An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our H Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) key risks relating to our business, industry, regulatory compliance, general operations and financial prospects; (ii) risks relating to our business; (iii) risks relating to our industry; (iv) risks relating to regulatory compliance; (v) risks relating to our financial position and need for additional capital; (vi) risks relating to our general operations; (vii) risks relating to doing business in China; and (viii) risks relating to the [**REDACTED**]. Additional risks and uncertainties that are presently not known to us or that we currently deem immaterial could also have a material adverse effect on our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

KEY RISKS RELATING TO OUR BUSINESS, INDUSTRY, REGULATORY COMPLIANCE, GENERAL OPERATIONS AND FINANCIAL PROSPECTS

If we fail to continuously develop and innovate our CoAI solutions to meet enterprise-level users' evolving needs, our business, financial condition and results of operations may be materially and adversely affected.

Our business growth relies on our ability to retain existing customers, attract new customers, and increase sales to both new and existing customers, which depends essentially on our ability to provide advanced CoAI solutions that meet enterprise-level users' evolving needs at competitive prices and our continuous improvement and enhancement of the functionality, performance, reliability, design, security and adaptability of our CoAI solutions. However, we may experience difficulties in developing new CoAI technologies as it is costly and time-consuming, which in turn could delay or prevent the development, enhancement, introduction or implementation of any new CoAI solutions. As we have been and will continue expanding our customer base and diversifying industry verticals that we cover, to the extent we are not able to provide CoAI solutions that meet users' requirements, or we are not able to improve and enhance the functionality, performance, reliability, design, security and adaptability of our CoAI solutions in a manner that responds to users' evolving needs, our existing customers may not spend more on our CoAI solutions and we may not be able to attract new customers. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

CoAI technologies are still at preliminary stages of development and will continue to evolve. Flaws or deficiencies in CoAI technologies could undermine the accuracy and thoroughness of the decisions and analyses made by the relevant products, services or solutions. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies with our CoAI technologies in a timely manner, or at all. Any flaws or deficiencies in our CoAI technologies, whether actual or perceived, could result in competitive disadvantages, potential legal liabilities, and reputational damages. Moreover, insufficient, low-quality or inaccurate data could materially affect the performance of our CoAI solutions. The information available to us, our customers or end users may be limited, and we cannot ensure the accuracy and timeliness of the various sources of data used for various reasons. In such events, our CoAI solutions may not be able to generate satisfactory results. Consequently, there may be negative conceptions about our CoAI solutions, which could adversely affect our business and reputation.

Similar to many innovations, CoAI technologies present social and ethical risks and challenges, such as potential misuse by third parties for inappropriate purposes or biased applications that could affect user perception and public opinion. Any inappropriate, abusive or premature usage of CoAI technologies, whether actual or perceived, intended or inadvertent, committed by us or third parties, may dissuade prospective users from adopting CoAI services or solutions, impair the general acceptance of CoAI technologies by the society, attract negative publicity and adversely impact our reputation, and affect views of policymakers and regulators. It may even violate applicable laws and regulations in China and/or other jurisdictions where we operate and subject us to legal or administrative proceedings, pressures from activists and/or other organizations and heightened regulatory scrutiny. Each of the foregoing events may in turn materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

We may be subject to product liability claims or negative publicity if our solutions contain or are perceived to contain defects, which may damage our reputation and negatively affect our business, financial condition and results of operations.

The technologies underlying our solutions are inherently complex and may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when new features or capabilities are released or when integrated with new or updated third-party hardware or software. In particular, the source of interruptions that our solutions may experience, which could be caused by our solutions themselves, the products or services of our third-party vendors, or equipment and networks of our customers or end users, may be difficult to identify. Therefore, we may not be able to successfully correct serious errors, defects, security vulnerabilities or software issues in a timely and cost-effective manner, or at all.

Given that many customers or end users use our solutions in processes that are critical to their businesses, any error, defect, security vulnerability or software issue in our solutions could result in their losses. As a result, our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. In addition to incurring significant expenses to remediate such defects, product liability claims or legal proceedings may be brought against us. Even if unsuccessful, a claim brought against us by any of our customers would likely be time-consuming and result in funds and managerial efforts in defending thereagainst. In addition, our customers or end users may share information about their negative experiences publicly, which could damage our reputation and result in a loss of future sales. Any of the foregoing could result in revenue loss, significant expenditures of capital, and a delay or loss in market acceptance, therefore having an adverse effect on our business, financial condition and results of operations.

As the industry in which we operate is highly competitive, our results of operations could be harmed if we do not compete against our current or future competitors effectively.

The industry in which we operate is relatively new, rapidly evolving and highly competitive. We face competitions in various aspects of our business, including, among others, the comprehensiveness and adaptability of solutions, brand recognition, ability to continuously innovate solutions, and vertical expertise in developing industry-specific solutions. According to the iResearch Report, we are the second largest full-stack enterprise-level CoAI solution provider in China, as measured by revenue in 2022. We face competitions from other companies that have transitioned from communication technology services to AI research and development and thus have full-stack service capabilities, traditional communication technology service companies, intelligent speech and semantic companies, and general AI companies. For details, see "Industry Overview – CoAI Solution Market in China – China's Full-Stack Enterprise-Level CoAI Solution Market – Competitive Landscape" in this document. Some of our competitors can devote significantly greater resources than we can to the development, promotion and sales of their products, services and/or solutions, and have the ability to initiate or withstand substantial price competition. Our competitors may also have longer corporate operating history, or have or in the future gain more financial resources and sophisticated technological capabilities, as well as broader customer base and relationships than us. Furthermore, our current or potential competitors may be acquired by third parties with significantly greater resources and therefore gain competitive advantages. Additionally, our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources and ability to compete. Last but not least, as we expand into new technological areas and industry verticals, the basis for competition will be different and we are likely to face additional competitors. By contrast, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demand than us.

With the introduction of new technologies and entry of new market participants who may offer lower prices or new technologies and products, we expect the competitions to continue to intensify in the future. If we fail to predict the right combination of market and technologies and our competitors' products, services and/or solutions become more accepted than ours, if they are successful in bringing their products, services and/or solutions to market earlier than ours, or if their products, services and/or solutions are less expensive or more technologically capable than ours, our competitive position could be harmed, which may result in lower sales, price reductions and reduced margins. Further, we may be compelled to make substantial additional investments in research and development, marketing and sales, recruiting and retaining innovative talents, and acquiring technologies complementary to, or necessary for, our current and future solutions in order to respond to such competitive threats, and we cannot assure you that such endeavors will be successful. If we are unable to differentiate ourselves in the intense competitions, or if competing successfully requires us to take costly actions in response to the actions of our competitors, we may not be able to retain existing customers or attract new customers, which will materially and adversely affect our results of operations.

As our business is subject to complex and evolving laws, regulations and governmental policies regarding cybersecurity, privacy and data protection, actual or alleged failure to comply with applicable laws, regulations and governmental policies could damage our reputation, deter current and potential customers or end users from using our solutions, and subject us to significant legal, financial and operational consequences.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies on privacy and data protection in the past few years, to which our business may be subject. For example, on June 10, 2021, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which came into effect on September 1, 2021. The *PRC Data Security Law* stipulates data security obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests or legitimate rights and interests of individuals or organizations when such data are tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data processing activities which may affect national security as well as imposes export restrictions on certain data and information. On August 20, 2021, the SCNPC issued the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》), coming into effect on November 1, 2021, which reiterates the circumstances under which a personal information processor could process personal information and the requirements thereunder. The *PRC Personal Information Protection Law* clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent.

As the regulatory requirements on privacy and data protection are relatively new, complex and constantly evolving, which can be subject to varying interpretations or significant changes, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the effectiveness of our privacy and data protection measures is also subject to system failures, interruptions, inadequacy, security breaches or cyberattacks. In addition, as the enterprises that we serve expand their footprints globally, they may leverage our solutions in other countries or territories outside the PRC, which may thus subject us to laws and regulations regarding privacy and data protection in such jurisdictions. Any failure or perceived failure by us to comply with applicable laws and regulations on privacy and data protection may result in governmental investigations, inquiries, enforcement actions and prosecutions, private claims and litigation, fines and penalties, adverse publicity or potential loss of business, which could damage our reputation, deter current and potential customers or end users from using our solutions and subject us to significant legal, financial and operational consequences.

On November 14, 2021, the CAC released the *Network Data Security Management Regulations (Draft for Comment)* (the "**Draft Regulations**") (《網絡數據安全管理條例(徵求意見稿)》). The Draft Regulations stipulate several requirements for entities who process data through the use of networks, including that data processors shall (i) be responsible for the security of the data it processed and shall undertake data protection obligations; and (ii) establish comprehensive data protection system and technical protection mechanism. As of the Latest Practicable Date, the Draft Regulations had only been released for consultation purposes, and some of the requirements under the Draft Regulations were subject to more specific implementing rules, so there still remained uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects. As such, we cannot predict the impact of these draft measures, if any, at this stage, and will closely monitor and assess any development in the rule-making process. On December 28, 2021, the CAC and 12 other relevant PRC government authorities published the amended *Cybersecurity Review Measures* (《網絡安全審查辦法》), which became effective on February 15, 2022, and superseded and replaced the *Cybersecurity Review Measures* previously promulgated on April 13, 2020. The *Cybersecurity Review Measures* provide that cybersecurity review shall be conducted with respect to (i) critical information infrastructure operators purchasing network products and services; and (ii) internet platform operators carrying out data processing activities in a manner which affects or may affect national security. In addition, the relevant PRC governmental authorities may initiate cybersecurity review if they determine certain network products, services, or data processing activities affect or may affect national security. There can be no assurance that we will not be 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, or at all.

