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You should carefully consider all of the information set out in this document including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial conditions and business prospects. In such event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, results of operations, financial conditions and business prospects. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The competitiveness of our solutions is based on our research and development capabilities. If we fail to continuously develop and upgrade our solutions with technological innovation, we may not be able to retain existing customers, attract new customers or maintain our market position in the industry.

The AI industry in which we operate is characterized by regular changes, including rapid technological innovation, frequent introductions of new solutions, continual shifts in customer demands and preference, and constant emergence of new industry standards and practices. The latest innovation in the AI industry, including but not limited to the GPT-4 modeling, AIGC solutions and natural language technologies, has caught the public’s attention. In particular, an AI application named “ChatGPT,” developed by OpenAI Incorporation, gained huge popularity in late 2022, which in turn attracted significant investment into the AI industry. As such, our success will depend, in part, on our capabilities to respond to these changes in a cost-effective and timely manner. We need to constantly develop technologies adaptable to our customers’ industry and usage. We also need to invest significant resources, including financial and human resources, in research and development to lead technological advances in order to keep our solutions innovative and competitive in the market. Nonetheless, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. Our significant investment in research and development may generate limited benefits or none at all. Given the fast pace with which the AI technologies have been and will continue to be developed, we may not be able to upgrade our technologies in a cost-effective and timely manner, or at all. In addition, new advances in AI technologies could render our current

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technologies or solutions obsolete or unattractive. If we are unable to keep up with the technological developments in those areas or if new technologies render our technologies or solutions obsolete, customers may no longer be attracted to our technologies or solutions. As a result, we may not be able to retain existing customers or attract new customers and thus fail to secure our market position in the AI industry. Ultimately, our business, results of operations, financial conditions and business prospects may be negatively affected.

We face fierce competition in the AI industry; in particular, certain leading technology companies have signalled their intention on price competition for gaining share in the AIGC market. If we do not compete effectively, we may suffer from loss of customers and our business, results of operations, financial conditions or business prospects could be materially and adversely affected as a result.

The AI industry in which we operate is highly competitive. We primarily compete with companies that focus on the development of AI technologies. Other than companies in the AI industry, we also compete against companies in various industries as they may develop their own AI algorithms for the improvement or enhancement of their solutions. Our competitors may be well-established companies that have advantages in obtaining financial resources, recruiting talents and broadening customers base in comparison with us. As a result, our competitors may be able to respond more quickly and effectively to new or changing technological advances and opportunities, regulatory requirements or customers’ demands and preferences than us.

On the other hand, we may also face competition from new entrants who may provide solutions to customers at a lower price, and thus the level of competition may increase in the future. Increased competition could result in slower business growth, price reductions, lower profit margins or loss of market share. Moreover, we may have to invest substantially into research and development, marketing and talent recruitment for maintaining our technological advantages so as to respond to competitions from new entrants, and such investment may or may not generate benefits. If we are unable to compete successfully, or if we are required to invest significantly to compete successfully, our results of operations, financial conditions or business prospects may be materially and adversely affected.

In addition, we may face greater than expected downward pricing pressure as a result of possible price competition by certain leading technology companies seeking to stimulate demand in order to increase market share. Those leading technology companies can devote significantly greater resources than we can to the development, promotion and sales of their products and services and have the ability to initiate or withstand substantial price competition. Pricing pressures and increased competition could result in reduced sales and revenue, reduced margins

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and loss of, or a failure to maintain or improve, our competitive market position, any of which could materially and adversely affect our business, results of operations, financial conditions and business prospects.

Any actual or perceived misuse of AI technologies committed by us or by other third parties intentionally or inadvertently, could materially and adversely affect our business, results of operations, financial conditions and business prospects.

AI technologies have been in rapid development and evolution over the past decades. However, technological development comes with risks and challenges, such as inappropriate and biased uses of such technologies which would breach public confidence, infringe legitimate rights of individuals such as privacy and personality rights, or violate applicable laws and regulations in China or other jurisdictions. Such incidents would impose negative impact on public opinion, consumer perception, views of regulators and result in lower public acceptance and confidence in AI technologies in society. As a result, our solutions may be less appealing to consumers, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We have implemented a series of measures to prevent potential misuse of our AI technologies, including implementation of internal control mechanisms and policies on various aspects such as data privacy and personal information protection. Nonetheless, we cannot assure you that our preventive measures relating to misuses of our AI technologies will always be effective and adequate, nor our AI technologies will not be used for any purpose other than the intended purposes of our AI technologies and relevant solutions. Any inappropriate uses of AI technologies, whether actual or perceived, intended or inadvertent and by us or by third parties, may lower public acceptance in adoption of solutions built on AI technologies, generate public criticisms and adversely affect our reputation, violate applicable laws and regulations in China and other jurisdictions, which may result in legal or administrative proceedings against us, pressures from relevant stakeholders and stricter scrutiny by the regulators. The foregoing events may materially and adversely affect our business, results of operations, financial conditions and business prospects.

Our solutions may experience unexpected system failure, interruption, inadequacy or data leakage. Our brand reputation, results of operations, financial conditions or business prospects may be materially and adversely affected by solution failure, or our failure to timely and effectively identify and rectify the problems.

Our technological infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in our AI technologies or network disruptions, and by physical damages from fires, floods, earthquakes and

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other natural disasters, maintenance failures, telecommunication failures, power loss, human error or other accidents. Our infrastructure and systems may be breached if any vulnerabilities therein are exploited by unauthorized third parties. We cannot assure you that any applicable recovery system, security guidance, network protection technologies or other control mechanisms in place are, or will be, adequate and effective to prevent such exploitation, failures, damages and unexpected events that caused disruption to our solutions. It may be difficult for us to respond to such exploitation, failures, damages and events leading to disruption of our solutions in a cost-effective and timely manner.

Despite of our continuous effort in addressing the abovementioned difficulties arisen in our operations, any such disruption, failures, damages and exploitation of vulnerabilities in our solutions, or corresponding control mechanisms and measures being ineffective, our solutions may not satisfy our customers, thus reducing their satisfaction. Further, any actual or perceived service breakdown or security breach may damage our reputation and expose us to risks of litigation and liabilities. We may be required to expend significant capital and other resources to alleviate problems caused by such service breakdowns or security breaches. Consequently, our brand reputation, results of operations and financial conditions could be materially and adversely affected.

We may be subject to complex and evolving laws and regulations in China. Any failure to comply with the evolving PRC laws and regulations relating to AIGC services, data security, privacy and personal information protection may subject us to legal or administrative proceedings, which may materially and adversely affect our reputation and business operations.

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. We are subject to a number of PRC laws and regulations relating to data security and privacy, including restrictions on the collection, usage and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen or tampered with. In addition, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential information obtained in our business operations. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

The interpretation and application of laws, regulations and standards relating to data security and privacy are still evolving, and these regulations are also affected by different interpretations or significant evolvement. For instance, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**,” effective since September 1, 2021). The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals

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engaged in data-related activities. It also prohibits any individual or entity in the PRC from providing data stored in China to foreign judicial or law enforcement departments without the approval of the competent PRC authorities. With reference to the Data Security Law, the governing authority establishes a system of classified and hierarchical protection of data, strengthens the protection of important data, and implements security review procedures for data activities that may affect national security. Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), was promulgated on August 20, 2021 and came into effect on November 1, 2021. The Personal Information Protection Law reiterates the situation in which personal information processors can handle personal information and the requirements for such cases. The Personal Information Protection Law defines the scope of application, the definition of personal information and sensitive personal information, the legal basis for the processing of personal information, and the basic requirements for notification and consent.

On December 28, 2021, the CAC, jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Review Measures**”), which became effective on February 15, 2022. According to the Review Measures, a critical information infrastructure operator purchasing network products and services, and network platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. However, the Review Measures do not provide the explicit standard of “affect or may affect national security.” Therefore, there can be no assurance if we are required to follow the cybersecurity review procedures, and if so, whether we would be able to complete the applicable cybersecurity review procedures in a timely manner. In addition, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance or perceived non-compliance with the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (“**Cybersecurity Law**”) or related regulations may prevent us from using or providing certain services, and may result in fines or other penalties such as making certain required rectification, suspending our relates business, taking down our operations and bring actions against us by the Chinese regulatory authorities, customers or others.

On July 30, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to such regulations, a critical information infrastructure refers to important network facilities or information systems in important industries, such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, competent departments and administration departments of each important industry, or protection departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operators in the respective important industry. The result of the

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determination of critical information infrastructure operators shall be informed to the operators and notify the Public Security Department of the State Council. We were not determined as a critical information infrastructure operator as of the Latest Practicable Date.

With the latest development of AIGC services, the CAC, with an aim to address potential issues arisen from the provision of AIGC services, together with the National Development and Reform Commission, the Ministry of Education, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the National Radio and Television Administration had published the Interim Measures for the Administration of AIGC Services (《生成式人工智能服務管理暫行辦法》) (“**Interim Measures for the Administration of AIGC Services**”) on July 10, 2023, which came into effect on August 15, 2023. Pursuant to the Interim Measures for the Administration of AIGC Services, AIGC service providers must comply with a number of rules and filing in relation to AIGC content, personal data, privacy protection and intellectual property rights. In case of a breach of the rules or non-compliance with the filing requirements, the regulatory authorities will impose warning, fine and other penalties. Failure to rectify the breach or non-compliance may lead to suspension in operations.

The Administrative Provisions on Algorithm Recommendation of Network Information Services (《互聯網信息服務算法推薦管理規定》) (the “**Administrative Provisions**”) 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. The Administrative Provisions are applicable to algorithm recommendation service providers. On November 25, 2022, the CAC, MIIT and the Ministry of Public Security promulgated the Administrative Provisions for Deep Synthesis as an Internet Information Service (《互聯網信息服務深度合成管理規定》), which took effect on January 10, 2023. The “deep synthesis technology” provided in such provisions refers to the technology to generate text, graphics, audio, video, virtual scenes, among others, with the use of deep learning and virtual reality. According to the Administrative Provisions, an algorithm recommendation service provider with public opinion attribute or social mobilization ability shall, within ten working days from the date of provision of services, fill in relevant information to go through record-filing formalities. We have submitted the relevant record-filing materials for the algorithmic service to the competent authorities by the Latest Practicable Date. However, we cannot predict whether we will be able to complete such filling in a timely manner or at all. Any failure to comply with such requirements may subject us to, among others, rectifications, warnings and penalties. Any such penalties may damage our reputation and disrupt our business operations.

