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## RISK FACTORS

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*An investment in our Shares involves various risks. Before investing in us, you should carefully consider all of the information set forth in this prospectus, and in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares, and could cause you to lose your investment. You should pay particular attention to the fact that our Company is incorporated in the BVI and we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Please be cautioned that the risks and uncertainties described below are not exhaustive.*

We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risk relating to our business and industry; (ii) risk relating to doing business in China; and (iii) risks relating to our Global Offering. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immature could also harm our business, financial condition and operating results. You should consider our business and prospect in light of the challenges we face, including ones discussed in this section.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

***Our dependence on Chinese telecom operators subjects us to events that may cause material fluctuations or declines in our revenues.***

We have derived, and believe that we will continue to derive, a significant portion of our revenue from telecom operators in China, including (i) the respective headquarters, provincial companies, municipal companies and specialized companies of China Mobile, China Unicom and China Telecom, and (ii) China Tower, the joint venture of China Mobile, China Unicom and China Telecom, with whom we negotiate and enter into contracts individually and directly. Revenue for the Software Business from these telecom operators in the aggregate accounted for 87.0%, 88.9%, 93.9% and 96.6% of our total revenue from continuing operations in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

We believe that our future success will continue to depend, to a significant extent, on our ability to develop and maintain long-term relationships with telecom operators in China. Consequently, any of the following events may cause failure to maintain close relationships with these customers and material declines in our revenues, which could have a material adverse effect on our business, results of operations and financial condition:

- unsuccessful sales and marketing efforts and lack of suitable software products and services for telecom operators;
- a reduction, delay or cancelation of orders from one or more of these telecom operators for any reason, including their decision to leverage internal resources to meet software needs instead of outsourcing to third-party providers;
- a change in preference for our competitors' software products and services over ours by one or more of these telecom operators;
- a disruption of customer relationship due to telecom operators' centralization of their purchasing decisions, change of key decision-makers or other changes in the decision-making level within the telecom operators;

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- the loss of one or more of these telecom operators as our customers and our failure to identify replacements;
- the failure of any of these telecom operators to make timely payment for our software products and services for any reason, whether or not related to us; and
- our inability to meet these telecom operators' evolving technical and quality standards and provide satisfactory customer support and services.

*The growth of our business is significantly dependent on policies related to the telecom industry in China. Industry restructurings and consolidations among telecom operators may impact the demand for our products and services.*

Our telecom operator customers, from whom we currently derive a substantial majority of our revenue, are directly or indirectly owned or controlled by the PRC government. Accordingly, our business is heavily dependent on policies related to the telecom industry in China:

- **Competitive Landscape.** Industry policies could significantly affect the competitive landscape in China's telecom industry and influence our telecom operator customers' level of spending on software products and services. The Chinese government has promulgated various favorable policies in recent years to accelerate the growth of the telecom industry. These industry policies may increase market competition and generate more demand for software products and services. However, the anticipated increase in demand may not materialize. Some of our telecom operator customers may not adapt well to the market conditions under the new regulatory environment and may reduce their demand for our software products and services as a result. The telecom industry in China may also become less competitive over time, either as a result of market propelled consolidations or as a result of government efforts to curtail competition. A less competitive market may lead to reduced IT spending on software product upgrades and replacements, which may directly affect our revenues and business prospects; and
- **Industry restructurings.** Historically, China's telecom industry has been subject to a number of industry restructurings, the latest one being China's Unicom's Mixed-Ownership Reform in 2017, which is expected to facilitate China Unicom's collaboration with strategic investors in Internet, e-commerce and other sectors in terms of emerging technologies and innovative business models. These restructurings could cause telecom operators' demand for software products and services to fluctuate significantly. We cannot assure you that telecom operators in China will not conduct additional restructurings in the future, or that the landscape of China's telecom industry will not change, in which case our business and results of operations may be adversely affected. For example, consolidation among our telecom operator customers may cause early termination or failure to renew some of our existing contracts with these customers, or reduce our telecom operator customers' future capital expenditures in the aggregate because their existing networks and expansion plans may overlap or be very similar. Industry restructurings may also bring new entrants into China's telecom industry, causing the competition in this industry to intensify in many ways, which may make it more difficult for us to win bids in the tender process, procure customer orders or price our products and services competitively, among others.

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***If we are unable to execute our growth strategies effectively, our business and prospects may be materially and adversely affected.***

We plan to continue to execute a number of growth strategies, including actively exploring new business opportunities in the areas of data-driven operation services, IoT and intelligent networks, and actively expanding our customer base in the non-telecom enterprise software product and related service market. We cannot assure you that these growth strategies will be successfully executed. For example, we have in recent years been providing data-driven operation services to telecom operators and their government and enterprise customers through data-driven operation platforms under a pay-as-a-result model. Our customers may not respond favorably to our data-driven operation services. If we are unable to execute our growth strategies effectively, our business and prospects may be materially and adversely affected.