Even if we endeavor to comply with the aforementioned cybersecurity regulations, we may not always be able to do so due to a lack of detailed implementing rules by relevant government authorities. In addition, some provisions under certain laws and regulations still remain at the principle level and lack specific interpretation up to date, especially to a specific case scenario. Nevertheless, failure to comply with the cybersecurity requirements in a timely manner, or at all, may result in reputational damages and subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, and revocation of relevant business permits or licenses, among other sanctions, which could materially and adversely affect our business and results of operations.

We expect that there may continue to be newly proposed laws, rules, regulations and industry standards concerning cybersecurity, privacy and data protection. As a result, we may be required to upgrade or adjust our solutions to ensure continuous compliance. However, the uncertainties and changes in the relevant regulatory requirements and standards may increase our costs of compliance, delay or reduce demand for our solutions, and affect the way in which we operate, any of which could harm our business, financial condition and results of operations.

Our historical growth may not be indicative of our future performance, and any failure to effectively manage our growth could materially and adversely affect our business, financial condition and results of operations.

We achieved significant growth during the Track Record Period, as our revenue increased from RMB347.2 million in 2020 to RMB459.9 million in 2021, and further to RMB515.0 million in 2022 at a CAGR of 21.8% from 2020 to 2022. Meanwhile, our gross profit increased from RMB111.8 million in 2020 to RMB152.2 million in 2021, and further to RMB201.5 million in 2022 at a CAGR of 34.3% from 2020 to 2022. However, our historical growth may not be indicative of our future performance. We cannot assure you that this level of significant growth will be sustainable or achievable in the future for various reasons. Specifically, our growth prospects depend on a number of factors, including but not limited to, our ability to continuously:

- maintain and upgrade our technology infrastructure, and develop new technologies;
- further commercialize our solutions;
- expand the features and capabilities of our solutions;
- attract new customers and retain existing ones;

- successfully complete and deliver our existing projects to the satisfaction of our customers and/or end users, as well as identify, develop and acquire new project opportunities;

- achieve widespread acceptance and use of our solutions;

- provide effective and timely customer support;

- maintain the security and reliability of our solutions;

- expand our sales force adequately and increase our brand awareness through marketing and promotional activities;

- attract, retain and motivate key employees, including research and development talents as well as staff with in-depth industry know-how;

- price our solutions effectively without compromising our profitability;

- successfully compete against established companies and new market entrants;

- expand into new industry verticals and launch new solutions;

- further expand our business internationally;

- comply with existing and newly enacted applicable laws, regulations and governmental policies; and

- defend ourselves against litigations and regulatory, intellectual property, privacy, data protection or other claims.

If we are unable to accomplish any one of these goals, our revenue growth may be harmed. Further, all of the aforementioned endeavors will require significant capital expenditures, research and development expenses, operating expenses, and allocation of valuable management and employee resources. If our revenue does not increase sufficiently to offset such expenditures, we may not be able to achieve or maintain profitability.

Our growth may also decline due to a variety of risks and uncertainties frequently experienced by growing companies in rapidly evolving industries that we may encounter in the future but not be able to address successfully. Moreover, expansion in new businesses, while introducing more monetization opportunities, may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to implement all such business systems, operation procedures and control measures effectively, which could hamper our growth and materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS

If we are not successful in maintaining and expanding the compatibility of our solutions with a variety of hardware platforms and software applications developed by others, we may become less competitive and our results of operations may be adversely affected.

The competitive position of our solutions depends in part on their ability to operate with a variety of hardware platforms and software applications developed by third parties. As we intend to integrate additional communication channels into our systems and make our solutions available across a variety of IT systems, devices and platforms that we do not control, the compatibility therewith is critical to the performance of our solutions. In recent years, smart devices including mobile phones, tablets, wearable devices and other IoT devices have gained increasing popularity. We expect this trend of technological developments to continue as more advanced mobile communication technologies are broadly implemented. IT systems deployed by customers or end users are also diversified and vary from each other. As such, we must continuously modify and enhance our solutions to adapt to changes in hardware, software, networking, browser, and database technologies.

However, changes to technologies used in our solutions or hardware platforms and/or software applications that we intend to integrate may make it difficult for our customers or end users to access our solutions. For instance, in the future, one or more technology companies may choose not to support the operation of their hardware, software, or infrastructure that our technologies are compatible with, or our technologies may not support the capabilities needed to operate with such hardware, software, or infrastructure. Moreover, if a third party were to develop software, products or services that compete with ours, such third party may choose not to support one or more of our technologies. As a result, failure to ensure compatibility of our solutions with third-party hardware platforms and software applications may negatively affect our competitive edge, reduce the demand for our solutions, and result in user dissatisfaction, which could harm our results of operations.

Any failure to offer high-quality maintenance services and technical support may harm our relationships with our customers and/or end users and thus materially and adversely affect our business and results of operations.

Our business depends on our ability to satisfy our customers and/or end users, not only with respect to our solutions but also the maintenance services and technical support that are performed to enable them to implement and use our solutions in order to address their business needs. As we continue to grow our operations and support our customer base, we need to be able to continue to provide effective maintenance services and efficient technical support at scale. Any return, exchange and warranty policies that we adopt from time to time to improve their experience and promote customer loyalty could nevertheless subject us to additional costs and expenses which we may not recoup through increased revenue. If we revise these policies to reduce our costs and expenses, however, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace. Also, if we experience increased demand for maintenance services and technical support, we may face increased costs and not be able to recruit or retain sufficient qualified support personnel with experiences in such supporting performance. As a result, we may be unable to respond quickly enough to accommodate short-term increases in demand for maintenance services and technical support. In addition, we also may be unable to modify the future scope and delivery of our maintenance services and technical support to align with changes in that provided by our competitors.

If our customers and/or end users are not satisfied with the deployment and ongoing services performed by us, the demand for which may increase continuously, we could lose our customers, miss opportunities to expand our business with such customers, incur additional costs, and lose, or suffer reduced margins on, our revenue. In addition, negative publicity related to our maintenance services and technical support, regardless of its accuracy, may further damage our business and results of operations by affecting our ability to compete for new businesses.

Our business depends substantially on continuing efforts of our senior management, core technical personnel and other key staff, as well as a competent pool of talents supporting our existing operations and future growth. If we are unable to retain, attract, recruit and train such personnel, our business and future prospects may be materially and adversely affected.

Our future success depends substantially on continuing efforts of our senior management, core technical personnel and other key staff. In particular, we rely on the expertise, experience and vision of our leadership team in the areas of research and development, marketing and sales as well as other functions, and other key individual contributors. If any senior member of our management becomes unable or unwilling to continue to contribute his/her services to us, we may not be able to find replacement easily, or at all. As a result, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.

To execute our growth plan, we must also retain, attract, recruit and train a considerable number of qualified personnel. Competitions for these personnel are intense, and we expect to continue to experience difficulties in hiring and retaining employees with appropriate qualifications. In order to compete for talents, we may need to offer higher compensation, better trainings, more attractive career opportunities and other benefits to our employees, which may be costly and burdensome. Also, many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from our competitors or other companies, such competitors or former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources and potential damages. In addition, our investments of significant time and expenses in training our employees increase their value to competitors who may seek to recruit them. Furthermore, any disputes or legal proceedings between us and our employees or any labor-related regulatory authorities may divert our management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. Last but not least, our ability to train and integrate new employees into our operations may not meet the demand for our growing business. Any of the above issues related to our workforce may materially and adversely affect our business and future prospects.

Our business is subject to system and data security risks, and our technology infrastructure may experience unexpected system failures, interruptions, inadequacy, security breaches or cyberattacks, which may harm our reputation, business and results of operations.

Nowadays, cyberattacks, distributed denial of service attacks, hacking and phishing attacks, security breaches, computer malware and other malicious internet-based activities continue to increase. Our business is at risk of similar attacks and breaches. While we have adopted and implemented security protocols, network protection mechanisms, applicable recovery systems or other defense procedures, we cannot assure you that these measures are, or will be, adequate to prevent any of such attacks or breaches and protect us from any network or service interruptions, system failures or data losses. We may not be able to anticipate or prevent all techniques that could be used to obtain unauthorized access or to compromise our systems because such techniques change frequently and are generally not recognizable until after an incident has occurred.

In addition, our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may also be vulnerable to damages or interruptions caused by telecommunication failures, power losses, human errors, fires, floods, earthquakes and other natural disasters, or other accidents. Despite any precautionary measures we will take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability or performance of our solutions.

As we cannot be certain that we will be able to address or respond to any vulnerabilities in our software systems and technology infrastructure in a timely manner, or at all, any of the aforementioned risks may cause interruptions to our operations, affect the ability of customers or end users to use our solutions and reduce their satisfaction, harm our revenue and profitability, and require us to allocate significant capital and other resources to alleviate problems caused thereby. Moreover, security or technology infrastructure related incidents experienced by us, or by others such as our competitors, customers or end users, may lead to public disclosures and widespread negative publicity against us, our customers or end users, or the industry in which we operate generally. Concerns regarding information security may thus cause our existing customers to lose confidence in the security of our solutions, stop using or promoting our solutions and decline to renew their agreements with us, which will make it harder for us to acquire new customers and further affect our business, financial condition and results of operations. In addition, security breaches or unauthorized access to confidential information could subject us to legal or regulatory actions and liabilities under laws and regulations on privacy and data protection. For details, see "– Key Risks Relating to Our Business, Industry, Regulatory Compliance, General Operations and Financial Prospects – As our business is subject to complex and evolving laws, regulations and governmental policies regarding cybersecurity, privacy and data protection, actual or alleged failure to comply with applicable laws, regulations and governmental policies could damage our reputation, deter current and potential customers or end users from using our solutions, and subject us to significant legal, financial and operational consequences" in this section.