During the Track Record Period, we had not been subject to any sanctions or penalties, or involved in any regulatory investigation relating to any material violations of the Data Security Law, the Personal Information Protection Law and the Cybersecurity Law. However, there can be no assurance that our existing data security, data privacy, cybersecurity and personal information

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protection policies and technical measures are sufficient to protect us from potential risks. In addition, we do not have full control over the parties we work with. Any failure or perceived failure by us or our business partners to comply with the Data Security Law, the Personal Information Protection Law and the Cybersecurity Law, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. Any of these could materially and adversely affect our business, results of operations, financial conditions and prospects.

Our historical performance during the Track Record Period may not be indicative of our future prospects.

During the Track Record Period, we had recorded steady growth in revenue from continuing operations of RMB397.9 million, RMB500.2 million, RMB507.1 million for the years ended December 31, 2021, 2022 and 2023, respectively. However, our historical performance may not be indicative of our future prospects, especially given the completion of the IP rights arrangements with Automotive Sub A in June 2023, and we may not be able to achieve similar performance in the future. Our steady growth in revenue may decline for a variety of reasons, including but not limited to increasing competition and emergence of new AI technologies, which could result in a decrease in customer demand for our offerings.

Our performance may be affected by a number of factors, most of which are beyond our control. Such factors include (i) failure to maintain business relationship with top customers, retain existing customers and attract new customers; (ii) changes to China’s economic and social conditions in general; (iii) changes to consumer preference and behaviours; (iv) evolvement in China’s policies and regulations, especially in respect of the latest development of AIGC services and other AI offerings; and (v) changes in macro-economic environment. In particular, for the years ended December 31, 2021 and 2022, respectively, from the IP rights arrangements with Automotive Sub A, being our largest customer in 2022, we generated revenue of RMB3.2 million and RMB 213.0 million respectively, accounting for 0.8% and 42.6% of our total revenue for the same respective years. For details, please refer to paragraph headed “Business — Our Solutions — AI Software Solutions — AI enterprise solutions — Intellectual property rights arrangements — IP rights arrangements with Automotive Sub A.” in this document. We cannot assure you that we will generate a comparable level of revenue from IP rights arrangements in the future. As a result, we cannot assure you that we will be able to continue to grow steadily or avoid making losses.

We are subject to credit risk in collecting trade receivables.

During the Track Record Period, we recorded trade receivables of RMB45.5 million, RMB40.0 million and RMB58.0 million as of December 31, 2021, 2022 and 2023, respectively. We generally granted credit terms of up to 90 days to our customers upon their acceptance of

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products or delivery of solutions. They generally settled the payment by bank transfer. We have established a credit risk management policy under which individual credit evaluations are performed on all customers. These evaluations focus on our customer’s history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. During the Track Record Period, we had significant concentration of credit risk for individual customers, but not in countries in which the customers operate. As of December 31, 2021, 2022 and 2023, 80%, 65% and 50% of the total trade receivables were due from the Group’s five largest customers within the electronics business segment, respectively. We recorded impairment losses on trade receivables of RMB0.5 million, RMB1.2 million and RMB3.9 million for the years ended December 31, 2021, 2022 and 2023, respectively, which was primarily due to the increase in the amount and aging of trade receivables. For details, please refer to note 34(a) to the Accountants’ Report in Appendix I to this document.

We did not experience any material credit risk for trade receivables during the Track Record Period. However, if our customers’ cash flows, working capital, financial conditions or results of operations deteriorate or they experience delays in payments from third parties, they may be unable, or they may otherwise be unwilling, to make payments owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows. There is no assurance that our expectations or estimates in recovering the trade receivables as scheduled will be entirely accurate for the future, as we are not in control of all the underlying factors. Therefore, if we are not able to recover the trade receivables as scheduled, our financial position and results of operations may be adversely affected.

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

We believe our success relies on our ability to research and develop new AI technologies to meet customers’ needs. During the Track Record Period, our research and development expenses amounted to RMB91.5 million, RMB118.7 million and RMB154.7 million for the years ended December 31, 2021, 2022 and 2023, respectively. Since the AI industry in which we operate are subject to constant technological advances, we need to invest significant resources, both financial and human resources, to keep track with the latest development of the AI industry in order to expand our offerings and enhance the competitiveness of our solutions in the market. As a result, we expect that we will continue to invest significantly in research and development.

However, we cannot assure you that our resources allocated to research and development will generate corresponding benefits, or at all. Research and development activities are inherently uncertain, and we may not be able to generate the result we expect, and even if we generate the

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result we expect, we may still encounter practical difficulties in commercializing the expected result. Given the nature of constant development of AI technologies, we may not be able to timely apply our AI technologies into our solutions in an efficient and cost-effective manner, or at all. If we are not able to commercialize our research and development results, our business, results of operations and business prospects may be materially and adversely affected. In addition, significant investment in research and development may adversely affect our profitability and operating cash flow in the short term.

The continuous and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.

Our success is attributed to the continuous and collaborative efforts of our senior management team and key employees from various functions, including but not limited to management, operational, technical and financial functions. Our senior management team and key employees have extensive experience, expertise and qualifications in the AI technologies, which are the foundation for our outstanding growth in the AI industry. In particular, we rely on the expertise, experience and leadership of certain senior management, such as our founder and Chairman, Dr. Li, who has over 13 years of relevant experience in AI industry, and our co-founder, Ms. Li, who has over 14 years of experience in the software development industry. Competition for competent talents and experienced personnel in the AI industry is fierce and the pool of such candidates is very limited. If our senior management team or key employees are unwilling or unable to continue in their current position, we may not be able to find suitable or qualified successor easily, or at all, in a timely manner, and may incur additional expenses to recruit and train new talents. In addition, if any member of our key personnel joins a competitor or forms a competing business, we may lose crucial technological know-how, business secrets, customers and other valuable resources. Consequently, our business operation may be significantly disrupted, resulting in the delay in implementing and carrying out necessary business decisions and strategies, and our results of operations and financial conditions could be materially and adversely affected.

Changes in the carrying amount of contingently redeemable preferred shares and ordinary shares may materially affect the Group’s financial performance.

Our Company issued several series of redeemable shares to investors. During the Track Record Period, we had issued and repurchased redeemable preferred shares and ordinary shares. Our redeemable preferred shares and ordinary shares issued will be automatically converted into ordinary shares and re-designated from liabilities to equity as a result of the automatic conversion upon the [REDACTED], hence, our position of net liabilities would turn into net assets upon the [REDACTED]. Additionally, the investors have the right to require us to redeem such contingently redeemable preferred shares and ordinary shares if this [REDACTED] is not consummated on or prior to a certain date or upon the occurrence of some specified events.

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As of December 31, 2021, 2022 and 2023, we recorded contingently redeemable preferred shares and ordinary shares of RMB3,240.6 million, RMB3,536.1 million and RMB4,353.8 million, respectively. We recorded changes in the carrying amount of contingently redeemable preferred shares and ordinary shares of negative RMB98.9 million, negative RMB775.1 million and RMB753.8 million for the years ended December 31, 2021, 2022 and 2023, respectively.

The contingently redeemable preferred shares and ordinary shares are measured at the redemption price of the preferred shares and ordinary shares under worst case scenario at the end of each reporting period. To the extent we need to revalue the contingently redeemable preferred shares and ordinary shares prior to [REDACTED], any changes in the carrying amount of contingently redeemable preferred shares and ordinary shares could materially affect our financial position and performance. After the automatic conversion of the contingently redeemable preferred shares and ordinary shares into equity upon the [REDACTED], we do not expect to recognize any further gains or losses on changes in the carrying amount of these contingently redeemable preferred shares and ordinary shares in the future.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities mainly represented the advance payment for our AI Software Solutions that we have yet to recognize as revenue. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products and services are not yet to be provided. As of December 31, 2021, 2022 and 2023, we had contract liabilities of approximately RMB151.8 million, RMB60.9 million and RMB72.9 million, respectively. All of the current contract liabilities are expected to be recognized as income within one year. As of December 31, 2023, our non-current portion of contract liabilities amounted to RMB19.7 million.

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

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Share-based payment may cause shareholding dilution to our existing Shareholders and have a negative effect on our financial performance.

To incentivize and reward eligible persons who have contributed to the success of our Company, we have adopted the [REDACTED] Share Option Scheme and conditionally adopted the [REDACTED] RSU Scheme for the benefit of our employees to take up options or awards to subscribe for or obtain Shares. For details, please refer to the paragraph headed “Statutory and General Information D. Share Incentive Schemes” in Appendix IV to this document. The share incentive schemes may continue to incur share-based compensation expenses in the future.

For the years ended December 31, 2021, 2022 and 2023, we incurred share-based compensation of RMB9.6 million, RMB17.3 million and RMB41.7 million, respectively. Our Company will not grant additional options under the [REDACTED] Share Option Scheme after the [REDACTED]. Assuming full vesting and exercise of all options granted under the [REDACTED] Share Option Scheme, the shareholding of our Shareholders immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and each Preferred Share is converted into one Share) would be diluted by [REDACTED]%. Expenses incurred with respect to share-based payment may also increase our operating expenses and therefore have a negative effect on our financial performance.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our success is attributed to our trade secrets, trademarks, copyrights, patents, and other intellectual property rights. We rely on, and will continue to rely on, a combination of confidentiality and non-compete agreements with our employees, in particular, our management and key personnel, licensing agreements with third parties with whom we have business relationship, as well as our trademark, domain names, copyrights, trade secrets, patent rights, and other intellectual property rights to protect our business. However, events and factors beyond our control may pose risks to our intellectual property rights as well as our solutions. We have been granted a number of trademark registrations and patents and other intellectual property rights and have filed, and expect to continue to file, intellectual property applications seeking to protect our developed brands and solutions. We cannot be sure that trademark and patent and other intellectual property registrations will be issued with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark or patent or other intellectual property rights on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents and other intellectual property rights issued to us. Effective protection of our intellectual property rights is expensive and difficult to maintain, both in terms of application and costs, as well as the costs of defending and enforcing those rights. While we have taken measures to protect our intellectual property rights, we cannot assure you that our actions to

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protect our portfolio of intellectual property rights will be sufficient or effective or that third parties will not infringe upon or misappropriate proprietary rights. As a result, our intellectual property rights may be infringed, misappropriated or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable.