***If we fail to timely and cost-effectively develop new software products and services and enhance existing ones to meet the evolving requirements of existing and new customers, our business operations could be materially and adversely affected.***

Significant changes in customer requirements and preferences, introduction of new software embodying new technologies and the emergence of new industry standards and practices could lead to rapid declines in sales volumes for products and services with older technologies or standards and render certain products and services obsolete, and may require us to incur substantial unanticipated R&D and other costs.

Our future growth and operating results will depend, to a significant extent, upon our ability to enhance our existing software products and services and to introduce new ones in line with technological advancements which meet the evolving requirements of existing and new customers, and our ability to bring them to market in a timely manner. The telecom and non-telecom enterprise software product and related service markets are characterized by rapid and frequent changes in demand for new software products and services. The success of our new software products and services depends upon a number of factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new software products and services;
- successfully commercialize new software products and services in a timely manner;
- price our software products and services competitively; and
- differentiate our software offerings from those of our competitors.

If we do not enhance our existing software products and services or introduce new ones to meet the changing needs of our customers in a timely manner, our software products and services may become obsolete, and our revenues and operating results may suffer. In addition, our efforts in developing new products and services may not prove to be successful. Unexpected technical, operational or other problems could delay or prevent the introduction of any software products and services that we may plan to introduce. The R&D of new or enhanced software products and services is a complex process requiring, among other factors, the accurate anticipation of technological and market trends. New software products and services or refinements and improvements of existing ones may have technical failures, which could cause delays in their introduction. There is also no assurance that any R&D efforts undertaken or to be undertaken by us would result in the successful development

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of any new or enhanced software products and services, or that any of such new or enhanced software products and services will achieve widespread market acceptance or generate incremental revenues.

***Our business could be materially and adversely affected if we fail to anticipate or adapt to changes in evolving industry standards and technologies.***

The telecom and non-telecom enterprise software product and related service markets are characterized by changing technologies, evolving industry standards and continual improvements in performance characteristics and features, which result in short product and service lifecycles, frequent introduction of new products and services and price erosion of existing ones.

We have in the past significantly relied on our ability to anticipate changes in technology and industry standards and to develop and introduce new and enhanced software products and services. Our continued ability to adapt to such changes and anticipate future standards will be a significant factor in maintaining or improving our competitive position and our growth prospects. We cannot assure you that we will be able to anticipate the evolving industry standards and technologies or that we will be able to successfully develop and introduce new products and services to meet the new standards or technologies. The process of developing and marketing new products or services is inherently complex and involves significant uncertainties. There are a number of risks, including the following:

- our software planning efforts may fail to result in the development or commercialization of new technologies or ideas;
- our R&D efforts may fail to translate new plans into commercially feasible products or services;
- our new technologies, products and services may not be well received by customers;
- we may not have adequate funding and resources necessary for continual investments in software planning and R&D; and
- our newly developed technologies may not be protected as proprietary intellectual property rights.

If we fail to anticipate or adapt to changes in evolving industry standards and technologies, we may be unable to compete effectively and our business and results of operations could be materially and adversely affected.

***The markets in which we operate are competitive, and we cannot assure you that we will be able to compete successfully against our competitors, grow at a rate comparable to our growth rate in the past or successfully maintain or enhance the awareness of our brand.***

We operate in China's telecom and non-telecom enterprise software product and related service markets, which are competitive. Our major competitors include Huawei (limited to its software business targeting telecom operators and large enterprises), ZTE Corporation (limited to its software business targeting telecom operators and large enterprises), Shenzhen Tianyuan DIC Information Technology Co., Ltd. and Business-intelligence of Oriental Nations Corporation Ltd.. We expect competition to intensify in the future as existing competitors introduce new and more competitive offerings alongside their current products and services. New market entrants may also introduce products and services with competitive proprietary technologies, which could have a significant negative impact on the demand for our software products and services and, consequently, our business and results of operations.

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Increased competition may result in price reductions, reduced margins and market share and increased marketing and R&D expenditures. We may face greater than expected downward pricing pressure as a result of possible price competition by competitors seeking to stimulate demand in order to maintain or increase market share. Our competitors may have significantly greater financial, R&D, sales and marketing and other resources than we do and may be able to respond more quickly to new and emerging technologies and changes in customer requirements or devote greater resources to the development, promotion and sale of new products or services. We cannot assure you that we will be able to compete effectively and increase or maintain our revenue and market share in China's telecom and non-telecom enterprise software product and related service markets or compete successfully against our current or future competitors.