A substantial portion of our business depends on sales to the public sector. Uncertainties and changes in government policies in respect of, and government spending on, CoAI products, services and/or solutions may negatively affect our business, financial condition and results of operations.

During the Track Record Period, portions of our business depend on sales to the public sector, which can be expensive and time-consuming, and require significant upfront time and expenses without any assurance that these efforts will generate a sale. Moreover, government spending and the decision-making process are contingent upon various factors that are not necessarily related to the features of our solutions and are subject to changes beyond our control, such as the future growth of urban population or changes in government's fiscal policy. There is no assurance that government spending that relates to our business will continue to grow or remain at the current level. Accordingly, our business, financial condition and results of operations may be adversely affected by certain events or activities, including, but not limited to:

- changes in governmental fiscal or procurement procedures or decreases in available government spending;
- changes in policies or priorities and resultant funding;
- changes in the government's assessment of the capabilities that we offer;
- long payment cycle as required by the government's internal financial management and payment approval processes;
- appeals, disputes, or litigations relating to governmental procurement, including but not limited to bid protests by unsuccessful bidders on potential or actual awards of contracts granted to us or our business partners by the government;
- additional selection processes administered by the system integrators engaged;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- budgetary constraints, including constraints imposed by any lapses in appropriations for the governments or certain of their departments and agencies;
- influences by, or competitions from, third parties with respect to existing, pending or new contracts with governmental or public sector customers; and
- potential delays or changes in the government appropriations, including as a result of incidents of natural disasters or epidemics and public health concerns.

Any such event or activity, among others, could cause governmental and public sector customers to delay or refrain from purchasing our solutions in the future, reduce the size or payment amounts from existing or new governmental or public sector customers, or otherwise have an adverse effect on our business, financial condition and results of operations.

Moreover, our growth in a broader sense depends in part on favorable government policies in respect of the industry in which we operate and on CoAI products, services and/or solutions. However, such policies may be subject to changes that are beyond our control, and there can be no assurance that government policies favorable to us will continue. Uncertainties and changes in such policies may have a material adverse impact on our business, financial condition and results of operations.

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

Leveraging our CoAI technologies, we are able to provide innovative solutions designed to address diversified needs of enterprise-level users across different industry verticals. While we have a track record of successfully expanding into new industry verticals and developing new solutions, we cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding offering categories into new areas involves new risks and challenges. Our lack of familiarity with new industry verticals may make it more difficult for us to keep pace with the evolving user demand and preferences. In addition, there may be one or more existing market leaders in any industry vertical in which we decide to expand, and such companies may be able to compete more effectively than us by leveraging their experiences in doing business in that market as well as their deeper industry insights and greater brand recognition among users therein. We may also be required to develop new business relationships and capabilities, and comply with new laws and regulations applicable to these businesses. Moreover, expansion into any new industry vertical and development of new solutions may place a significant strain on our management and resources, and cause us to incur substantial research and development and other costs and expenses before generating any revenues. Any failure to expand successfully could have a material adverse effect on our business and growth prospects.

We may fail to effectively implement our future expansion and acquisition plans, which may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have made investments and acquisitions in recent years, such as our acquisitions of Yuanya Information and Jinxun Digital Intelligence. For details, see "History, Development and Corporate Structure – Acquisitions During the Track Record Period" in this document. We may in the future evaluate and consider a wide array of acquisitions and investments that we believe are complementary to our growth strategies, particularly those that can help us enrich our solution offerings, enhance our technologies, and expand our customer base. Acquisition processes involve certain known and unknown risks that could impose significant challenges, including but not limited to that:

- we may not be able to identify suitable acquisition candidates or to consummate acquisitions on acceptable terms in a timely and cost-effective manner, or at all;
- we may compete with others to acquire complementary businesses and technologies, which could result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing on favorable terms, or at all, to finance any or all of our potential acquisitions;
- our results of operations may be harmed due to dilutive issuances of equity securities, the use of our available cash or incurrence of debts; and
- our acquisition activities may be subject to various laws, rules and regulations, including that on antitrust and competition, of the PRC and other countries in connection with any proposed acquisitions.

Even if a planned acquisition were consummated, we might not be able to achieve the anticipated benefits or synergies from our acquired businesses due to a number of factors, including but not limited:

- difficulties in integrating the acquired personnel, products and/or solutions, operations and technologies, or effectively managing the combined business following the acquisition;
- unanticipated costs or liabilities associated with the acquisition that may adversely affect us following the acquisition;
- for investments over which we do not obtain management and operational control, lack of influence over the controlling partners or shareholders, which may prevent us from achieving our strategic goals in such investments;
- new regulatory requirements and compliance risks that we become subject to as a result of investments or acquisitions in new industries;
- actual or alleged misconduct or non-compliance by the acquired company (or by its affiliates) that occurred prior to our acquisition, which may lead to negative publicity, government inquiries or investigations against such company or us;
- difficulties in converting the customers of the acquired business to our solutions due to disparities in the business model of the acquired company;

- potential issues with the technologies, internal controls and financial reporting of the acquired company;

- increased operating costs and expenses;

- disruptions of our ongoing business and diversion of management's attention from other business concerns;

- harm to our existing relationships with our business partners as a result of the acquisition;

- the occurrence of significant goodwill impairment charges and amortization expenses for other intangible assets;

- the loss of our or the acquired business's key employees and established customer relationships; and

- diversion of resources that could have been more effectively deployed in other parts of our business.

Any negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

If we are unable to manage the risks related to our expansion in international markets, which involves various technical and regulatory risks and uncertainties, our business, financial results and prospects may be adversely impacted.

As we may explore business opportunities in overseas markets and regions, our international operations and expansion efforts may result in allocation of significant resources and management attention, and subject us to intellectual property, regulatory, economic and political risks and uncertainties that are different from those in the PRC. As we increase our international sales efforts, the various risks and uncertainties that we may face include but are not limited to:

- the need to localize and adapt our solutions for specific countries, including translation into foreign languages and the associated costs and expenses;

- difficulties in staffing and managing foreign operations, particularly in hiring and training qualified sales and service personnel;

- different pricing environments, potentially longer sales and accounts receivable payment cycles and collections issues;

- challenges in commercializing our solutions in new markets where we have limited experiences with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- new and different sources of competitions;

- general economic conditions and political instability in international markets and the unexpected changes thereof;

- fluctuations in between the value of Renminbi and foreign currencies, which may make our solutions more expensive in other countries or may impact our results of operations when our revenue are translated into Renminbi;

- compliance challenges related to the complexity of conflicting and changing territorial and trans-jurisdictional laws and regulations, including that on privacy and data protection, employment, tax and telecommunications, and obtaining the necessary licenses, permits and approvals;

- weaker protection for intellectual property and other legal rights, and practical difficulties in enforcing or defending against claims thereof;

- increased risk of international telecom fraud;

- laws and business practices favoring local competitors;

- increased financial accounting and reporting burdens and complexities; and

- restrictions on the transfer of funds.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material adverse effect on our business, financial condition and prospects.

Failure to expand our sales and marketing capabilities could limit the number of customers we serve and the spending by our customers, and materially and adversely affect our ability to grow and expand.

Our ability to increase our customer base and achieve broader market acceptance of our solutions will depend to a considerable extent on our ability to expand our sales and marketing capabilities. As our business grows, we may need to strengthen our sales and system integration capabilities by expanding our direct sales teams, providing more training opportunities and upgrading our sales management system. Our business may be harmed if we fail to retain key members of our direct sales force or if our efforts, and the expenses incurred, to retain, expand and train our direct sales force do not generate a corresponding increase in revenue. In addition, our sustained success also requires continued efforts to develop and maintain stable relationships with third-party solution business partners and increasing the sales opportunities that they refer to us. If we fail to do so, or if they are not successful in their sales efforts, we may be unable to grow and expand our business, and our results of operations and financial condition could be materially and adversely affected.

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

We may not be able to effectively retain our customers after the initial sale, and there is no assurance that our customers will repurchase from us within a short period of time, or at all. As the industry in which we operate matures, or as our competitors introduce less costly and/or differentiated products, services and/or solutions that are perceived to compete favorably against ours, our ability to attract new customers and retain or upsell existing customers could be impaired. While we consider our existing business relationships with our customers stable and it is unlikely that they will casually change suppliers of similar solutions, there can be no assurance that we will always be able to renew our agreements with existing customers, attract new customers or develop new business from existing customers. In particular, if we lose any of our key customers or if such customers reduce their purchase of our solutions, our business, results of operations and financial condition could be significantly impacted.

It may not be possible for us to predict the level of demand of our customers for our solutions, which may be affected by a combination of factors beyond our control. For instance, our customers may not be able to sustain or grow their business operations and may as a result cancel or reduce their purchase of our solutions. Our revenue from customers in a particular industry may fluctuate due to different reasons, including factors affecting the industry verticals we focus on such as market or economic conditions, development in regulatory requirements and release of new government policies. If certain enterprises that we serve elect to or are mandated to terminate or reduce their operations due to changes in laws and regulations or interpretation of the existing ones, our business and results of operations may be materially and adversely affected.

Our sales cycle can be lengthy and unpredictable and requires considerable time and expenses under certain circumstances, and we may encounter configuration, integration, implementation and customer support challenges that could affect our results of operations.