Similarly, we also rely on the restrictions on the use and disclosure of unpatented proprietary information and technologies, such as trade secrets and confidential information, in our agreements with employees and third parties for the protection of such intellectual property rights. These agreements, however, may be insufficient or may be breached, either of which could potentially result in the unauthorized use or unauthorized disclosure of our trade secrets and other intellectual properties, especially to our competitors. As a result, we may lose our competitive advantages derived from such intellectual property or suffer significant impairments to our intellectual property rights and limitations on our ability to assert our intellectual property rights against others, all of which may result in material and adverse impacts on our business, results of operations, financial conditions and business prospects.

We may be subject to claims by third parties for infringement or violation of intellectual property rights, which could be time-consuming or costly to defend and may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We depend to a large extent on our ability to effectively research and develop technologies and maintain intellectual property rights such as trademarks, copyrights, patents, relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates intellectual property rights which they hold, whether valid or otherwise, without our awareness.

We have not been subject to any material proceeding or claims pending or threatened against us relating to violation of any intellectual property rights. We cannot assure you that purported holders of trademarks, copyrights, patents or other intellectual property rights relating to some or all aspects of our AI technologies, technological infrastructure or operations, would not involve legal proceedings against us in relation to the infringement or violation of such intellectual property rights in China or any other jurisdictions where we have operations. Moreover, since administrative and court authorities in the areas where we operate may have discretion in interpreting and implementing statutory provisions, it may be difficult for us to evaluate the outcome of such legal proceedings. In light of the increased competition among other market participants in the AI industry of China, we may be exposed to higher risk of infringement or violation of intellectual property rights. Defending against any claims, accusations, allegations in legal proceedings can be time-consuming and costly, and our management may need to divert their

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time and resources from daily management of operations, which may lead to disruption of our business operations. As a result, we may incur additional costs in preventing potential infringement or violation.

If we are found to have infringed or violated any intellectual property rights held by others, we may be subject to significant liability for our infringement or violation, including but not limited to fines, compensatory or punitive damages and injunction. As such, we may be restricted or prohibited from using such intellectual property rights, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We may be subject to complaints, litigations and claims initiated by the intellectual property owners, if any of the resources used, contents created or training data employed, especially data sourced from the Internet, by our Group and its users have infringed or potentially infringed third party intellectual property rights.

As with many developing technologies, AI technology presents risks and challenges on intellectual property that could affect its further development, adoption, and use, and therefore influences our business. To facilitate the development of language models encompassing various languages, our application of AI models, especially the use of AIGC solutions for content creators to achieve efficient content generation may train data by sourcing a comprehensive and representative dataset from the Internet. This may raise issues related to intellectual property right infringement, if the resources used, content created, or training data employed by our Group and our users have infringed or potentially infringed third party intellectual property rights.

While our Group endeavors and will continue to take measures to ensure proper authorization, legality and accuracy of data obtained from the training data providers, Internet, and its users, including but not limited to (i) only selecting open-source websites and analyzing their platform governance rules and licensing provisions; (ii) establishing a comprehensive framework; (iii) obtaining explicit legal permission through contracts with training data providers. However, our current measures may be insufficient to avoid all potential infringements and events and factors beyond our control or anticipation that may pose risks to the effectiveness of our current measures. Therefore, there is no assurance that we can identify all instances in which infringement has occurred or will occur, and there is no assurance that any of the resources used, contents created or training data used by our Group would not involve legal proceedings against us in relation to infringement or violation of intellectual property rights in China or any other jurisdictions where we have operations.

Besides, if a claim of infringement, misappropriation or violation is brought against us, we may be required to pay substantial damages, subject to injunction or court orders or be required to remove the data and redesign our technology. In such an event, we may be required to (i) seek

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licenses from third parties to continue commercially use their resources, contents and data to make our AIGC solutions generally available; (ii) to re-engineer our models; or (iii) to discontinue the sale of our models if re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business and revenue. As a result, we may lose our competitive advantages derived from such intellectual property or suffer significant impairments to our intellectual property rights or receive public criticisms which may adversely affects our brand reputation and credibility, all of which may result in material and adverse impacts on our business, results of operations, financial conditions and business prospects.

In addition, the use of resources, content or data to train our Group’s AI models may be subject to future regulatory scrutiny and legal challenges. If we fail to ensure our compliance with the relevant laws and regulations governing the use of resources, content or data to train our Group’s AI models, including intellectual property laws, our reputation, business and results of operations may also be materially and adversely affected.

We rely on a limited number of key sales partners to sell our smart devices.

We rely on a limited number of key sales partners, including various online e-commerce platforms, to sell a significant amount of our smart devices. As such, we may be subject to concentration and counterparty risks from these key sales partners. We cannot assure you that we will be able to maintain our relationship with our key sales partners in the future. The key sales partners are not obliged in any way to continue to contract with us at a similar level in the future, or at all. In the event that any of the key sales partners reduces substantial orders of our smart devices, terminates their business relationship with us entirely or fail to settle payments on time, we may need to seek new business partners or customers to compensate for such loss in sales volume, the failure of which may adversely affect our operations. If we fail to maintain relationship with our key sales partners, or if there is a perceived decline in the quality of service or general reputation of these business partners among our customers, we may also suffer loss in sales volume, which in turn, may have adverse impacts on our business, results of operations and financial conditions and prospects.

Failure to abide by the policies, terms and conditions set by our online sales partners could materially and adversely affect our business, results of operations and business prospects.

We rely on a number of leading e-commerce platforms such as Amazon and AliExpress for the sale of our Smart Devices and Other Accessories. These e-commerce platforms are important sales channels for our Smart Devices and Other Accessories. We typically enter into non-exclusive framework agreements with each of them and receive orders from them on a regular basis.

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We are bound by the policies, terms and conditions set by these e-commerce platforms for their services. These policies, terms and conditions would evolve from time to time, subject to a number of factors including regulatory updates, trade sanctions and embargoes. If we fail to abide by the policies, terms and conditions set by these e-commerce platforms or adapt to the evolution of such policies, terms and conditions in a timely manner, our agreements with these e-commerce platforms will be terminated if we cannot rectify the breach within a prescribed timeline. As such, we may not be able to receive orders from, or gain access to these e-commerce platforms, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

Any negative publicity or misconduct regarding the KOLs that promote our solutions and AI-empowered hardware products could adversely affect our business and results of operation.

We collaborate with KOLs in relation to our branding and marketing. However, we cannot assure you that any of our KOLs' endorsements will remain effective and compatible with the messages that our brands aim to convey. Moreover, we cannot give assurance that any of these KOLs will remain popular or their public perceptions will remain positive. The KOLs may face the recent tightening regulations targeting widespread tax avoidance, which may impose risks to our business. Any of the KOLs' deterioration in image or misconduct, including but not limited to, inappropriate speech, unethical behavior, non-compliance with the relevant laws and regulations or banning from conducting marketing activities would have a significant impact on our brands and subsequently our business and results of operations could be adversely affected.

During the Track Record Period, we were not aware of any incidents caused by any of our KOLs that may materially and adversely affect our reputation and brand image. However, we cannot assure you that there would not be any incident in the future, in which case, our reputation, business and prospects may be adversely affected.

We depend on third parties to assemble, test and ship certain of our smart devices. Such arrangements may limit our abilities on quality control of our smart devices and could have adverse impacts on our business, results of operations and financial conditions.

We engage suppliers and contract manufacturers to assemble, test and ship our smart devices. While we may enjoy economic benefits from such arrangements, we may also face problems arising from quality control of our smart devices. We may encounter operational difficulties from our arrangements with suppliers including packaging and logistics service providers and contract manufacturers, such as limited production capacity, failures to comply with products specification, insufficient quality control and failures to meet production deadlines, which in turn causes disruptions and delays in delivering our smart devices to our customers. Further, our suppliers and contract manufacturers may also experience difficulties such as disruptions and delays in their

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productions and operations due to equipment breakdowns, labor strikes or shortages, raw materials or component shortages, natural disasters or other problems. In addition, we may also experience difficulties such as renewing contracts with these suppliers, distributors and contract manufacturers or identifying suitable alternatives with similar production capacity and capabilities in the market, or in case of successful renewal of contracts, the terms and conditions may also be less favorable to us and our plans to launch new products in the future might be adversely affected. Although we may have warranty provisions in the contracts with these services providers, we may have difficulties in enforcing the warranty provisions, or at all, and incur additional costs on pursuing legal proceedings or arbitration. Moreover, we remain primarily responsible for our customers in relation to quality of our smart devices, which we may need to make further provisions for warranty in the event of unanticipated device defects. In the event of any claims from our customers, or legal proceedings instituted or brought against us to demand return of the relevant payment, we will have to spend financial and managerial resources to defend against such claims and legal proceedings. Any of the above would lead to disruptions of our operations and additional costs, which may in turn materially and adversely affect our business, results of operations and financial conditions.

Delays in delivery, poor handling by our logistics providers or disruptions in the transportation network may adversely affect our business, results of operations, financial conditions and business prospects.