In addition, it is possible that competition in the form of new competitors or alliances, joint ventures or consolidation among existing competitors may decrease our market share. If we are unable to successfully compete with existing and future competitors, our business, financial condition and results of operations could be materially adversely affected and we may not maintain our growth rate at any particular level or at all.

In addition, if we do not successfully maintain and enhance our brand, our business may not grow. The promotion of our brand may require us to make additional expenditures, such as advertising expenditure, and we anticipate that such expenditures may increase as our market becomes more competitive.

***We may not be successful in the tender processes for our projects and our business and financial condition may be adversely affected.***

Projects for the deployment of new software systems for our telecom operator and enterprise customers generally involve a tender process, where potential suppliers are required to submit detailed bidding proposals in response to a tender offer. In the event that a tender process is involved, there is no guarantee that our bids will be successful and we may not be awarded project development contracts in light of the competitive tendering due to various reasons. In addition, the tender process may also create pricing pressure among suppliers of competing products, and our results of operations and profitability could be adversely affected if we are not successful in winning bids in the tender process at profitable levels. If we are unable to succeed in the tender processes in which we participate at profitable levels or at all, our business and financial condition may be adversely affected.

***Our revenue is generally derived from project development contracts with fixed prices. Our results of operations and financial condition would be materially and adversely affected if we are unable to recover any cost overruns. If there are any project delays, we may be subject to liquidated and/or statutory damages and our customer experience may be adversely affected.***

During the Track Record Period, most of our revenue from continuing operations was derived from project-based project development contracts with fixed prices. Under these contracts, we develop software products and provide deployment services at a fixed price and, as a result, we may be unable to recover any cost overruns from our customers. The actual costs may differ from our estimates due to unanticipated technical or other problems that may incur during the project development process, which may require us to incur additional costs we cannot recoup, failure to properly estimate the repair or maintenance requirements of our customers and other unforeseeable reasons.

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In addition, implementations of these projects are subject to various factors such as cost of supplies, transportation delays, disruption of supply and increase in labor cost. Some of these factors may be beyond the control of us and our customers. These unforeseen factors which we are exposed to may affect the smooth implementation of these projects within the fixed budget and time frame, which would cause cost overruns and liability for late completion fines. Such factors could, in turn, have an adverse effect on our financial position. If our cost estimates for a project development contract fail to account for any unforeseen factors, or if we do not execute the project development contract within our cost estimates, our gross profit may be reduced and our results of operations would be adversely affected.

Moreover, our project development contracts provide for specific delivery milestones and some of our customers are entitled to claim liquidated and/or statutory damages from us if we do not meet the delivery milestones. Liquidated damages are typically levied at an agreed daily rate. Failure to meet the specific delivery milestones of our project development contracts may adversely affect our results of operations and our relationship with customers.

***We are exposed to credit risks from our customers and the recoverability of our contract assets and trade and notes receivables is subject to uncertainties.***

The contract price of our project development contracts is generally due and payable in installments with reference to various milestone dates at various stages of the project development process, such as signing of project development contract, completion of preliminary inspection and completion of final inspection. As a result, we are required to pre-pay certain costs and expenses relating to our projects prior to receiving full payments from our customers. We generally grant a credit term of 30 days to our customers. Our trade and notes receivable turnover days were 64.6 days, 58.8 days, 61.4 days and 70.5 days in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. We record contract assets, which represent our rights to receive consideration for contract work completed and net yet billed, because such rights are conditioned on our future performance in achieving specific contract milestones. Contract assets are transferred to trade and notes receivables when the rights to receive consideration become unconditional.

During the lifecycle of a project, a customer's budgeting constraints can impact the scope of a project and the customer's ability to make payments on a timely basis. Delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. Defaults in making payments to us on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other projects. In addition, adverse general economic conditions may degrade the creditworthiness of our customers over time. We cannot assure you that our customers will pay us on a timely basis or at all, which may adversely affect the recoverability of our contract assets and trade and notes receivables, or that we will be able to efficiently manage the level of bad debt arising from staged payments.

***Our revenue and customer orders are subject to seasonal fluctuations.***

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations. Our revenue, a vast majority of which is recognized based on our projects' percentage of completion, is generally lower during the first half of the year, as the development process of our projects typically slows down during the first quarter of the year due to the Chinese New Year

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holidays. In addition, due to telecom operators' project management schedules, we generally receive a larger number of orders from, and experience faster payment settlement process with, our telecom operator customers in the second half of the year. We incurred net cash used in operating activities of RMB189.6 million in the six months ended June 30, 2018 primarily as a result of seasonality. Our operating results may continue to fluctuate from quarter to quarter as a result of such seasonality.