Our sales cycle primarily consists of initial communications, project evaluation and design, proof of concept and contracts execution, which varies from project to project and can be lengthy and unpredictable under certain circumstances. As some customers or end users may not have prior experiences with CoAI products, services or solutions, they may spend significant time and resources evaluating our solutions before they deploy our solutions. Similarly, we typically spend time and efforts determining their requirements and educating them about the usage, technological capabilities and benefits of our solutions. As a result, our sales efforts may require a significant investment of human resources, time and expenses, including that by our management. Moreover, it may not always be possible for us to accurately forecast whether we will secure the contract, when a potential sale will close, the size of the customer's initial service order and the period over which the implementation will occur, any of which may impact the amount of revenue we recognize or the timing of revenue recognition. If our sales efforts to a potential customer do not result in sufficient revenue to justify our investments, our results of operations could be adversely affected.

In addition, we may experience challenges in configuring, integrating and implementing our solutions and providing ongoing support. As customers' or end users' networks and operational systems may be complex, the configuration, integration and implementation of our solutions for them may require substantial time and resources. There can be no assurance that they will make available to us the necessary personnel and other resources for a successful configuration. The lack of local resources may prevent us from proper configurations, which can in turn adversely impact the quality of solutions that we deliver over their networks, and may result in delays in the implementation of our solutions. If a customer is unsatisfied with the quality of support services that we provide, we may need to incur costs beyond the scope of our contract therewith in order to address the issue, which may in turn reduce or eliminate the profitability of the contract. In addition, negative publicity related to our customer relationships, regardless of its accuracy, could harm our reputation and make it more difficult for us to attract new customers and retain existing ones. Hence, any failure to effectively execute the sale, configuration, integration, implementation and ongoing support of our solutions will materially and adversely affect our results of operations and overall ability to grow our customer base.

Our business relies on the communication infrastructure and telecommunications resources provided by third parties and any disruption of, or interference with, our use of such third-party services would adversely affect our business, results of operations and financial condition.

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in China are connected to the internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the internet outside of China. As such, we may not have access to alternative networks in the event of disruptions, failures or other problems with China's internet infrastructure, which may not always support the demand associated with continued growth in internet usage.

Moreover, we rely on major telecommunications companies in China to provide uninterrupted and error-free services necessary for our solution offerings through their telecommunications networks. We exercise little control over them, which increases our vulnerability to problems with the services they provide. For instance, the failure of telecommunications network operators to provide us with the requisite bandwidth could interfere with the functionality and availability of our solutions. Also, these telecommunications companies possess significant bargaining power and may change their service terms or other policies at discretion. If the prices that we pay for telecommunications and internet services rise significantly, our gross margins and operation plans could be adversely affected. As a result, any disruption, or interference with, our use of such third-party services would adversely affect our business, results of operations and financial condition.

Misconduct, non-compliance or omissions by our employees or third parties involved in our business could harm our results of operations and reputation.

Misconduct and omissions by our employees could subject us to liabilities or negative publicity. For instance, the information that we process or transmit in our business may be subject to improper disclosure and misappropriation by our employees. We are also exposed to the risk of other types of employee misconduct, including failing to comply with government regulations, whether intentionally or not, engaging in unauthorized activities and misrepresentation during marketing activities. Despite our strict human resources risk management policies implemented, there can be no assurance that our employees will not engage in misconduct or omissions that could materially and adversely affect our results of operations and reputation.

Misconduct and omissions by our business partners, including our various suppliers, service providers and customers, as well as other third parties who have established business relationships with our business partners, could also subject us to liabilities or negative publicity. Although we have strict standards to choose our business partners, they may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third parties have infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot assure you either that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. It is not always possible to deter third-party misconduct, and the precautions we take to prevent and detect such misconduct may not be effective in controlling unknown or unmanaged risks or losses. As we cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties, any legal liability and regulatory action on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

Our arrangements with third-party business partners in our operations reduce our control over the quality, development, and deployment of our solutions and could harm our business.

We engage third parties in our business operations, including procuring certain hardware components and other equipment, outsourcing certain non-core and less sophisticated research and development projects to third-party vendors, and collaborating with system integrators for the sales of our solutions. Such arrangements may reduce our direct control over the quality, development and deployment of our solutions, and any failure of our third-party business partners to perform their responsibilities or be in compliance with all applicable laws and regulations may have a material negative impact on our business. For instance, our third-party business partners may experience operational difficulties, including supply shortages, reductions in the availability of production capacity, failures to comply with product specifications, failures to meet delivery deadlines, and/or insufficient quality control. Our third-party business partners may also experience disruptions in their operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, environmental non-compliance issues or other similar problems. In addition, we may not be able to renew contracts with our third-party vendors or identify qualified substitutes who are capable for providing the equipment and services that we need for our solutions.

For details of our reliance on the communication infrastructure and telecommunications resources provided by third parties and the risks related thereto, see "– Our business relies on the communication infrastructure and telecommunications resources provided by third parties and any disruption of, or interference with, our use of such third-party services would adversely affect our business, results of operations and financial condition" in this section.

The termination of any collaborations with our partners for joint research and development projects may adversely affect our business prospects.

We entered into strategic partnerships with certain partners for joint research and development projects and other initiatives. For details, see "Business – Research and Development" in this document. We expect to continue our substantial collaborations with our partners in various aspects. However, there can be no assurance that our partners will not discontinue their collaborations with us or collaborate with any of our competitors. In the event that such collaborations suspend, expire or are terminated by our partners, we cannot assure you that we will be able to establish new partner relationships or extend existing relationships with our partners. If we are unable to maintain our relationships with our key partners, any of our collaborations with our key partners is terminated, or we are unable to establish substitute partner relationships, we will need to improve the research and development capabilities solely on our own and our business prospects may be materially and adversely affected.

Our use of open-source software could impose limitations on our business operations, and certain software we use leverages open-source codes, which, under certain circumstances, may lead to unintended consequences and, therefore, could materially and adversely affect our business, results of operations and financial condition.

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

The use of open-source software subjects us to a number of other risks and challenges. As certain software we use leverages open-source codes, we may, under certain circumstances, be subject to unintended consequences that could materially and adversely affect our business, results of operations and financial condition. Open-source software is subject to further developments or modifications by anyone. It is also possible for competitors to develop their own products, services and/or solutions using open-source software, potentially reducing the demand for our solutions or rendering them no longer useful. If we are unable to successfully address these challenges, our business, results of operations and financial condition may be adversely affected, and our development costs may increase.

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.

We consider our patents, copyrights, trademarks, domain names, trade secrets and other intellectual properties critical to our success and rely on a combination of intellectual property laws, trade secrets protection, intellectual property ownership clauses with our employees to protect these rights. However, the steps we take to secure, protect and enforce our intellectual property rights may be inadequate. We may not be able to obtain any further patents or trademarks, any of our patents upon grant could be invalidated or our competitors could design their products around such patented technologies, and our pending applications may not result in the issuance of patents or trademarks. Consequently, we may be unable to prevent our proprietary technologies from being infringed or exploited, which could require costly efforts in order to protect our technologies.

Policing unauthorized use of our proprietary technologies and other intellectual properties is difficult and expensive, and we may be required to spend significant resources to monitor and protect these rights. Litigations brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to our management, and could result in the impairment or loss of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual properties. Any failure to secure, protect and enforce our intellectual property rights could substantially harm the value of our technologies, business and prospects.

Confidentiality agreements and intellectual property ownership clauses with employees may not adequately prevent disclosure of our trade secrets and other proprietary information.

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

We may be subject to intellectual property infringement claims, which could be time-consuming and costly to defend and may result in diversion of our financial and management resources.

We cannot be certain that our operations or any aspects of our business do not, or will not, infringe upon or otherwise violate patents, copyrights, trademarks, know-how, trade secrets or other intellectual property rights held by other parties, whether such claims are valid or otherwise. As the validity, enforceability and scope of protection of intellectual property rights in general and patents in specific, particularly within China, are still evolving, we cannot assure you that courts or regulatory authorities would agree with our analysis. As we face increasing competitions from other competitors, there may be a higher risk for us to be subject to intellectual property infringement claims or other legal proceedings. Defending against such intellectual property infringement claims is time-consuming and costly, and may divert our financial and management resources from our business and operations. There is no guarantee that we can obtain favorable final outcomes in all cases. Such intellectual property claims may harm our brand and reputation, even if they are vexatious or do not result in any liability. If we are found to have violated the intellectual property rights of any third party, we may be subject to liabilities for our infringement activities, which could result in a judgment, fine or settlement involving a payment of a material sum of money, prohibitions from using such intellectual property, or requirements for incurring licensing fees or developing alternatives of our own. Such significant monetary liabilities and/or restrictions or prohibitions from using the intellectual property at question may materially disrupt our business, financial condition and results of operations. In the event that we have to indemnify our customers or other third parties for their losses suffered or incurred as a result of intellectual property infringement claims against us, large indemnity payments could be imposed on us that may further harm our business, results of operations and financial condition. In addition, any dispute with customers respecting such indemnification obligations could adversely affect our relationships with them and our prospective customers, and harm our business and results of operations.

RISKS RELATING TO OUR INDUSTRY

If the growth of full-stack enterprise-level CoAI commercialization or the usage of our solutions in industry verticals we focus on does not meet expectation, or the industry in which we operate develops more slowly than we expect, our business, growth and prospects may be significantly affected.

As we aim to provide full-stack enterprise-level CoAI solutions for more users across different industry verticals, we may face challenges with respect to the future growth rate and size of China's enterprise-level CoAI solution market in general that continues to evolve, as well as adoption rates and demand for our solutions in specific. Market expansion for enterprise-level CoAI solutions in China depends on a number of factors. For details, see "Industry Overview – CoAI Solution Market in China – Growth Drivers of China's Enterprise-Level CoAI Solution Market" in this document. If such solutions do not achieve widespread acceptance, or there is a reduction in demand therefor caused by technological challenges, privacy and data protection concerns, governmental regulations, or competing technologies, products, services and/or solutions, our business, growth prospects and results of operations will be materially and adversely affected.