We engage logistics service providers for the delivery of smart devices to customers, distributors or end-customers. Any dispute with, or termination of contractual relationships with, our logistics service providers may result in delays in delivery of smart devices to our customers, distributors or end-customers, which may lead to additional costs for re-arrangement of delivery and complaints therefrom. We cannot assure you that we can continue or extend business relationship with our current logistics service providers on terms and prices acceptable to us, or at all. We also cannot assure you that we will be able to establish relationships with alternative logistics service providers in the market for accurate, timely and cost-effective delivery services. If we are unable to maintain or develop good relationships with our current logistics service providers, we may face increase in cost of sales, or disruption to our ability to offer smart devices in sufficient quantities on a timely and cost-effective manner or at prices acceptable to our customers, distributors or end-customers.

As we do not have any direct control over our logistics service providers, we cannot guarantee their quality of services. Any delay in delivery, damage to smart devices resulting from poor handling or other issues such as labor strikes may lead to customers dissatisfaction or even loss of customers. In light of the potential disputes in terms of poor handling or delays, we have obtained relevant insurance cover, and we will maintain insurance cover as an effective risk management policy. Nonetheless, delays in delivery due to disruptions in the transportation

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network, such as transportation shortages, work stoppages or infrastructure congestion, could negatively affect our ability to deliver our smart devices to our customers, distributors or end-customers in a timely manner, which may adversely affect our business, results of operations, financial conditions and business prospects.

Our operations may be materially and adversely affected if we fail to obtain, maintain and update licenses, approvals, qualification and certifications that are material to our operations.

The AI industry in which we operate is highly regulated. Our business operations in China are regulated by a number of PRC authorities including but not limited to the MIIT, CAC, MOFCOM and NDRC, which jointly and severally regulate major aspects of our industry in China. We are also required to obtain and maintain the requisite licenses and approvals required in other jurisdictions where we have business operations.

We had obtained all the licenses and approvals from competent governmental authorities in all material aspects that are crucial to our operations in China and other jurisdictions where we operate. However, we cannot assure you that we can successfully renew current licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of current or future business. As the interpretation and implementation of existing and future legislations, regulations and policies governing our business activities are evolving, we cannot assure you that we will not be found in violation of any future legislations, regulations and policies nor any of the legislations, regulations and policies in effect. If we fail to obtain, renew or maintain any of the requisite licenses or approvals or make necessary and appropriate filings in any of the jurisdictions where we have business operations, we may be subject to various penalties, including fines, discontinuation or restriction of our business operations. Any such penalties may damage our reputation, disrupt our business operations and even terminate our business operations in those jurisdictions. As such, our results of operations, financial conditions and business prospects could be materially and adversely affected. For further details on the requisite licenses and approvals for our business operations, please refer to the section headed “Regulatory Overview” in this document.

We had incurred loss from continuing operations and negative operating cash flow during the Track Record Period and there can be no assurance that we will not have loss from continuing operations and negative operating cash flow in the future.

We recorded loss before taxation from continuing operations of RMB180.2 million, RMB683.7 million and RMB800.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our loss before taxation from continuing operations for the years ended December 31, 2021, 2022 and 2023 was primarily attributable to (i) our research and development expenses

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of RMB91.5 million, RMB118.7 million and RMB154.7 million for the respective years and (ii) changes in the carrying amount of contingently redeemable preferred shares and ordinary shares of RMB98.9 million, RMB775.1 million and RMB753.8 million.

Further, we recorded a net operating cash outflow of RMB37.2 million for the year ended December 31, 2021. Our negative operation cash flow for the year ended December 31, 2021 was primarily attributable to our loss before tax of RMB274.5 million. We cannot assure you that we will be able to generate profits or positive cash flow from our operations in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operations, and our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

Government grants currently received by us may be reduced or discontinued in the future.

We have received government grants in the past for our continuous effort in research and development activities. Over the past decades, the Chinese government has implemented various policies to support the development of technological innovation including provisions of government grant to promote and support research and development activities. We have recognized government grants for our continuing operations of RMB34.2 million, RMB8.9 million and RMB19.7 million for the years ended December 31, 2021, 2022 and 2023, respectively, primarily representing funding support from the Nanjing Municipal Government.

Our government grants from the Nanjing Municipal Government primarily consist of subsidies on our operation and research and development which had a significant impact on our Group’s financial performance during the Track Record Period. Part of the subsidies were granted upon satisfactions of certain conditions, including, among others, (i) establishment of our Group’s headquarter enterprise (the “**HQ Enterprise**”) at the Nanjing Economic and Technological Development Zone upon completion of the statutory procedures with the local industry and commerce authorities and (ii) achieving certain level of revenue. Our tenancy expenses in relation to office and research and development bases, accommodations for our talents and purchase price of land for the HQ Enterprise were also subsidized. The subsidies are further subject to continuing fulfillment of certain ongoing conditions, which primarily include the Group’s continuous engagement in its principal business and the use of subsidy funds in accordance with the purposes specified by the Nanjing Municipal Government. We cannot assure you that our Group will continue to satisfy the standards of policies to support research and development activities. As a result, we may not be able to receive further government grants in the future and our financial conditions will be adversely affected.

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We may be subject to higher income tax rates if certain preferential tax treatments granted to us are not renewed.

During the Track Record Period, four of our subsidiaries had been qualified as High and New Technology Enterprise (“HNTTE”). Under the EIT Law, an enterprise qualified as a HNTTE is entitled to a preferential tax rate of 15% provided that it continues to meet HNTTE qualification standards. Beijing Yushanzhi and WWZN IT were qualified as HNTTE and were entitled to the preferential tax rate of 15% from 2020 to 2022. Beijing Yushanzhi and WWZN IT renewed the qualifications as HNTTE in December 2023 and November 2023, respectively, for another three-year period from 2023 to 2025 and therefore, the preferential tax rate of 15% was adopted for the year ended December 31, 2023 (for the year ended December 31, 2022: 15%). Mobvoi IT was qualified as HNTTE and was entitled to the preferential tax rate of 15% from 2021 to 2023. In addition, Mobvoi Innovation was qualified as HNTTE and was entitled to the preferential tax rate of 15% from 2022 to 2024. However, the HNTTE qualification is subject to re-assessment by the competent tax authorities every three years. We cannot assure you that Beijing Yushanzhi, WWZN IT, Mobvoi IT and Mobvoi Innovation will continue to fully satisfy the HNTTE qualification standards and in case Beijing Yushanzhi, WWZN IT, Mobvoi IT and Mobvoi Innovation continue to fully satisfy the HNTTE qualification standards, the preferential tax rate will remain 15%. As a result, our financial conditions could be adversely affected if we are not able to enjoy preferential tax treatments resulting from our failure to renew our HNTTE qualifications.

Our strategic acquisitions and investments may fail and may have material and adverse effect on our business, results of operations and financial conditions.

We have made strategic acquisitions and investments in the past, and from time to time, we may look for opportunities for further strategic acquisitions and investments in the future to expand and strengthen our solutions coverage and sustain our business growth. For instance, we acquired Geekstar and Zhixue in September 2020 with a view to empower the training industry with AI technologies. For details, please refer to the sub-paragraphs headed “1. Acquisition of Geekstar and subsequent disposal of shares in Geekstar” and “2. Acquisition of Zhixue and subsequent disposal of shares in Zhixue” under the paragraph headed “History, Reorganization and Corporate Structure — Major acquisitions, disposals and mergers”.

Our acquisitions and investment strategies rely heavily on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms with a desirable timeframe, the availability of financing to complete acquisitions or investments, as well as our ability to obtain any necessary Shareholders or regulatory approvals. However, such strategic acquisitions and investments may subject us to certain inherent uncertainties and risks, including high acquisition and financing costs, actual or potential financial obligations and unforeseen or hidden liabilities, failure to achieve our intended goals, benefits or business growth,

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uncertainty of entering into markets in which we have limited or minimal knowledge and experience and competitors have stronger market positions, costs associated with, and difficulties in, integrating acquired business and managing a larger business, and diversion of our financial or human resources as well as management attention. Even if we are able to successfully acquire or invest in suitable businesses, there is no assurance that we will achieve expected or forecasted returns from such acquisitions or investments. If we fail to identify or acquire suitable targets, address the inherent uncertainties and risks associated with our strategic acquisitions and investments or achieve expected returns on such acquisitions and investments in the future, our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

We are also exposed to risks during acquisition process such as successor liability relating to the actions by our target and its management before, during and after the acquisition. We will conduct due diligence in connection with the target throughout the acquisition process. However, we cannot assure you that the due diligence we conducted are sufficient to cover all liabilities, both known and unknown, and any contractual guarantees or indemnities that we receive from the sellers of the target and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities in full amount. Any material liability associated with the target may result in reputational harm and reduction in the benefits of such acquisition or investment. Moreover, if the target, together with its management team or key employees failed to perform as expected, we may suffer financial losses from such acquisition or investment, which in turn adversely affect our business, results of operations and financial conditions.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and other relevant laws and regulations that could subject us to liability and impair our ability to compete in international markets.

We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial conditions and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate.

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In addition, exports of our products must be made in compliance with various economic and trade sanctions laws, rules or regulations in different jurisdictions. For example, The U.S. economic sanctions prohibit persons subject to The U.S. jurisdiction from engaging in the provision of certain products or services to or from certain countries, governments, entities and persons targeted by The U.S. economic sanctions. The United Kingdom financial sanctions and European Union sanctions may impose similar restrictions. We are committed to ensuring our compliances with such economic and trade sanctions laws, rules or regulations, but we may not be able to do so for factors beyond our control or otherwise, and our relevant internal control measures can be costly. For example, even though we take precautions not to engage in any sanctionable activities, we might not be able to procure similar compliance of our independent distributors. Under certain circumstances where our independent distributors do not comply with such economic and trade sanctions laws, rules or regulations, we may also suffer negative consequences, including government investigations, penalties and reputational harm, which could have a material and adverse effect on our business, results of operations and financial conditions.

We might be subject to the risks associated with international trade and investment policies, geopolitics, trade protection and investment restriction measures, and our business, results of operations, financial conditions and prospects could be adversely affected.

