transfer of personal information and important data by data processor meeting certain volume thresholds or other standards as provided therein shall apply for security assessment, file with a standard contract for cross-border data transfer or obtain a personal information protection certification. Complying with these laws and requirements could cause us to incur substantial expenses or require us to alter or change our practices in ways that could harm our business. Additionally, as there may be further interpretations of such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

The CAC, with an aim to address potential issues arisen from the provision of generative AI services, together with the NDRC, the Ministry of Education, the Ministry of Science and Technology, the MIIT, the Ministry of Public Security, and the National Radio and Television Administration had published the *Interim Measures for the Administration of Generative AI Services* (《生成式人工智能服務管理暫行辦法》) on July 10, 2023, pursuant to which generative AI service providers must comply with a number of rules, security assessment and filing in relation to generative AI content, personal data, privacy protection and intellectual property rights. In case of a breach of the rules or non-compliance with the security assessment or filing requirements, the regulatory authorities will impose warning, fine, suspension of operations and other penalties. Failure to rectify the breach or non-compliance may lead to suspension in operations.

The *Administrative Provisions on Internet Information Service Algorithm Recommendation* (《互聯網信息服務算法推薦管理規定》) was jointly promulgated by the CAC, the MIIT, the Ministry of Public Security and the SAMR on December 31, 2021 and came into effect on March 1, 2022. On November 25, 2022, the CAC, MIIT and the Ministry of Public Security promulgated the *Administrative Provisions on Deep Synthesis of Internet Information Services* (《互聯網信息服務深度合成管理規定》), which took effect on January 10, 2023. The above provisions impose algorithm filing and security assessment requirements for specific services. Any failure to comply with such filing or assessment requirements or any other non-compliance or perceived non-compliance with the above provisions may subject us to penalties and liabilities, including, among others, warnings, public denouncement, fines, rectification orders, suspension of the provision of relevant services, and even criminal liabilities.

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During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been any material adverse cybersecurity incidents or data infringement upon any third parties.

The above and future regulatory developments relevant to generative AI, algorithm, cybersecurity, data security and personal information protection could impact the industry where we operate. We may incur substantial costs to comply with such laws and regulations, to communicate with our users and address their concerns in generative AI, algorithm, cybersecurity, data security and personal information protection, and to improve our IT system. We may from time to time be required to rectify or further improve our internal measures regarding generative AI, algorithm, cybersecurity, data security and personal information protection. However, such compliance measures we implement may turn out to be ineffective. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding generative AI, algorithm, cybersecurity, data security and personal information protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with relevant laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation among our existing and potential customers and subject us to fines and damages, which could have a material adverse effect on our business, financial condition and results of operations.

We have customary insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and regulations as well as other insurance policies based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we do not maintain certain types of insurances, such as business interruption insurance or key-man insurance. Our insurance coverage may be insufficient to cover any liability claims, damage to our fixed assets or employee injuries. It may also be difficult for us to find insurance coverage for some of our business activities such as credit insurance for our overseas expansion strategies. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our business, financial condition, and results of operations.

We may need additional capital and may not be able to obtain it in a timely manner or under commercially acceptable terms, or at all.

We believe that our current cash and cash equivalents, anticipated cash flow from operating activities, and the estimated [REDACTED] from this [REDACTED] will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing. To the extent that we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among others, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

Our ability to obtain additional capital on commercially acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability of financial institutions, receipt of necessary government authorities' approvals, investors' confidence in us, the performance of the digital human agent industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms commercially acceptable to us, if at all. In the event that additional financing is not available on terms commercially acceptable to us or at all, our business, financial condition, results of operations and prospects may be adversely affected.

RISK FACTORS

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to effectively utilize our standardized management system, IT systems, resources and internal controls. For details on our risk management and internal control systems, see “Business — Risk Management and Internal Control.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. Nonetheless, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all.

Our risk management and internal control procedures also rely on effective implementation by our staff. We cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business, financial condition and results of operations. As we are likely to continuously optimize our solutions in the future, the diversification of our solutions will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our evolving business, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, increased labor costs, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, conditions in the digital human agent industry, unemployment, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our solutions. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D and commercialization activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects.