Our future success will also depend in large part on our ability to further penetrate the industry in which we operate, which is contingent upon a number of factors, such as potential users' level of awareness of our solutions and the widespread use of similar products, services and/or solutions. We cannot assure you that the trend of adopting and utilizing such products, services and/or solutions by potential users will continue in the future, as they may be reluctant to invest in novel technologies. Moreover, the industry in which we operate is not as mature as the markets for traditional communication systems or platforms that have been well established, and it is uncertain whether our solutions will achieve and sustain high levels of user demand and market acceptance. While we intend to spend considerable resources to educate potential users about our solutions, we cannot be sure that these expenditures will help them achieve any additional market acceptance. Moreover, if other providers of similar products, services and/or solutions experience security incidents, loss of customer data, disruptions in delivery or other problems, the market as a whole, including our solutions, may be harmed. All in all, if the market in which we operate fails to grow or grows slower than we expect, our business, growth and prospects could be significantly affected.

As the industry in which we operate is characterized by constant changes, we may fail to continuously innovate our technologies and provide useful solutions that meet users' expectations.

The industry in which we operate is characterized by constant changes, including rapid technological evolutions, frequent introductions of new products, services and/or solutions, continual shifts in user demand and constant emergence of new industry standards and practices. As such, our success will be dependent on our ability to respond to these changes in a cost-effective and timely manner. For instance, we need to develop expertise across different industry verticals, adapt our solutions to different industry verticals, stay abreast of the continuously evolving industry trends and rapid technological developments, and constantly anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources in research and development to lead technological advances in order to keep our solutions innovative and competitive in the market.

However, we may not be able to leverage new technologies effectively or adapt our solutions to meet user needs or emerging industry standards. Our technology approach might not align with our future development plans or even become obsolete if we are unable to adapt in a cost-effective and timely manner to changing market conditions, whether for technological, legal, financial or other reasons. Moreover, uncertainties regarding the timing and nature of the development of CoAI technologies, or modifications to existing solutions or technologies, could impose further challenges to our research and development. As our success will depend on our ability to continuously identify, develop, acquire or protect advanced and new technologies that are valuable to our solutions, failure to do so could render our existing solutions obsolete and unappealing, thereby adversely affecting our business prospects.

Demand for our solutions may not increase as rapidly as we anticipate due to a variety of factors, including weakness in general economic conditions, which would materially and adversely affect our business, results of operations and financial condition.

Our revenue growth is highly dependent on enterprise-level users' continuous corporate spending on and demand for our solutions, which may not increase as rapidly as we anticipate due to a variety of factors, including any weakening economic conditions. The global macroeconomic environment face numerous challenges. For instance, there have been concerns about the relationship between China and other countries, which may potentially have negative economic effects. In particular, there is significant uncertainty about the future relationship between the U.S. and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy might lead to tighter credit markets, increased market volatility, sudden drops and dramatic changes in business, which may materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO REGULATORY COMPLIANCE

We are subject to extensive and evolving regulatory requirements, and we may be adversely affected by the complexity, uncertainties and changes in PRC regulations related to our business.

We are operating in an industry that the PRC government extensively regulates, with applicable laws, regulations and policies constantly evolving and their interpretation and enforcement involving significant uncertainties. As such, we may be subject to compliance risks since, under certain circumstances, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. We cannot assure you that future laws and regulations or the interpretation of existing ones would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. Responding to any action will likely result in a significant diversion of management's attention and incurrence of significant expenses. Non-compliance with applicable laws or regulations could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanction, fine or penalty is imposed, or if we do not prevail in any civil or criminal litigation, our business, financial condition, results of operations and reputation could be harmed. In addition, we may be required to modify our business models as well as solution offerings in a manner that undermines their attractiveness. Also, if we determine that the requirements for operating in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be further affected.

We are required to obtain and maintain the requisite licenses, permits or approvals required in any jurisdiction where we operate our business, and if we are required to take actions that are time-consuming or costly in order to obtain and maintain such licenses, permits or approvals, our business, financial condition and results of operations may be materially and adversely affected.

The industry in which we operate is extensively regulated, and we are required to obtain and maintain the requisite licenses, permits or approvals required in the jurisdictions where we operate our business from different regulatory authorities. For details, see "Regulatory Overview" in this document. For instance, we have obtained from the MIIT VAT licenses. For details of our material licenses and permits, see "Business – Licenses and Permits" in this document. We may also be required to take actions that are time-consuming or costly in order to obtain and maintain such licenses, permits or approvals, which may negatively affect our financial condition and results of operations.

As the regulatory regime for the industry in which we operate continues to evolve and in the course of our expansion to new business operations, the government authorities may continue to implement new laws and regulations, or interpretations and applications of existing laws and regulations, applicable to us. As such, we may be required to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses, which may increase our costs for business operations. We cannot assure you that we can successfully do so in a timely and cost-effective manner, or at all, considering the uncertainties regarding the interpretation and implementation by the relevant authorities of existing and future laws and regulations governing our business activities. Similarly, there is no assurance that we can successfully update or renew the licenses, permits or approvals required for our business upon revocation or expiration in a timely and cost-effective manner, or at all, which may be due to various reasons, including changes in our shareholding structure. Specifically, if we fail to renew or update any of our current licenses and permits, including our VAT licenses, in a timely manner or at all, our business, results of operations and financial condition could be materially and adversely affected. Moreover, if we fail to obtain and maintain any of the required licenses, permits or approvals in any jurisdiction where we operate our business, we may be subject to various penalties, such as confiscation of the revenue generated through the unlicensed business activities, imposition of fines and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations, negatively impact our reputation and materially and adversely affect our business, financial condition and results of operations.

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

In recent years, the U.S. government imposed targeted economic and trade restrictions on a number of Chinese companies and institutions that limit their access to U.S.-origin goods, software and technologies (collectively, "**Items**"), as well as items that contain a significant portion of certain U.S.-origin Items or are a direct product of certain U.S.-origin Items. While we may conduct business with some of these entities, we have no reasons to believe that we have violated the imposed restrictions because we do not export, re-export, or transfer any U.S.-origin products, technologies, components or software that are subject to the Export Administration Regulations to any entities listed on the U.S. Commerce Department's Entity List. We thus believe that there is limited impact resulting from such restrictions on our business.

However, U.S. export controls and trade laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by political and/or other factors that are not within our control or that are heightened by national security concerns. For example, the U.S. government has tightened certain chip shipments to China. If any potential restrictions, any associated inquiries or investigations, or any other government actions occur, they may be difficult or costly to comply with and may, among other things, delay or impede the development of our technologies and solutions, and hinder the stability of our supply chain. They could also result in negative publicity, require significant time and attention of the management, and subject us to fines, penalties or orders that we cease or modify our existing business practices. Any of these events may have a material adverse effect on our business, financial condition and results of operations.

We are subject to complex anti-corruption, anti-money laundering and anti-bribery laws of the PRC and other jurisdictions where we operate our business.

We are subject to complex anti-corruption, anti-money laundering and anti-bribery laws and regulations in the jurisdictions where we operate our business. For example, under the *Anti-Unfair Competition Law* of the PRC, any commercial bribery committed by an employee of a given company will be deemed as conduct of such company unless it has evidence to rebut the presumption, and the offering of anything of value to employees, agents or representatives of any given transacting party or to any person with substantial influence over the decision making of such transacting party with an intent to obtain business opportunities or commercial advantages constitutes bribery. The scope of bribery includes not only kickbacks, gifts and other things of value or benefit transfer, but also rebates that are not properly recorded or evidenced in accounting. Therefore, any wrongdoings committed by our employees, even if committed without our knowledge or in violation of our policies, or any bad practice in terms of record keeping of the spending by our employees during the business development process, could subject us to anti-corruption and anti-bribery law liabilities.

If our compliance processes have not been duly implemented or our internal control systems have not been operating properly, or if any of our subsidiaries, employees or other persons engages in fraudulent, corrupt or other unfair business practices or otherwise violates applicable laws, regulations or our internal control policies, we could become subject to investigations, enforcement actions or proceedings by governmental authorities, which may disrupt our operations, lead to management distraction and significant costs and expenses, and result in penalties, fines sanctions, or other liabilities. In addition, our reputation and sales activities could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti-money laundering and anti-bribery laws and regulations. Given the uncertainty, complexity and scope of many of these regulatory matters, their outcome generally cannot be predicted with a reasonable degree of certainty, and any of the foregoing results could materially and adversely affect our business, financial condition and results of operations.

We are subject to strict regulatory requirements in labor-related laws and regulations of the PRC.

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing reserve funds and other welfare-oriented payment obligations, complete related registration with the competent authorities and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. The requirements of such employee benefit plans have not been implemented consistently by the local governments in China given the different levels of economic development in different locations. As of the Latest Practicable Date, we had not received any notice of warnings or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities in this regard. As advised by our PRC Legal Adviser, if any of the relevant social insurance authorities is of the view that we have failed to make full social insurance contributions for our employees in accordance with the relevant laws and regulations, it may order us to pay outstanding amounts within a prescribed time limit. As a result, we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authorities may further impose a fine one to three times the amount of any overdue payment. In addition, if any of the relevant housing reserve fund authorities is of the view that we have failed to make full housing reserve fund contributions for our employees in accordance with the relevant laws and regulations, it may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement. In sum, if we are found not in compliance with relevant laws and regulations, we may face fines or penalties which could adversely affect our business, financial condition and results of operations.