Our operations in various countries may be negatively affected by any dispute or conflicts in the countries where we operate, and subsequent administrative measures such as export sanctions and control by relevant government authorities. Trade restrictions that may be imposed by other jurisdictions, which may be difficult or costly for us to comply with. Our operations may be adversely affected if we encounter fiscal policies such as increase in duties and taxes, imposition of tariffs, barriers and quota on crucial components or technologies to our offerings and operations.

With the escalation of the trade dispute between the U.S. and China, the U.S. Department of Commerce’s Bureau of Industry and Security (“**BIS**”) has issued an entity list (the “**Entity List**”), and had been frequently updating the Entity List to include more PRC-based hi-tech companies. PRC-based companies on the Entity List are subject to trade sanctions and export controls on a number of components and technologies developed by U.S. companies. As of the Latest Practicable Date, we, or any of our major customers, suppliers and any other major business partners had not been on the Entity List. However, we cannot assure you that we or our business partners would not be added to the Entity List in the future. Our operations may be negatively affected if we or any of our business partners are added to the Entity List, which may result in our failures to obtain crucial components or access to the latest technologies originated from the U.S., and in turn, may have material and adverse impacts on our business, results of operations, financial conditions and business prospects.

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In addition, on August 9, 2023, the U.S. President Biden signed an executive order on “Addressing United States Investments In Certain National Security Technologies And Products In Countries Of Concern” (the “**EO**”) and U.S. Department of Treasury issued an Advance Notice of Proposed Rulemaking (the “**ANPRM**”) seeking public comment related to the implementation of the executive order, providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau, involving certain technologies, including AI. As of the Latest Practicable Date, no detailed rules had yet been proposed, and there were no currently effective restrictions or notification requirements. As proposed in the ANPRM, the U.S. Department of Treasury intends to (i) prohibit U.S. investments into covered foreign persons engaged in the development of software that incorporates an AI system and is designed to be exclusively (or primarily) used for military, government intelligence, or mass-surveillance end uses (the “**Proposed Prohibited End Uses**”), and (ii) require U.S. persons to notify the U.S. Department of Treasury if undertaking a transaction with a covered foreign person engaged in the development of software that incorporates an artificial intelligence system and is designed to be exclusively (or primarily) used for: (a) cybersecurity applications, digital forensics tools, and penetration testing tools; (b) the control of robotic systems; (c) surreptitious listening devices that can intercept live conversations without the consent of the parties involved; (d) non-cooperative location tracking (including international mobile subscriber identity Catchers and automatic license plate readers); or (e) facial recognition (the “**Proposed Notifiable End Uses**”). As (1) our AI solutions are primarily used to empower content creators, enterprises and consumers with generative AI and voice interaction technologies, providing prominent AI software and AI software-embedded hardware solutions, and (2) our AI applications are primarily used in areas including automotive, finance, TMT and others such as healthcare and retail industries, our Directors do not believe that our products would fall into the Proposed Prohibited End Uses or the Proposed Notifiable End Uses or that we would be categorized as a “covered foreign person” when the final implementation rules are adopted by the Treasury. In addition, the ANPRM proposes to exclude from the definition of “covered transaction” certain “excepted transactions,” including a passive investment into a publicly traded security. Based on the information currently available to the Joint Sponsors and the independent due diligence work conducted by the Joint Sponsors, including but not limited to (i) discussing with the Company to understand its products and solutions; (ii) reviewing the publicly available information in relation to the EO to understand, among others, the contents and latest status; and (iii) conducting background searches and public searches on the Group, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Directors’ views above. As of the Latest Practicable Date, the EO and the ANPRM did not have any impact on our business operations, however, if the final implementing rules expand the scope of the covered technologies and products to restrict transactions by U.S. persons with us or narrows the scope of “excepted transactions”, or if any similar or more expansive restrictions imposed by the U.S. or other jurisdictions are adopted in the future, our business operations, financial performance and funding, as well as our relationship and cooperation with customers, suppliers and investors may be adversely affected.

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

For the enhancement of our operations, we have established risk management and internal control systems that are tailor-made for our business in order to minimize our actual or potential risk exposures. Despite of our ongoing efforts in implementing and improving such systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks arisen from our operations, in a timely manner, and our precautions taken to prevent and address actual or potential risks may not be effective. Also, the effectiveness of our risk management and internal control systems also depends on the implementation by our employees. We cannot assure you that such implementation will not involve any human errors or mistakes, which may in turn adversely affect our operations. As such, if we fail to implement effective risk management and internal control systems in a timely manner or our preventive measures are not effective, our business, results of operations and financial conditions could be adversely affected.

We may be involved in legal proceedings and commercial disputes, which could have materially and adversely impact on our business, results of operations, financial conditions and business prospects.

We have in the past involved in legal proceedings and commercial disputes arisen from our business operations. We may also subject to claims and various legal proceedings and commercial disputes in the future. In addition, agreements entered into by us may include indemnity clauses which may subject us to damages and compensations in the event of a claim against any indemnified party. These claims could be asserted under a variety of laws, including but not limited to consumer protection laws, intellectual property laws, and labor and employment laws. Given the inherent uncertainty of litigation, it is possible that we might incur liabilities as a consequence of the proceedings and claims brought against us, including those that are not currently believed by us to be reasonably possible.

Legal proceedings and commercial disputes may be expensive, time-consuming or disruptive to our business operations. As such, we may enter into new or further agreements or other arrangements to settle legal proceedings and resolve such disputes. We cannot assure you that such agreements or arrangements are on acceptable terms or that no further legal proceedings or commercial disputes in the future. These agreements or arrangements may also significantly increase our operating expenses.

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We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and legal or administrative proceedings by competent authorities for alleged infringements or violations of these laws and regulations if our internal control mechanisms and policies are not implemented properly and adequately. These investigations and proceedings may result in penalties, fines and sanctions or other liabilities, which could have a material and adverse impact on our reputation, business, results of operations and financial conditions. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or rules, we could be subject to one or more enforcement actions or otherwise be found to be in violation of such laws, regulations or rules, which may result in penalties, fines and sanctions and in turn materially and adversely affect our reputation, business, results of operations, financial conditions or business prospects. Given the uncertainty, complexity and scope of many of these litigation matters, their outcomes generally cannot be predicted. Therefore, our provision for such matters may be inadequate.

Our Directors had confirmed that, during the Track Record Period and up to the Latest Practicable Date, there had been no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in aggregate, have a material effect on our business, results of operations or financial conditions. However, new legal or administrative proceedings and claims may arise in the future and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts 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 results of operations could be materially and adversely affected. Further, outcomes of legal or administrative proceedings could result in significant compensatory, punitive or other monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our results of operations and financial conditions. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our business prospects and future growth, including our ability to attract new business partners, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents. For further details regarding our legal proceedings and non-compliance events, see "Business — Legal Proceedings and Compliance."

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Despite we enter into long-term framework agreements with our suppliers and sales partners, the fact that we only enter into contracts with them periodically could result in significant fluctuations and interruptions to our business.

We usually enter into long-term framework agreements with our suppliers or sales partners. However, we usually enter into contracts with our business partners periodically. We conduct review and assessment on our business partners at the end of the contractual term to determine whether to renew the contracts based on their performance or our business need; renewal of contracts is subject to the mutual consent and agreement between our business partners and us. We cannot ensure that our business partners that we are satisfied with will agree to renew contracts with us. If we are not able to maintain long-term relationships with our current business partners, supply from our suppliers and sale to our sales partners may be disrupted and our business, results of operations, financial conditions and business prospects will be materially and adversely affected.

We cannot assure you that our current or future agreements, if any, with our major suppliers and sales partners can be negotiated on terms and prices equivalent to or more favorable than current terms and prices. Our sales and operating income could be materially and adversely affected if there are any material changes from our key suppliers’ or sales partners’ business plans or markets, which could in turn materially and adversely affect our business, results of operations, financial conditions and business prospects.

We rely on independent distributors over whom we have limited control.

During the Track Record Period, a significant amount of our smart devices was sold through distributors. The performance of our distributors, their ability and distribution network to sell our smart devices are crucial to our rapid growth, which may have direct impacts on our revenue and profitability. As of December 31, 2023, we had engaged 39 distributors. Due to the number of our distributors, we may not be able to exert our controls, or at all, on these distributors in a timely and effective manner. We have adopted policies including providing recommended retail and sale price to e-commerce platforms and distributors and taking into account of the geographic coverage of distributors during selection process to minimize the risk of cannibalization. In particular, we have implemented internal control policies to prevent cannibalization between e-commerce platforms and our proprietary online stores such as applying same recommended price for the same product and providing different multi-item combo packs to the e-commerce platforms and our proprietary online stores. However, we have limited control over the daily business activities on our distributors. Non-compliance by any of our distributors on the terms and conditions in the relevant distribution agreements or our risk management and internal control system or measures adopted may adversely affect the overall sales volume of our smart devices and our assessment on development strategies. We cannot assure you that our distributors will at all times comply with

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our sales policies or that they will not compete with each other for market share in respect of our smart devices. If any of the distributors fails to distribute our smart devices to end-customers in a timely manner, overstocks, or carries out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, results of operations, financial conditions and business prospects.

Our distributors may accumulate excessive or obsolescent inventory and any excessive build-up on inventory could adversely affect the volume of future orders from our distributors. Failure to manage our inventory effectively could have an adverse effect on our business, results of operations, financial conditions and business prospects.