In addition, there may be an increase in the labor costs in the future. Increases in labor cost may increase our cost of sales and expenses arising from our business operations, and we may not be able to pass on such increase to our customers. We may also experience a shortage of labor from time to time. Any such shortage could hinder our ability to provide timely offerings to customers and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

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

We have adopted a [REDACTED] Share Option Plan to attract and retain outstanding talents and to provide incentives to employees and other personnel approved by the Board. See “Appendix VI — Statutory and General Information — D. [REDACTED] Share Option Plan” for details. We recorded equity-settled share-based payment expenses of RMB7.8 million, RMB21.5 million and RMB21.4 million for the years ended December 31, 2023, 2024 and 2025, respectively. To further incentivize our key personnel to contribute to us, we may adopt new share incentive schemes in the future which may potentially dilute the shareholding percentage of our existing Shareholders. Moreover, expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse impact on our financial performance.

RISK FACTORS

The Single Largest Shareholder Group has substantial control over our Company and the interests of the Single Largest Shareholder Group may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [REDACTED], the Single Largest Shareholder Group will retain substantial control over our Company. Subject to our Articles of Association, the Single Largest Shareholder Group will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Single Largest Shareholder Group may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Single Largest Shareholder Group conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged and harmed.

Failure to renew our current leases on reasonable terms or to relocate to desirable alternatives for our facilities could materially and adversely affect our business and results of operations.

As we lease properties in various places as premises primarily used as office, R&D, and employee dormitory premises, our operations are susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with respective lessors. The terms of the lease agreements typically vary from six months to three years. We may not be able to successfully extend or renew our leases upon expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow, and failure in relocating our affected operations could adversely affect our business and operations.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

Changes in the economic, political, social or regulatory conditions could have a material effect on our business and prospects.

During the Track Record Period, we generated substantially all of our revenue from the PRC. Substantially all of our businesses, assets, operations are located in the PRC. As a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulates the macroeconomy through fiscal and monetary policies. Our performance has been and will continue to be affected by the Chinese economy, while the uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the economic growth in the PRC. The global economic slowdown and the turmoil in the global financial markets and continued weakness in the U.S. economy have collectively added downward pressure to economic growth in the PRC. We are unable to predict all the risks that we face as a result of current economic, political, social and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business operations and financial performance.

Investors of our H Shares may become subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.

Individual holders of H Shares who are not residents of mainland China and whose names appear on the register of members of H Shares (the “**Non-PRC Resident Individual Holders**”), are subject to IIT on dividends received from us. 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

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文件廢止後有關個人所得稅徵管問題的通知》) dated June 28, 2011 and issued by the STA, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. Meanwhile, under the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to IIT at a rate of 20% on gains realized upon the sale or other disposition of H Shares.

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 and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from IIT. Any collection of such tax in the future may materially and adversely affect the value of such individual holders’ investments in H Shares.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends derived from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under applicable double tax treaty or arrangement between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the *Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in the PRC to Non-resident Enterprises Holding H-shares of the Enterprises* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated by the STA on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including [REDACTED]). Non-PRC resident enterprises that are entitled to a reduced withholding rate under an applicable tax treaty or arrangement could apply to the PRC tax authority for a refund of the excessive amount withheld, and payment of such refund will be subject to the approval from the PRC tax authority. There is room for discretion as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, regarding whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected, the value of such non-PRC resident enterprise holders’ investments in H Shares may be materially and adversely affected.

Payment of dividends is subject to conditions under the PRC laws.

Dividends may be paid only out of distributable profits pursuant to the stipulation of the PRC laws. Distributable profits are defined as our profits after taxes as determined under the PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given period are retained and available for distribution in subsequent periods. Moreover, as the calculation of distributable profits under the PRC GAAP is different from the calculation under the IFRS Accounting Standards in multiple respects, our subsidiaries may not have distributable profits as determined under the PRC GAAP, even if they have profits for that period as determined under the IFRS Accounting Standards, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries.

Failure by our subsidiaries to pay dividends to us could adversely affect our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

RISK FACTORS

Fluctuations in exchange rates could result in foreign currency exchange losses.

We expect that substantially all of our revenue will be denominated in Renminbi. A portion of our revenue may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Under the existing PRC laws and regulations on foreign exchange, following the completion of the [REDACTED], we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from the SAFE. Fluctuations in the exchange rate of Renminbi against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by various macroeconomic factors. The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. There can be no assurance that our business, financial condition and results of operations would not be adversely affected by the fluctuation in exchange rates in the future. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

You may experience difficulties in effecting service of the legal process upon us and our management and seeking recognition and enforcement of judgments against them across jurisdictions.