Moreover, as the interpretation and implementation of labor-related laws and regulations are still evolving and the PRC government has recently enhanced its measures relating to social insurance collection, which may lead to stricter enforcement, we cannot assure you that our employment practices and policies will at all times be deemed to be in full compliance with such laws and regulations, which may subject us to labor disputes or government investigations. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal fees, and our business, financial condition and results of operations could be materially and adversely affected.

Our leased property interests may be defective and our right to lease or use the properties may be challenged.

As of the Latest Practicable Date, two lessors of our leased properties had not provided relevant title ownership certificate or other similar proof of such leased property to us. Therefore, we cannot assure you that such lessors are entitled to lease the relevant property to us. If any of such lessors is not entitled to lease the property to us and the owner of the respective property declines to ratify the lease agreement between us and the lessor, we may not be able to enforce our rights to lease such property under the respective lease agreement against the owner.

In addition, pursuant to applicable PRC laws and regulations, property lease agreements must be filed with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, our leased properties in China have not been registered with the relevant PRC governmental authorities. According to our PRC Legal Adviser, the failure to do so does not in itself invalidate the leases, but we may be ordered by the relevant PRC governmental authorities to rectify such non-compliance and, if we fail to do so within a given period of time, we may be subject to fines ranging from RMB1,000 and RMB10,000 for each of our unregistered lease agreements. We cannot assure you that we will not be subject to any penalties arising from the non-registration of our lease agreements and any disputes arising out of our leased properties in the future.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We are subject to credit risk related to defaults of customers, and any significant default on our trade receivables could materially and adversely affect our liquidity, financial condition and results of operations.

We are exposed to credit risk related to delays in payments and defaults of our customers. As of December 31, 2020, 2021 and 2022, our trade and other receivables amounted to RMB103.6 million, RMB242.8 million and RMB339.7 million, respectively, in which our trade receivables amounted to RMB97.6 million, RMB248.1 million and RMB379.1 million, respectively, with loss allowance thereon amounting to RMB14.9 million, RMB32.4 million and RMB66.5 million, respectively. In 2020, 2021 and 2022, our trade receivables turnover days were 98 days, 137 days and 222 days, respectively. We may not be able to timely collect all such trade receivables due to a variety of factors that are beyond our control, including the long payment cycle associated with end users from the public sector because of their internal financial management and payment approval processes.

If any of our customers experience financial difficulties in settling our trade receivables, or if the relationship between us and any of our customers is terminated or deteriorates, our corresponding trade receivables might be adversely affected in terms of recoverability. As the increase of the amount of provisions made on our trade receivables are recorded as expenses on our consolidated statements of profit or loss, if we are not able to manage the credit risk associated with our trade receivables effectively, our financial condition and results of operations may be materially and adversely affected. Furthermore, substantial defaults or delays by our customers for making payments could materially and adversely affect our cash flow and we may have to terminate our relationships with such customers.

Our ability to continue to enhance our solutions is dependent on adequate research and development resources. If we are not able to adequately fund our research and development efforts, we may not be able to compete effectively and our business and results of operations may be harmed.

As we expect to continue developing new solution offerings and enhance existing offerings, maintaining adequate research and development personnel and resources to meet the demand of the market is essential to our business growth. As such, we need to invest significant resources, including financial resources, in research and development to make technological advances in order to expand our solution offerings and make our solutions innovative and competitive in the market. On the other hand, if we are unable to develop solutions, applications or features due to certain internal constraints, including that on fundings for research and development activities, we may miss market opportunities. Furthermore, many of our competitors may expend a considerably greater amount of funds on their research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to such competitors' research and development programs. Any of our failures to devote adequate research and development resources or compete effectively with the research and development programs of our competitors could harm our business and results of operations. Moreover, we expect that our research and development expenses will continue to increase in the future. As research and development activities are inherently uncertain and we might encounter practical difficulties in commercializing our research and development outcomes, any of our significant expenditures on research and development may not generate corresponding benefits and negatively impact our financial performance.

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

During the Track Record Period, purchase amount from our five largest suppliers in each year amounted to RMB280.4 million, RMB279.0 million and RMB336.0 million, respectively, representing 80.3%, 72.6% and 65.9% of our total purchase amount for the same years, respectively; purchase amount from our largest supplier in each year amounted to RMB178.2 million, RMB152.6 million and RMB136.7 million, respectively, representing 51.0%, 39.7% and 26.8% of our total purchase amount for the same years, respectively. We cannot assure you that we will be able to secure a stable supply of qualified equipment and/or services at all times going forward. Specifically, we cannot assure you that we will be able to identify an alternative qualified supplier in a timely manner, or at all, in the event that any of our existing suppliers terminates its contract with us or is no longer qualified. Any change in suppliers could also require significant efforts or investments in circumstances where the items or services supplied are integral to solution performance or incorporate unique technologies, and the loss of existing supply contracts could have a material adverse effect on us.

Changes in fair value of our financial assets measured at fair value through profit or loss (FVPL) may materially and adversely affect our financial condition and results of operations.

During the Track Record Period, our financial assets measured at FVPL arose from our strategic investment in a private company incorporated in PRC that primarily engages in the manufacturing and sales of AI hardware. The investment was classified as financial assets measured at FVPL because it contains substantive liquidation preference and is redeemable at our option if the investee is liquidated in the future. As of December 31, 2020, 2021 and 2022, we recorded such financial assets measured at FVPL of nil, RMB20.0 million and RMB28.3 million, respectively. In 2020, 2021 and 2022, we recorded changes in fair value of financial assets measured at FVPL of nil, nil and RMB8.3 million, respectively.

According to applicable accounting policies, financial assets measured at FVPL are recorded in the consolidated statements of financial position at fair value, with net changes in their fair value recognized in the consolidated statements of profit or loss, and therefore directly affect our financial condition and results of operations. Such treatment of gain or loss may cause significant volatility in, or materially and adversely affect, our period-to-period earnings, financial condition and results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets measured at FVPL in the future.

In addition, estimated changes in fair values involve the exercise of professional judgment and the use of certain basis and assumptions, which, by their nature, are subjective and uncertain. To measure fair value of our financial assets measured at FVPL, we use the assumptions that market participants would use to price the asset or liability acting in their economic best interest. For more details, see Note 30(e) to the Accountants' Report in Appendix I to this document. As such, the financial assets valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these financial assets measured at FVPL and result in significant fluctuations in our profit or loss from period to period. To the extent we need to revalue these financial assets measured at FVPL, any change in their fair value and related valuation uncertainty could materially affect our financial condition and results of operations.

We recognized substantial goodwill and intangible assets during the Track Record Period and may incur significant impairment charges related thereto, which may adversely affect our results of operations as a result.

As of December 31, 2020, 2021 and 2022, we had goodwill of nil, RMB17.1 million and RMB39.2 million, respectively. As our equity investments and/or acquired businesses may not generate the financial results that we expect, there could result in the occurrence of significant investments and goodwill impairment charges. We periodically review goodwill and investments for impairment. If we conclude that any of these equity investments and/or acquired businesses are impaired, we will write down the asset to its fair value and take a corresponding charge to our consolidated statements of profit or loss. Similarly, we recorded intangible assets of nil, RMB24.2 million and RMB111.0 million as of December 31, 2020, 2021 and 2022, respectively, which are reviewed annually to identify any indication of impairment and the recoverable amount will be estimated if so. As a result, in case of any significant impairment charges related to the aforementioned assets, our results of operations may be negatively affected.

We face risks of overstocking or under-stocking inventories.

During the Track Record Period, our inventories included communication devices, servers and computers that were or are to be integrated into our solutions. As of December 31, 2020, 2021 and 2022, we had inventories of RMB102.9 million, RMB112.5 million and RMB95.3 million, respectively. Maintaining an optimal level of inventories is important for the success of our business. We regularly track our inventories to keep it at a level sufficient to fulfill customers' orders. We also proactively assess changes in market conditions and pre-store strategically inventories in anticipation of potential supply shortage. However, we may be exposed to risks of overstocking or under-stocking inventories as a result of a variety of factors beyond our control, including changes of customer needs and the inherent uncertainty of successful solution launches. We cannot assure you that we can accurately predict these trends and events, or that our inventories management measures will be implemented effectively so that we will not have significant levels of inventories excess or shortage. As a result of any unforeseen or sudden events, we may experience slow movement of our inventories, or fail to utilize our inventories swiftly. Moreover, as we plan to continue expanding our solution offerings, we expect to include more materials in our inventories, which will make it more challenging for us to manage our inventories effectively. Inventories levels in excess of customer demand may result in inventories write-downs or an increase in inventories holding costs, and a potential negative effect on our liquidity. If we fail to manage our inventories effectively, we may also be subject to a heightened risk of inventories excess or shortage, which may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to impairment losses on our prepayments.

As of December 31, 2020, 2021 and 2022, we recorded prepayments of RMB80.4 million, RMB168.2 million and RMB173.6 million, respectively. During the Track Record Period, our prepayments primarily represented our prepayments for goods and services and for purchase of property, equipment and intangible assets. We may be subject to impairment losses on our prepayments if the actual recoverability of such prepayments is lower than the expected level, which could adversely affect our cash flow and our ability to meet our working capital requirements, thereby adversely affecting our business, financial condition and results of operations.

If we fail to fulfill our obligations in respect of our contract liabilities, our results of operations, liquidity and financial position may be adversely affected.