Some of our smart devices are sold to distributors, who maintain their own inventories of our smart devices. Our smart devices will then be distributed to end-customers through various means by our distributors. We actively communicate with our distributors to understand their inventory levels and the actual amounts of our smart devices sold to end-customers. However, we cannot assure you that we are or will be able to accurately track the inventory level of our distributors or to effectively identify any excessive inventory build-up at various levels of our distribution network. We face higher risks of excessive or obsolescent inventories when we launch new smart devices as the market demand to the smart devices is uncertain. In such event, our distributors may reduce future orders until their inventory levels correspond with the market demand. We may also consider product return requests in accordance with the terms of agreements. Generally, we do not allow return of unsold products. As of December 31, 2021, 2022 and 2023, we had provision balance of RMB15.4 million, RMB16.5 million and RMB18.5 million, respectively, for potential claims of product return and other warranties. For details, please see the paragraph headed “Business — Product Returns, Exchanges and Warranties.” The reduction in orders on our existing or future Smart Devices and Other Accessories, together with actual or potential returns of smart devices, could pose significant risks on our revenue recognition and sales volume of smart devices and result in material and adverse impacts on our business, results of operations, financial conditions and business prospects.

On the other hand, our inventories decreased from RMB123.9 million as of December 31, 2021 to RMB94.9 million as of December 31, 2022, and further to RMB66.7 million as of December 31, 2023. Our inventory turnover days were 159.2 days, 242.5 days and 163.0 days in 2021, 2022 and 2023, respectively. For details, please refer to the paragraph headed “Financial Information — Discussion of certain key consolidated statements of financial position items — Inventories” in this document. If we fail to maintain sufficient inventory levels of raw materials and finished goods, we may experience disruptions in our business operations such as delay in delivery of our Smart Devices and Other Accessories, which in turn may negatively affect our

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growth and brand reputation. If we fail to manage our inventories effectively, we may be subject to a heightened risk of inventories obsolescence and any such situation may have an adverse effect on our business, results of operations, financial conditions and business prospects.

We are subject to risks relating to the warehousing of our smart devices.

Before delivery of our smart devices to our customers or distributors, we temporarily store them in warehouses leased by us or engage third-party logistics service providers to provide warehousing services to us. We may suffer damages to the smart devices as a result of accidents, including fires and floods. If such accidents were to occur, our ability to supply smart devices to our customers and distributors could be adversely affected. The occurrence of any of these incidents could also require us to make significant provisions and delay our delivery of smart devices. Loss of sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above were to happen, our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

Our results of operations, financial conditions and business prospects may be adversely affected by the recoverability of our prepayments.

Our prepayments mainly comprised prepayments for purchase of inventories and service fees. Our prepayments as of December 31, 2021, 2022 and 2023 were RMB48.2 million, RMB34.4 million and RMB44.5 million, respectively. We are generally entitled to a refund of our prepayments, however, the timeframe and method for the refund may not be specified, and there may not be a mechanism in place to ensure that the refund will be made on a timely basis. In addition, the amount of prepayments we need to pay to the suppliers partially depends on our trading amount with suppliers and our bargaining power. We cannot assure you that we can maintain such trading amount and bargaining power in the changing market environment. If there is any delay in refunding our prepayment or if our trading amount with the suppliers or bargaining power recedes, our business, results of operations, financial conditions and business prospects may be materially and adversely affected.

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We depend on cloud services and infrastructure operated by third parties and any disruption of or interference with our use of such third-party services and infrastructure would adversely affect our business, results of operations and financial conditions.

We provide our AI solutions through a number of third-party cloud services and infrastructure providers. Our third-party cloud services and infrastructure providers may experience problems, including but not limited to, software and hardware breakdowns, power shortages or natural disasters, which may expose us to the risks of interruptions, delays or outages with respect to our third-party cloud services and infrastructure. The level of cloud services and infrastructure provided by these third-party providers, or regular or prolonged interruptions in that particular cloud services or infrastructure, could affect the use of, and our customers’ satisfaction with, our solutions and could harm our reputation.

Furthermore, in some circumstances, our cloud service and infrastructure providers may discontinue or restrict our access to one or more services or terminate or seek to terminate contractual relationship with us. Despite we expect that we could find alternatives in the market easily, if our contractual relationship with our current third-party providers were terminated, we could experience temporary interruptions in our ability to provide services to our customers and may incur additional costs in searching for alternative cloud services and infrastructure providers.

As a result of the above, we may experience temporary disruptions to our operation leading to the dissatisfaction of our customers, incur additional costs or be subject to actual or potential liability, any of which could have an adverse impact on our business, results of operations and financial conditions.

We have incurred net liabilities in the past, which we may continue to experience in the future.

We had net liabilities of RMB2,923.0 million, RMB3,304.6 million and RMB4,130.3 million as of December 31, 2021, 2022 and 2023, respectively. Our net liabilities positions as of December 31, 2021, 2022 and 2023 were primarily attributable to the contingently redeemable preferred shares and ordinary shares of RMB3,240.6 million, RMB3,536.1 million and RMB4,353.8 million, respectively. Our redeemable preferred shares and ordinary shares issued will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares and our position of net liabilities would turn into net assets upon the [REDACTED]. However, we cannot assure you that we would not incur net liabilities position in the future which can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed could materially and adversely affect our results of operations, financial conditions and business prospects.

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We recorded net current liabilities during the Track Record Period.

We recorded net current liabilities of RMB3,141.7 million, RMB3,316.8 million and RMB4,121.2 million as of December 31, 2021, 2022 and 2023, respectively, primarily attributed to contingently redeemable preferred shares and ordinary shares.

Our net current liabilities position may expose us to liquidity risks and there is no assurance that our net current liabilities positions can be improved in the future. In the event that we continue to record net current liabilities, our working capital for business operations may be constrained. If we fail to generate sufficient revenue from our operations or if we fail to maintain sufficient cash and financing resources, we may not have sufficient cash flows to fund our business operations and capital expenditure, and our business and financial position may be adversely affected.

We face exposure to fair value change for financial assets at fair value through profit or loss which would affect our financial performance and valuation uncertainty due to the use of unobservable inputs.

Our financial assets measured at fair value through profit or loss include investments in certain wealth management products issued by reputable financial institutions in China and other investment in equity securities. As of December 31, 2021, 2022 and 2023, we recorded financial assets measured at fair value through profit or loss of RMB7.7 million, RMB124.1 million and RMB34.8 million, respectively. Our Group determined the fair value of other investment in equity securities in financial assets at fair value through profit or loss based on the discounted cash flow method with the significant unobservable input as the discount rate. Any change in the discount rate would lead to an increase or decrease in the fair value of the investment.

Therefore, the valuation of fair value change of financial assets at fair value through profit or loss is subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. It may lead to changes in the fair value of financial assets at fair value through profit and loss, and changes in such fair value may affect our financial performance. In addition, the valuation methodologies may involve a significant degree of management judgment and are inherently uncertain, which may result in material adjustment to the carrying amounts of certain liabilities and in turn may materially and adversely affect our results of operations. As such, the financial assets at fair value through profit or loss valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

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We face exposure to fair value change for financial assets at fair value through other comprehensive income which would affect our financial performance.

As at December 31, 2021, 2022 and 2023, our financial assets at fair value through other comprehensive income were nil, nil and RMB47.1 million, respectively, which mainly included certificates of deposit. For details, please refer the paragraph headed “Appendix I — Accountants’ Report — Notes to the Historical Financial Information — 21. Financial assets measured at fair value through other comprehensive income” in this document. As at December 31, 2021, 2022 and 2023, the impact of expected loss of fair value through other comprehensive income was assessed to be insignificant. However, we cannot assure you that we will not incur any substantive fair value losses in the future. If we encounter substantive fair value losses, our financial performance could be adversely affected.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

During the Track Record Period, we had engaged third party agents as part of our administrative arrangements to assist with social insurance and housing provident funds’ payments. According to our PRC Legal Advisor, the administrative arrangements in engaging third party agents to assist with payments of social insurance and housing provident funds are not in strict compliance with the relevant PRC laws and regulations since the obligation to make such contributions shall rest on our Company and should not be delegated to third party agents. Therefore, we may still be considered as not having discharged our legal obligations under the relevant PRC laws and regulations as such contributions should have been made by ourselves.

Pursuant to the relevant PRC laws and regulations, employers who do not make full contributions on time to social insurance and housing provident funds may be subject to payment orders or penalties. As of the Latest Practicable Date, neither our Company nor our subsidiaries had been subject to any penalty or action for the engagement of third-party agents in relation to the payment of social insurance and housing provident funds. We cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our business, results of operations and financial conditions.

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We may be liable for failure to register and file our lease agreements in accordance with applicable laws and regulations, which may subject us to administrative penalties.

As of the Latest Practicable Date, we had entered into six lease agreements for our leased properties, and out of which, three lease agreements had not been registered and filed with the local branch of the relevant property administrative authorities within the time limit prescribed as required by the Administrative Measures for Commodity House Leasing. There is no assurance that the lessors will cooperate and complete the registration in a timely manner. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not directly affect the legality, validity and enforcement of such leases, but could result in the imposition of fines up to RMB10,000 for each of the unregistered lease if we fail to rectify the breach within the time prescribed. For details, please refer to the paragraph headed “Business — Properties” in this document.

Our insurance coverage may not be sufficient to cover all of our potential losses.

We purchase and maintain insurance policies that we believe are in line with the market practice and adequate for the operation of our business. For details, please refer to the paragraph headed “Business — Insurance” in this document. There is no assurance that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with general market practice in China, we do not carry any business interruption insurance, product liability insurance, key-man life insurance and insurance policies covering damages to our IT infrastructure or information technology systems. If we were to incur substantial losses and liabilities arisen from uninsured occurrence of business disruption, litigation or natural disaster, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, results of operations, financial conditions and business prospects. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our operations are subject to seasonal fluctuations.

We have experienced, and expected to continue to experience, seasonal fluctuations in our solutions. Seasonal fluctuations are attributed to various factors, such as customer preferences and demands in our solutions. During the Track Record Period, we generally recorded higher revenue for our solutions for the second half of the year. For details, please refer to the paragraph headed “Business — Seasonality” in this document. As such, any failure to plan our business developments and allocate our resources in consideration of seasonality of our business will result in negative impact on our operations and performance, which may in turn adversely affect our business, results of operations and financial conditions.

RISK FACTORS

Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other force majeure events may disrupt our business operations, which could materially and adversely affect our business, results of operations, financial conditions and business prospects.