The legal systems across different jurisdictions vary significantly. Therefore, the effecting service of legal process and the process of recognizing and enforcing any judgments may be different across jurisdictions and are subject to treaties or arrangements providing for the recognition and enforcement of judgments made by courts of other jurisdictions. As a result, investors may experience difficulties to effect service of process and/or recognize and enforce any judgments for disputes brought in other jurisdictions. We are a company incorporated under the laws of the PRC, and substantially all of our assets are located in the PRC. Substantially all of our Directors and senior management reside within the PRC, and the assets of our Directors and senior management are likely to be located within China. As a result, it may be difficult for you to effect service of process within Hong Kong, the United States or elsewhere outside the PRC upon us or these persons, or to bring an action in Hong Kong against us or these individuals. Moreover, the PRC has not entered into treaties with certain other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. An original action may only be brought in the PRC against us or our Directors and senior management if the actions are not required to be arbitrated by the PRC laws and upon satisfaction of the conditions for commencing a cause of action pursuant to the civil procedure laws in the PRC.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares following the [REDACTED] may be volatile.

Prior to the [REDACTED], there has been no public market for our H Shares. The initial [REDACTED] for our H Shares to the public will be the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of the H Shares following the [REDACTED]. We have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, the H Shares. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will not decline following the [REDACTED].

In addition, the [REDACTED] price and [REDACTED] volume of the H Shares may be subject to significant volatility in responses to various factors, including variations in our operating results; unexpected business interruptions resulting from natural disasters or outbreaks of contagious diseases;

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changes in financial estimates by securities analysts; announcements made by us or our competitors; investors’ perception of us and of the investment environment in regions where we operate; developments in the digital human agent industry in China; changes in pricing made by us or our competitors; acquisitions by us or our competitors; the depth and liquidity of the market for our H Shares; additions to or departures of, our executive officers and other members of our senior management; release or expiry of lock-up or other transfer restrictions on our H Shares; developments in laws and regulations in regions where we operate; and political, economic, financial and social developments in regions where we operate and in the global economy.

Moreover, the capital market has from time to time experienced significant price and [REDACTED] volume fluctuations that were unrelated or not directly related to the operating performance of any particular company. It is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

Any possible conversion of Unlisted Shares into H Shares could increase the supply of H Shares in the market, which may negatively impact the market price of H Shares.

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares and such converted H Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the conversion and [REDACTED] of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders’ approval) have been duly completed and the filing with the CSRC has been completed. In addition, such conversion, [REDACTED] and [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 Unlisted Shares on the Hong Kong 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 Hong Kong 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 adversely affect the [REDACTED] of H Shares.

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

Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their H Shares. In addition, purchasers of our H Shares may experience further dilution of their shareholdings if we issue additional H Shares pursuant to the exercise of the [REDACTED]. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors’ claims. To expand our business, we may consider [REDACTED] and [REDACTED] additional H Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible assets value per Share of their H Shares if we issue additional H Shares in the future at a price which is lower than the net tangible assets value per Share at that time.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future [REDACTED] in the PRC, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future [REDACTED], could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

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We may not pay any dividends on our H Shares.

We cannot guarantee when and in what form dividends will be paid on our H Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, general business conditions and other factors that our Directors consider relevant. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future. See “Financial Information — Dividends and Dividend Policy.”

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

Certain facts and other statistics in this document, particularly in the section headed “Industry Overview,” are obtained from the CIC Report, which was commissioned by us, and from various official government publications and other publicly available publications. While we believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in the reproduction of the information, the information from official government sources has not been prepared or independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], or any of our or their respective directors, advisors, officers, employees or agents or any other persons or parties involved in the [REDACTED], and, therefore, we cannot assure you as to the accuracy, reliability or completeness of such facts and statistics. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to changes based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. You should consider carefully how much weight or importance you should attach to or place on such information or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. See “Forward-looking Statements” for typical words and expressions identifying forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this document. Accordingly, such statements are not a guarantee of future performance, and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations, the market price and [REDACTED] volume may decline.

The [REDACTED] market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or [REDACTED] volume of our H Shares to decline.

RISK FACTORS

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 regarding us or 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 may have been press and media coverage regarding us and 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. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it, and you should not rely on such information. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only.