As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB12.5 million, RMB26.7 million and RMB31.1 million, respectively, which were primarily due to the advance payments received from our customers for solutions and services to be provided during a period of time in the future. As our recognition of contract liabilities as revenue is subject to future performance obligations, they may not be representative of our revenue for future periods. In addition, there is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the completion of the sales of our solutions is subject to various factors, including the availability of relevant personnel and the supply of equipment from our third-party suppliers, among others. If we are not able to fulfill our obligations with respect to our contract liabilities, customers may request to cancel their agreements with us and we may need to refund a portion or all of our contract liabilities not yet recognized as revenue to our customers, which could result in an adverse impact on our cash flows generated from operating activities and liquidity, and also lead to customer dissatisfaction or even disputes with us. In the event that we are required to refund some or all of the prepayments from our customers, we may not have the cash or other available resources to fulfill the refund obligation. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future, in which case we would have to find other sources of funding for our operations, capital expenditures and expansion plans, which would be costly as compared to the aforementioned cost-free customer prepayment funding and may not be available when needed or on acceptable terms, if at all. Any failure to fulfill our obligations in respect of contract liabilities may have an adverse impact on our results of operations, liquidity and financial position.

We had net current liabilities during the Track Record Period, which may adversely affect our liquidity.

During the Track Record Period, we had net current liabilities of RMB33.6 million as of December 31, 2021 and RMB242.6 million as of December 31, 2022, which were primarily attributable to the significant amount of redeemable capital contributions in relation to equity investments in connection with the redemption rights and liquidation preferences by the relevant investors in certain situations. As of December 31, 2020, 2021 and 2022, the redeemable capital contributions from such investors amounted to RMB99.3 million, RMB265.7 million and RMB528.0 million, respectively. In 2020, 2021 and 2022, changes in fair value of such redeemable capital contributions amounted to RMB24.9 million, RMB26.0 million and RMB157.5 million, respectively. For details, see "Financial Information – Discussion of Selected Items from Consolidated Statements of Financial Position – Redeemable Capital Contributions" in this document.

We expect to substantially improve our net current position upon completion of the [**REDACTED**] and the [**REDACTED**], as fair value of such redeemable capital contributions will be reclassified from financial liabilities to equity as a result of the termination of the aforesaid preferred rights. However, we cannot guarantee that we will not incur net current liabilities in the future. If we are to record net current liabilities again, it will affect our liquidity, as well as our ability to raise funds, obtain bank loans, pay debts when they become due and declare and pay dividends. Specifically, our liquidity position may also be adversely affected by our failure to fulfill our obligations in respect of our contract liabilities if we experience a shortage in cash flow generated from operations. This, in turn, may impact our ability to execute our business strategies. For details, see "– If we fail to fulfill our obligations in respect of our contract liabilities, our results of operations, liquidity and financial position may be adversely affected" in this section. If such event occurs, our results of operations and financial position will be materially and adversely affected.

We had net loss for the year and net cash flows used in operating activities during the Track Record Period, and may need to obtain additional financing to fund our operations, which may cause dilution to our Shareholders and restrict our operations, and we may not be able to obtain additional financing on favorable terms or at all.

In 2022, we recorded net loss for the year of RMB85.8 million, which was primarily attributable to changes in fair value of our redeemable capital contributions of RMB157.5 million in the same year. Moreover, in 2020, 2021 and 2022, we recorded net cash used in operating activities of RMB33.4 million, RMB75.1 million and RMB31.1 million, respectively. We expect to continue to spend substantial amounts of capital on conducting research and development activities, commercializing our solutions and responding to unforeseen circumstances. We believe that our future abilities to achieve and maintain stable profitability and generate positive operating cashflow will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective monetization strategies, compete effectively and successfully, and continuously grow our customers base and revenues in a cost-effective way. However, the foregoing efforts may take a long time to realize returns, and we may therefore continue to have net losses and net cash outflows from operating activities in the future. We have historically funded our cash requirements additionally with capital contribution from shareholders and financing through the issuance of shares in private placement transactions. In the event that our existing capital resources fail to sufficiently cover our overall cash needs, we will need further funding through public or private offerings, debt financing, governmental subsidies, and/or other sources. We cannot assure you that we will be able to secure sufficient financial resources to support our operations. Our future funding requirements will depend on many factors, including:

- our future liquidity, payment of trade and other payables, capital expenditure plans and repayment of outstanding debt obligations;
- cash requirements of the research and development of our technologies and solutions;
- the terms and timing of any future acquisitions;
- the costs of filing, prosecuting, defending and enforcing any patent claims, trade secret and other intellectual property rights;
- our headcount growth and associated costs; and/or
- selling and marketing costs associated with our solutions, including the costs and timing of expanding our sales and marketing team.

We cannot assure you that we will have sufficient financing from other sources to fund our operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the industry in which we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities in China;
- overall conditions of the market for CoAI solutions in China; and
- economic, political and other conditions in China and internationally.

If we are unable to raise capital when needed, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts, which may materially and adversely affect our continued business operations.

Even if we resort to other financing activities, we may not be able to obtain the financing on terms acceptable to us with respect to financing costs and other commercial terms. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our H Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, as well as other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our H Shares to decline.

RISKS RELATING TO OUR GENERAL OPERATIONS

Rumors or negative publicity involving us, our solutions, management, customers, or business partners may materially and adversely affect our reputation, business, results of operations and financial condition.

We believe that positive publicity about us plays an important role in achieving widespread acceptance of our solutions as well as strengthening our ability to maintain and attract our customers. Negative publicity or citation involving us, our solutions, management, customers or business partners may on the other hand harm our reputation and business. We cannot assure you that we will be able to preclude any future negative media reports, defuse such negative publicity or citation to the satisfaction of our investors, customers and business partners, or prevent consequential misconception and other damages caused thereby. In addition, we may have to incur significant expenses and divert our management's time and attention in order to remedy the effects of such negative coverage, which may materially and adversely affect our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial disputes, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims or disputes of various types brought by our competitors, employees, customers or others against us relating to contractual disputes, labor disputes, intellectual property infringements, misconduct of our employees or others. Such claims and disputes may evolve into litigations which could be costly and time-consuming, distracting to our management and detrimental to our reputation, thereby adversely affecting our customer base. In addition, one or more legal or administrative matters resolved against us could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance that could materially and adversely affect our business, financial condition and results of operations.

If we fail to implement and maintain adequate and effective risk management and internal control systems, we may fail to manage our business or meet our reporting obligations effectively.

We will become a public company upon completion of the [**REDACTED**], and our risk management and internal control systems will be essential to the integrity of our business and financial results. In order to address our internal control issues and to generally enhance our internal control level and compliance environment, we have designed and implemented risk management and internal control policies and measures we believe are appropriate for our business operations, as well as extensive and ongoing trainings on our controls, procedures and policies to our employees. Despite our efforts to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective as to eliminate all the risks. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees will be sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. We may also fail to timely update, implement and modify, or fail to deploy sufficient human resources to maintain, our risk management and internal control policies and procedures.

In addition, if we fail to maintain the adequacy of our internal controls over financial reporting, as these standards are modified, supplemented or amended from time to time, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our H Shares. Additionally, ineffective internal controls over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods. In any event, if we encounter difficulties in discovering or eliminating weaknesses in our risk management and internal control systems, we may incur additional costs and management time in meeting our improvement goals, and our business, financial condition, results of operations and reputation may be materially and adversely affected.

Our insurance coverage may be limited and expose us to significant costs and business disruption.

We face various risks in connection with our business, and we believe we maintain insurance policies in line with industry standards. However, we may still lack adequate insurance coverage or have no relevant insurance coverage. We may also be unable to insure certain risks related to our assets or business even if we desire to. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could result in our incurrence of substantial costs and diversion of resources, which could have a material adverse effect on our business operations. In addition, there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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

There is no assurance that our existing leases would be successfully extended or renewed on similar or favorable terms, in particular with respect to the amount of rent and the term of the lease, or at all. Any substantial increase in the rent due to high demand for the leased properties at certain locations or of desirable sizes, for instance, may increase our property rental and related expenses, which could materially and adversely affect our profitability. If we are unable to renew our lease agreements upon their expirations, we will have to relocate the affected operations, which could disrupt our business and result in significant relocation expenses. We could not assure you that we would be able to secure comparable locations with leases based on comparable terms to relocate our affected operations in time, or at all, especially when our leases were to be terminated early by the lessors before the expiry of the relevant term, and as a result our business and results of operations may be material adversely affected.

We face risks related to force majeure events, natural disasters, health epidemics and other outbreaks of contagious diseases.

Our business could be affected by force majeure events, natural disasters, or other adverse public health developments, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, including the Severe Acute Respiratory Syndrome or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1) or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. Any natural disasters, epidemics and other outbreaks that are beyond our control may be expected to affect the economy, restrict the level of business activities in the affected areas and directly impact our and our customers' operations, including straining facilities and employees, exposing employees to personal risks, temporarily closing office spaces, imposing additional health or safety measures upon office spaces, or exposing us to potential liabilities for actions taken or not taken.

Recent turmoil in the banking industry may lead to market-wide liquidity issues an could in turn negatively impact our business, results of operations and financial condition.

Recent turmoil in the banking industry, such as the March 2023 failures of Silicon Valley Bank and Signature Bank, may lead to market-wide liquidity problems and negatively impact our business. Such failure of banks, government responses and resulting investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, such as higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, making it more difficult for us or our customers to acquire financing. Although we do not have deposits at risk at any of the financial institutions with liquidity or solvency issues, such market-wide liquidity issues could adversely impact our and our customers' financial capability, which could negatively affect our business, results of operations and financial condition.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in the PRC, and, as a result, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social environment in the PRC. The PRC economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, reduce state ownership of productive assets, and promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, the monetary policies and preferential treatments to particular industries or enterprises. We cannot predict future changes in the PRC economic, political and social condition and the effect that new government policies will have on our business and prospects.