In recent years, there have been outbreaks of epidemics globally. The outbreak of COVID-19 has materially and adversely affected the global economy. In response to COVID-19 pandemic, various nations have adopted, among other measures, restrictions on mobility and travel, cancellation of public activities and temporary suspension on public transportation which led to delays or disruption in our operations, including but not limited to, business activities and research and development activities. We also experienced a moderate decline in our sales in relation to our smart devices during the pandemic, which in turn, adversely affected our results of operations and financial conditions.

In addition to the impact of COVID-19 as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of other widespread health epidemic, such as monkeypox, swine flu, avian influenza, severe acute respiratory syndrome, Ebola, or Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions where we have operations could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material and adverse effect on our business, results of operations, financial conditions and business prospects.

Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities we used for operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the global economy in general. Our operations could also be severely disrupted if our customers, suppliers and distributors or other participants were affected by such natural disasters, health epidemics or other outbreaks.

We may be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, riots, political and military upheavals and other outbreaks in the country and region where we have our operations or where a portion of our audiences are located. Such events could significantly disrupt our operations and negatively impact our business, results of operations, financial conditions and business prospects.

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RISKS RELATING TO CONDUCTING BUSINESS IN JURISDICTIONS WHERE WE OPERATE

Fundamental changes in the economic, political, social, legal and regulatory conditions could adversely affect our business, results of operations, financial conditions and future prospects.

Most of our business operations are conducted in China. Accordingly, our business, results of operations and financial conditions are, to a material extent, subject to economic, political, social conditions and legal and regulatory development in China. The market conditions and levels of consumer spending in China are influenced by many factors beyond our control, including consumer perception of current and future economic conditions, levels of employment, inflation or deflation, household income, interest rates, taxation and currency exchange rates.

It may be difficult for us to predict all the risks and uncertainties that we may face from the current and future economic, political, social, legal and regulatory development in China. Any severe or prolonged negative impacts on the economic, political or social conditions of China may affect our business, results of operations, financial conditions and business prospects.

We are subject to laws and regulations in foreign jurisdictions, breaching of which could have a material and adverse impact on our business, results of operations, financial conditions and business prospects.

We have operations in foreign jurisdictions such as the U.S. and Singapore, and we are subject to laws and regulations in those jurisdictions. Foreign laws and regulations, particularly, in areas of consumer protection, import and export controls, data protection and privacy may have significant impacts on our operations. For instance, our operations in the U.S. are subject to regulations on data protection and user privacy, product liability, competition and various regulations in relation to our sales via e-commerce platforms operating in the U.S. For details, please refer to the paragraph headed “Regulatory Overview — United States laws and regulations relating to our business”.

Compliance with foreign laws and regulations may be onerous and costly. Such laws and regulations are evolving and they may not be consistent from jurisdiction to jurisdiction, which may further increase our compliance costs. In case of any regulatory investigation or rulings against us, we may face serious reputational, operational and financial consequences. We have implemented appropriate internal control policies and measures to ensure our operations in foreign jurisdictions are in full compliance. However, we cannot guarantee that our efforts in complying with such laws and regulations are sufficient and effective, and are updated in a timely manner. In addition, we may further expand our operations into other foreign jurisdictions, which will expose us to further legal risks and incur additional compliance costs to us. If we are found to be in

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breach of laws and regulations in foreign jurisdictions, we may be subject to penalties, fines and sanctions by relevant regulatory authorities, which in turn may have a material and adverse impact on our business, results of operations, financial conditions and business prospects.

Uncertainties with respect to the civil law system could have an adverse effect on our business, results of operations, financial conditions and business prospects.

Our business operations are mainly conducted through our subsidiaries in China. Our operations in China are governed by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes.

The PRC laws and regulations have continued to evolve rapidly over the past decades and provided greater protections to various form of foreign investments in China. As the interpretation and enforcement of relevant laws and regulations applicable to our business are evolving, we may be required to implement additional internal control mechanisms and policies to ensure our compliance with these applicable PRC laws and regulations, including but not limited to adjusting our relevant business operations or transactions, engaging compliance experts and recruiting compliance talents, which may incur additional costs and adverse impact on our business. Any failure to respond to changes in the regulatory environment in the PRC could materially and adversely affect our results of operations and financial conditions, and impede our ability to continue our operations.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders, and have a material adverse effect on our business, results of operations, financial conditions and business prospects.

Under the PRC Enterprise Income Tax Law that took effect on January 1, 2008 and was last amended on December 29, 2018, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform EIT tax rate of 25% on its worldwide income. On April 22, 2009, the STA issued the Notice on Relevant Issues Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “**Circular 82**”), which sets out certain specific criteria for determining whether the “de facto management body” of a PRC-controlled offshore incorporated enterprise is located in the PRC. Further to the Circular 82, on July 27, 2011, the STA issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (“**Circular 45**”), which became effective on September 1, 2011, and was last amended on June 15, 2018, to

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provide more guidance on the implementation of the Circular 82. According to the Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident enterprise by virtue of having its “de facto management body” in the PRC and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (d) not less than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. Circular 45 provides further rules on residence status determination, post-determination administration as well as competent tax authorities procedures.

We believe that none of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of our subsidiaries is subject to assessment by the PRC tax authorities. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our worldwide income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations.

The M&A Rules and certain other regulations establish complex procedures for certain acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth opportunities through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006 and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned; (ii) such transaction involves factors that have or may have impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC which became effective in 2008 and recently amended in 2022 requires that transactions which are deemed concentrations and involve parties with specified share of the market must be cleared by the SAMR before they can be completed. In addition, the Notice of the General Office of the State Council on the Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign

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Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), effective in March 2011, and Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective in January 2021, require acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before the consummation of such acquisition.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. The MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

There might be uncertainties in effecting services of legal process, enforcing foreign judgments or arbitration awards against us or our Directors and senior management personnel in the PRC.

We are an exempted company incorporated in the Cayman Islands and most of our assets are located in China and most of our operations are conducted in China as well. In addition, a majority of our Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for you to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC.

On July 14, 2006, the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”), which came into effect on August 1, 2008. Pursuant to the Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. It is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the Arrangement.

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On January 18, 2019, the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”). The New Arrangement broadens the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with certain rules without the parties’ agreement. The New Arrangement came into effect on January 29, 2024 and replaced the Arrangement.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, there is no assurance that a judgment rendered by a court outside the PRC would be recognized and enforced in a PRC court.

The permit, filing or other requirements of relevant government authorities in relation to our proposed [REDACTED] or further capital raising activities may be required under PRC laws.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of the PRC and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal listing, and the supervision over overseas listing by domestic companies. Stringent measures aimed at establishing a robust regulatory system are expected to be taken to deal with the risks associated with overseas listed companies based in or having significant operations in China, and to tackle any related cybersecurity and data security, cross-border data transmission, and confidential information management, among other matters.

Further, on February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the “**Overseas Listing Trial Measures**”), which apply to overseas offerings and listing by domestic companies of equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities, and came into effect on March 31, 2023. According to the Overseas Listing Trial

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Measures, overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity and data security and duly fulfill their obligations to protect national security, and the domestic companies may be required to rectify, make certain commitment, divest business or assets, or take any other measures as per the competent authorities’ requirements, so as to eliminate or avert any impact of national security resulting from such overseas offering and listing. No overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law, among other scenarios. The Overseas Listing Trial Measures provide that if an issuer meets both of the following conditions, the overseas securities offering and listing conducted by such issuer will be determined as an indirect overseas offering and listing subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements over the same period for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in Mainland China, or its main places of business are located in Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in Mainland China. For an initial public offering and listing in an overseas market, the issuer shall designate a major domestic operating entity to file with the CSRC within 3 working days after the relevant application is submitted overseas. For details, please refer to the paragraph headed “Regulatory Overview — Laws and regulations related to M&A rules and overseas listings” in this document.

Pursuant to these regulations, the [REDACTED] is subject to the filing requirement with the CSRC as advised by our PRC Legal Advisor. We received the filing notice issued by the CSRC dated December 21, 2023 indicating that we have completed the filing application. Nonetheless, in the event of any future events that are material to us or failure to complete overseas securities [REDACTED] and [REDACTED] within 12 months from the date of the filing notice, we are under the obligation to report such events to or update the filing application with the CSRC.

In addition, our future capital raising activities such as follow-on equity or debt offerings, listing on other stock exchanges and going private transactions, may also be subject to the filing requirement with the CSRC. Failure to complete such filing procedures as required under the Overseas Listing Trial Measures, or a rescission of any such filings completed by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in Mainland China, and other forms of sanctions that may materially and adversely affect our business, financial conditions and results of operations.

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

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. Our exchange differences on translation of financial statements which will not be reclassified to profit or loss amounted to RMB35.9 million, negative RMB195.6 million and negative RMB38.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our exchange differences on translation of financial statements of overseas subsidiaries which will be reclassified to profit or loss amounted to RMB35.3 million, negative RMB120.1 million and negative RMB27.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. For details, please refer to the paragraphs headed “Financial Information — Description of major components of our results of operations — Exchange differences on translation of financial statements” and “Financial Information — Description of major components of our results of operations — Exchange differences on translation of financial statements of overseas subsidiaries” in this document.

The [REDACTED] from this [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a 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 Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors’ investments.

The majority of our revenue and our expenses are denominated in RMB. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries. Any appreciation or depreciation in the value of RMB or other foreign currencies that our operations are exposed to will affect our business in different ways. Any significant change in the exchange rates of the HK\$ against RMB may materially and adversely affect the value of our Shares and any dividends payable on our Shares in HK\$. An appreciation of RMB against the HK\$ would also result in foreign currency translation losses for financial reporting purposes when we translate our HK\$-denominated financial assets into RMB, as RMB is the functional currency of our subsidiaries within China. Conversely, if we decide to convert our RMB into HK\$ for the purpose of making dividend

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payments on our Shares or for other business purposes, an appreciation of the HK\$ against RMB would have a negative effect on the HK\$ amount available to us. In such events, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.

The [REDACTED] we receive from the [REDACTED] would be utilized in the manner described in the section headed “Future Plans and [REDACTED]” in this document. We have a number of subsidiaries in the PRC and we may (i) make additional capital contributions to our PRC subsidiaries; (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries; (iii) make loans to our PRC subsidiaries; or (iv) acquire offshore entities with business operations in the PRC by offshore transactions. However, most of these uses are subject to PRC regulatory requirements and approvals. For example, capital contributions to our PRC subsidiaries, whether existing or newly-established ones, are subject to the registration with the SAMR or its local counterpart and the necessary filings in the enterprise registration system and the National Enterprise Credit Information Publicity System as well as the registration with a local bank authorized by the SAFE; loans by us to our PRC subsidiaries, to finance their operations cannot exceed statutory limits and must be registered with SAFE or its local branches; and medium or long term loans by us to our PRC operating entities, which are domestic PRC entities, must be approved by the NDRC and must also be registered with SAFE or its local branches.

On March 30, 2015, SAFE promulgated the Circular of SAFE on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “SAFE Circular 19”). SAFE Circular 19 reforms the administration of the settlement of the foreign exchange capital of foreign-invested enterprises by allowing foreign-invested enterprises to settle their foreign exchange capital at their discretion, but it continues to prohibit foreign-invested enterprises from, including but not limited to, using RMB funds converted from their foreign exchange capital for expenditures beyond their business scope. On June 9, 2016, SAFE promulgated the Circular of SAFE on Reforming and Standardizing the Administrative Policy over Capital Account Foreign Exchange Settlement (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the “SAFE Circular 16”). SAFE Circular 16 continues to prohibit FIEs from using the RMB funds converted from its foreign exchange capital for expenditures beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises (with the exception that such granting is expressly permitted in the business license) or constructing or purchasing real estate other than for self-use. On October 23, 2019, SAFE issued the Notice of SAFE on Further Facilitating Cross-border

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Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. Non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise of no violation of prevailing special administrative measures for access of foreign investments (negative list) and the authenticity and compliance with the regulations of domestic investment projects. SAFE Circular 19 and SAFE Circular 16 and other relevant foreign exchange rules may significantly limit our ability to transfer and use the [REDACTED] from the [REDACTED] in China, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We expect that the applicable PRC laws and regulations may continue to limit our [REDACTED] or from other financing sources. We cannot assure you that we will be able to obtain these regulatory registrations or approvals in a timely manner, if at all, with respect to future loans or capital contributions by us to our subsidiaries in China. If we fail to obtain such regulatory registrations or approvals from the relevant PRC authorities, our ability to use the [REDACTED] and to capitalize our operations in China may be negatively affected, which could materially and adversely affect our financial conditions and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular of SAFE on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular 37. Circular 37 requires PRC residents to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of the offshore special purpose vehicle's name and operation term, or any significant changes with respect to the PRC individual shareholder, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, the PRC subsidiary may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the offshore parent, and the special purpose vehicle may also be prohibited from making additional capital contributions into its PRC subsidiary. On February 13, 2015, the SAFE

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promulgated a Notice of SAFE on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

In addition, our shareholders who are PRC entities shall complete their overseas direct investment filings according to applicable laws and regulations regarding the overseas direct investment by PRC entities, including certificates, filings or registrations with the MOFCOM and NDRC or the local branch of the MOFCOM and NDRC based on the investment amount, invested industry or other factors thereof, and shall also update or apply for amendment in respect to the certificates, filings or registrations in the event of any significant changes with respect to the offshore investment.

We have notified our shareholders to comply with, or notify their beneficial owners who are PRC residents to comply with applicable PRC regulations, including the requirements of NDRC and MOFCOM and their registration obligation under Circular 37 and other SAFE rules. However, we can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our Company. Any failure or inability by such individuals or entities to comply with related regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign currency-denominated loans from, our Company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (“SAFE Circular 7”). Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other

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procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers.

In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this [REDACTED]. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and other legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiary’s ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiaries have obligations to file documents with respect to the granted share options with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

We face uncertainties regarding the reporting requirements and consequences of private equity financing transactions, private share transfers, and share exchanges involving the transfer of shares in our Company by our Shareholders or our non-PRC holding companies. According to the Circular on Certain Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), issued by the STA on February 3, 2015 (“Circular 7”), an “indirect transfer” of assets of a PRC resident enterprise, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises (“Indirect Transfer”), may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction lacks reasonable commercial purpose and was undertaken for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such Indirect Transfer may be subject to China enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to Circular 7, “PRC taxable properties” include assets of a PRC establishment or place of business, real properties in China, and equity investments in PRC resident enterprises, in respect of which gains

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from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income tax. When determining if there is a “reasonable commercial purpose” for the transaction arrangement, features to be taken into consideration mainly include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from operations in the PRC; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have a real commercial rationale which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such Indirect Transfer outside the PRC and its applicable tax treaties or similar arrangements.

As of the Latest Practicable Date, Circular 7 had not been applied to the sale of shares by investors through a public stock exchange where such shares were acquired in a transaction on a public stock exchange. However, we face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved. The PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations and associated penalties with respect to any internal restructuring, and our PRC subsidiary may be requested to assist in the filing or face additional tax liabilities. Any PRC tax imposed on a transfer of our Shares not through a public stock exchange, or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in our Company.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares and the liquidity and market price of Shares may be volatile.

There has not been a public market for our Shares prior to the [REDACTED]. There is no assurance that there will be an active trading market for our Shares on the Stock Exchange upon the [REDACTED]. In addition, the market price of our Shares to be traded on the Stock Exchange may differ from the [REDACTED] and prospective investors should not treat the [REDACTED] as an indicator of the market price of our Shares to be traded on the Stock Exchange.

Upon the [REDACTED], the trading volume and the market price of our Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, profit and cash flow, acquisitions, strategic partnerships, joint ventures or capital commitments, changes in our management and general market conditions or other developments affecting us or our industry. There is no assurance that such factors will not occur and it is difficult to quantify

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their impact on the trading volume and the market price of our Shares. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of the Shares, regardless of our operating performance or prospects.

In addition, the following factors may cause the market price of our Shares following the [REDACTED] to vary significantly from the [REDACTED]: (i) variation in our turnover, earnings and cash flow; (ii) liability claims brought against us based on, for example, defective products and solutions; (iii) our failure to execute our business strategies; (iv) any unexpected business interruptions resulting from operational breakdowns or natural disasters; (v) inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties’ intellectual property rights; (vi) any major changes in our key personnel or senior management; (vii) our inability to obtain or maintain regulatory approval for our services; and (viii) political, economic, financial and social developments. As a result, the price of our Shares may decline significantly, and you may lose a significant value on your investments.

The [REDACTED] of the Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in China that have listed their securities on the Stock Exchange may affect the volatilities in the price and trading volumes of our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, on the Stock Exchange. Some of these companies have experienced significant volatility, including significant price declines after their [REDACTED]. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the [REDACTED] of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance.

Investors will incur immediate dilution and may experience further dilution in the future.

As the [REDACTED] is higher than the net tangible asset value per Share of our Shares immediately prior to the [REDACTED], investors of our Shares in the [REDACTED] will experience an immediate dilution.

In addition, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on

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a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our [REDACTED].

The actual or perceived sale or availability for sale of substantial amounts of Shares, especially by our Directors, chief executives and our Controlling Shareholders, could adversely affect the market price of Shares.

The Shares beneficially owned by our Controlling Shareholders are subject to certain lockup periods, details of which are referred to in the paragraph headed “[REDACTED] — [REDACTED] arrangements and expenses — Undertakings pursuant to the [REDACTED] — Undertakings by our Controlling Shareholders” in this document. We cannot guarantee that our Controlling Shareholders will not dispose of our Shares following the expiration of their respective lock-up periods after the [REDACTED]. Our Group cannot predict the effect, if any, of any future disposal of Shares by any of our Controlling Shareholders, or that the Shares held by our Controlling Shareholders are available for purchase in the market may have on the market price of our Shares. Future sales, disposals, or other transfers of a substantial number of our Shares by our Controlling Shareholders in public market, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or may not have a right to vote or veto, could adversely impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

Whether and when dividends will be declared and paid in the future cannot be assured.

Our ability to declare dividends will depend on our results of operations, operating and capital expenditures requirements, financial conditions, profitability and distributable profits, contractual restrictions and obligations, applicable PRC laws and regulations such as the PRC Company Law, our Articles of Association and other constitutional documents, macroeconomic conditions, our strategic and commercial business plans, taxation, regulatory restrictions and any other factors from time to time that our Directors consider relevant. Moreover, dividend declaration and distribution will be at the discretion of our Board and will be subject to the approval at the general meeting. As a result, we cannot assure you whether, when and in what form we will make any dividend payments on our Shares in the future. For details, please refer to the paragraph headed “Financial Information — Dividend” in this document.

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

Our Directors and management will have considerable discretion in the application of the [REDACTED] received by us from the [REDACTED]. The [REDACTED] may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the price of Shares. The [REDACTED] from the [REDACTED] may be placed in investments that do not produce income or that lose value. You will not have the opportunity, as part of your investment decision, to assess whether [REDACTED] are being used appropriately.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they are under statutes or judicial precedents in existence in other jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong. As a result of all of the above, Shareholders may have more difficulty in exercising their rights and protecting their interests in the face of actions taken by the management of our Company, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various official government sources contained in this document.

This document, particularly the section headed “Industry Overview” in this document, contains information and statistics relating to the market of AI industry in China. Such information and statistics have been derived from various official government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. However, we cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources contained in this document because any facts, forecasts and other statistics

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from such sources may not be prepared on a comparable basis or may not be consistent with other sources. Neither we nor the other parties involved in the [REDACTED] are responsible for the accuracy, reliability or completeness of the information from such sources. Prospective investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" or other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, 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.

Prospective investors should read the entire document carefully, and we strongly caution prospective investors not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

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