While the PRC economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in the PRC, which may adversely affect our business and results of operations. More generally, if the business environment in the PRC deteriorates from the perspective of domestic or international investment, our business in the PRC may also be adversely affected.

The interpretation and enforcement of PRC laws and regulations involve significant uncertainties that affect the protection afforded to our business and Shareholders.

Our business and operations are primarily conducted in the PRC and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may be uncertain. As a result, the legal protections available to us under the PRC legal system may be limited.

Our operations in the PRC are subject to regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The *PRC Company Law* and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the U.S. and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the U.S. and certain other jurisdictions.

In addition, certain administrative and court proceedings in the PRC may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

Furthermore, PRC laws and regulations afford significant protection to state-owned assets. Transactions that may lead to losses of state-owned assets are subject to heightened scrutiny by the competent authorities, and the competent authorities have significant discretion in interpreting and implementing the relevant laws and regulations. In the event that we or our affiliates conduct transactions with state-owned enterprises or their affiliates, there might be risks and uncertainties involved that we might be found to have caused losses of state-owned assets, which may subject us to liabilities and could materially and adversely affect our business, financial condition and results of operations.

Moreover, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the industry in which operate, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Any of these events could have a material adverse impact on our business, financial condition, results of operations, prospects and future growth.

We are subject to PRC laws and regulations on currency conversion, and the fluctuation of the Renminbi exchange rate may adversely affect our business and our ability to pay dividends to holders of our H Shares.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Our accounts were denominated in the Renminbi during the Track Record Period, which is currently not a fully freely convertible currency. A portion of our revenue may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Under the PRC's existing laws and regulations on foreign exchange, following the completion of the [**REDACTED**], we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from the State Administration of Foreign Exchange, or SAFE, of the PRC. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

From time to time, the value of the Renminbi against the U.S. dollar and other currencies fluctuates, and is affected by a number of factors, such as changes in the PRC's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. As all of our revenue and operating expenses are denominated in Renminbi and the [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other currencies may result in the decrease in the value of our foreign currency denominated assets and our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign exchange currency exposure at reasonable costs. We cannot assure you that we will be able to minimize or reduce our foreign currency risk exposure relating to our foreign currency denominated assets.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC with limited liability, and substantially all of our assets are located in the PRC. In addition, substantially all of our executive Directors, Supervisors and senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the U.S. or elsewhere outside the PRC upon us or our Directors, Supervisors and senior management personnel. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the U.S., the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the U.S. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the U.S. and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region 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**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for "enforceable final judgment", "specific legal relationship" and "written form". A final judgment that does not comply with the Arrangement may not be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region 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* (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court of the PRC and the completion of the relevant legislative procedures in Hong Kong. The 2019 Arrangement will, upon its effectiveness, supersedes the Arrangement. Therefore, before the 2019 Arrangement becomes effective, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Under applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H shares ("**Non-Resident Individual Holders**"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by applicable tax treaties or arrangements. And the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by non-PRC resident enterprise holders of H shares are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. In addition, pursuant to the *Arrangements between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay enterprise income tax for the dividends declared and paid by us at a tax rate of 5%.

With respect to Non-Resident Individual Holders in specific, income received from dividends and bonuses of a foreign-invested enterprise, as well as that from transfer of stocks of listed companies are currently exempt from individual income tax pursuant to applicable PRC regulations. On February 3, 2013, the State Council approved and promulgated the *Notice of Suggestions to Deepen the Reform of System of Income Distribution* (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the *Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution* (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. While no relevant implementation rules or regulations have been promulgated, there is no assurance that any gains on the sales of our H Shares and the dividend thereon will not be subject to PRC income taxes in the future.

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

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation.

Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations, and future adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could have an adverse effect on our results of operations. For example, under the amended *Individual Income Tax Law* which was last amended on August 31, 2018 and came into effect on January 1, 2019, foreign nationals who have no domicile in the PRC but have resided in the PRC for a total of 183 days or more in a tax year would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain skilled foreign personnel to work in the PRC may be materially affected, which may in turn have an adverse effect on our business, financial condition, results of operations and prospects.

We are required to complete filing procedures with the CSRC for the [REDACTED] and the [REDACTED], which, as well as our future financing activities, may be subject to additional requirements or restrictions by the CSRC or other PRC regulatory authorities.

On July 6, 2021, the relevant PRC government authorities issued the *Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law* (《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 securities activities and the supervision on overseas listings by PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies. On February 17, 2023, the CSRC promulgated the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises* (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Administrative Measures**") and relevant supporting guidelines, which came into effective on March 31, 2023. Pursuant to the Trial Administrative Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC enterprise limited by shares; and (ii) any offshore enterprise that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after its application for overseas listing is submitted. For details, see "Regulatory Overview – Regulations on Overseas Listing" in this document.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on the [**REDACTED**] and the [**REDACTED**], or our future financing activities. It may be determined in the future that approval from or filing with the CSRC or other PRC regulatory authorities or other procedures are required therefor, which may subject us to fines, penalties or sanctions by the CSRC or other PRC regulatory authorities, restrict our operating activities in the PRC, limit our ability to pay dividends outside of the PRC, delay or restrict the repatriation of the [**REDACTED**] from the [**REDACTED**] into the PRC, or result in other actions taken to restrict our financing activities if we are not able to do so in a timely manner or at all, thus having a material adverse effect on our business.

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

In order to cater to enterprises' business needs, we may from time to time procure hardware devices into which our software solutions are embedded, including from certain overseas suppliers as the circumstance may require. In the event that China and/or the countries from which we import equipment impose import tariffs, trade restrictions or other trade barriers affecting the importation of such components of our solutions, we may not be able to obtain a steady supply in time, at competitive prices or at all, and our business and operations may be adversely affected. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions.

It is notable that the U.S. government has made significant changes in its trade policy in recent years and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to other countries, including China and members of the EU, to impose tariffs against the U.S. in response. Political tensions between the U.S. and China have escalated due to, among other things, the National People's Congress' passage of Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of Hong Kong and the central government of the PRC, the former Trump administration executive orders issued in August 2020 and the new executive order issued by the U.S. President in June 2021 which sought or seek to prohibit certain transactions with, or equity investment in, certain Chinese companies and their respective subsidiaries. Currently, it remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. It is also unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. Furthermore, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence and have a material adverse effect on our business, results of operations and, ultimately, the market price of our H Shares. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tensions, such changes could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and there can be no assurance that an active market would develop, and the price and trading volume of our H Shares may be volatile.

Prior to this [**REDACTED**], there has been no public market for our H Shares. The [**REDACTED**] for our [**REDACTED**] was the result of negotiations among us and [**REDACTED**] (for itself and on behalf of the [**REDACTED**] and the [**REDACTED**] may differ significantly from the market price for our H Shares following this [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] our [**REDACTED**] on the Stock Exchange.

A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the market price of the H Shares will not decline following the [**REDACTED**]. In addition, the trading price and trading volume of the H Shares may be subject to significant volatility in responses to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as regulatory developments affecting the relevant markets, industries and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors.

Future sales or perceived sales of a substantial number of our H Shares in the public market following the [REDACTED] could materially and adversely affect the price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

Prior to the [**REDACTED**], there has not been a public market for our H Shares. Future sales or perceived sales by our existing Shareholders of our H Shares after the [**REDACTED**] could result in a significant decrease in the prevailing market price of our H Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our H Shares and our ability to raise equity capital in the future.

You will incur immediate and significant dilution and raising additional capital may cause further dilution or restrict our operation.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to our Shareholders after the creditors' claims. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

There can be no assurance that we will declare and pay dividends because the declaration, payment and amount of dividends are subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. For more details on our dividend policy, see "Financial Information – Dividend" in this document.

The possible conversion of Domestic Shares into H Shares could increase the supply of H Shares in the market and may negatively impact the market price of our H Shares.

Our Domestic Shares are currently not listed or traded on any stock exchange. Our [**REDACTED**] Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in "Share Capital – Conversion of Domestic Shares into H Shares" in this document. The conversion of our unlisted Shares will increase the number of H Shares available on the market. As a result, it may negatively affect the trading price of our H Shares due to the increased supply in the market.

Our Single Largest Shareholders Group has significant influence over our Company and their interests may not be aligned with the interest of our other Shareholders.

Our Single Largest Shareholders Group will, through their voting power at the Shareholders' meetings and delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Single Largest

Shareholders Group may not act in the best interests of our minority Shareholders. In addition, without the consent of our Single Largest Shareholders Group, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the [REDACTED].

The [**REDACTED**] of our H Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Business Days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the H Shares before the commencement of trading. Accordingly, holders of our H Shares are subject to the risk that the price of the H Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We have not independently verified government statistics and facts in this document.

This document includes certain statistics that have been extracted from the PRC government official sources and publications. Our Directors believe the sources of these statistics are appropriate for such statistics and have taken reasonable care in extracting and reproducing such statistics. Our Directors have no reason to believe that such statistics are false or misleading or that any fact has been omitted that would render such statistics false or misleading. However, these statistics from these sources have not been independently verified by our Company, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or the [**REDACTED**], any of their respective directors or any other parties involved in the [**REDACTED**] and therefore, our Company makes no representation as to the accuracy or completeness of these statistics, which may not be consistent with other information compiled within or outside Hong Kong. Furthermore, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such statistics or facts.

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

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong when making your investment decision regarding our H Shares. Subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may be 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 any responsibility for the accuracy or completeness of any such press articles or other media coverage, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the [**REDACTED**] or us. 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 in any such press articles or media coverage. 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. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.