***We have incurred negative cash flows from operations and net current liabilities in the past.***

Although we generated profit before tax from continuing operations of RMB397.4 million, RMB141.0 million, RMB423.8 million and RMB105.5 million in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, we had cash used in operating activities of RMB710.9 million and RMB189.6 million in the six months ended June 30, 2017 and 2018, respectively, primarily as a result of seasonality. Due to telecom operators' project management schedules, we typically experience faster payment settlement process with our telecom operator customers in the second half of the year, resulting in seasonal fluctuations in our operating cash flows. In addition, we had net current liabilities of RMB848.7 million as of June 30, 2018, primarily due to a decrease in our current assets, which was the result of (i) a decrease in bank balances and cash, and (ii) our settlement of amounts due to/from related parties in 2018. The decrease in bank balances and cash was primarily due to (i) a RMB547.7 million increase in non-current pledged bank deposits, which were used to secure the refinanced Privatization Syndicated Loan, and (ii) acquisition of additional equity interests in a subsidiary of RMB160.0 million. We expect our costs and expenses to increase in absolute amounts in the future due to, among others, the continued expansion of our business operations and customer base, and the exploration of new business opportunities in the areas of data-driven operation services, IoT and intelligent network. We may fail to increase our operational margin and our result of operations and financial condition may be adversely affected.

***We recognized goodwill from the Linkage Merger because the consideration paid was higher than the then fair value of the identifiable assets of Linkage. Such goodwill represents a significant portion of our assets. We may incur impairment loss for goodwill if the financial performance and projected cash flow of the cash-generating units to which goodwill has been allocated deteriorate, in which case our results of operations and financial position may be adversely affected.***

As of June 30, 2018, we had goodwill of RMB1.9 billion, which primarily arose from the Linkage Merger completed in 2010 because the consideration paid for the Linkage Merger was higher than the then fair value of the identifiable assets of Linkage. Such goodwill represents a significant portion of our assets. We determine whether goodwill is impaired by comparing the recoverable amount of the cash-generating units to which goodwill has been allocated to the carrying amount of goodwill. We may incur impairment loss for goodwill if the financial performance and projected cash flow of the cash-generating units to which goodwill has been allocated deteriorate. We did not record any goodwill impairment loss during the Track Record Period. If we incur any impairment loss of goodwill in the future, our results of operations and financial position may be adversely affected. See "Financial Information—Significant Accounting Policies and Estimates—Goodwill", "—Key Sources of Estimation Uncertainty—Impairment of Goodwill" and Notes 4, 5 and 18 to "Appendix I—Accountants' Report" for more details.

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***If our intangible assets, which primarily arose from the Linkage Merger, are impaired, our results of operations and financial position may be adversely affected.***

As of June 30, 2018, we had intangible assets of RMB42.9 million, which primarily arose from the Linkage Merger completed in 2010. We review the carrying amounts of our intangible assets with finite useful lives to determine whether there is any indication that such assets have suffered any impairment loss at the end of each reporting period. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. We recorded impairment loss of intangible assets of nil, nil, RMB2.2 million and nil for 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. If we incur additional impairment loss of intangible assets in the future, our results of operations and financial position may be adversely affected. See “Financial Information—Significant Accounting Policies and Estimates—Impairment losses on tangible and intangible assets other than goodwill” and Notes 4, 5 and 17 to “Appendix I—Accountants’ Report” for more details.

***Our business and reputation may be affected by product liability claims, litigations, complaints or related adverse publicity.***

Our software products may contain latent defects or flaws. Any flaws or defects discovered could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with customers, loss of customers and increased service and warranty cost, any of which could adversely affect our business, operating results and financial condition. We provide product warranties for our software products typically for a term of 12 months that are generally limited to product repair and maintenance. In the past, we have discovered software errors, failures, vulnerabilities and bugs in our products after they have been released, and additional errors in our existing products may be detected in the future. Real or perceived errors, failures or bugs in our products could result in negative publicity, loss of or delay in market acceptance of our products and services, loss of competitive position, delay of payment to us and lower renewal rates or claims by customers for losses sustained by them. If our software products fail to perform as expected, or prove to be defective and cause interruption to our customers’ operation, we may be subject to claims for compensation and may incur significant legal costs regardless of the outcome of any claim of alleged defect.

In addition, for the projects which we are responsible for procuring third-party hardware and software, we customarily provide our customers with one- to two-year warranties for these third-party hardware and software. Although we seek to arrange back-to-back warranties with third-party hardware and software vendors, we may have the primary responsibility with respect to their warranties.

Our contracts with customers often lack disclaimers or limitations on liability for special, consequential and incidental damages, nor do we typically cap the amounts our customers can recover for damages. In addition, we do not currently purchase any insurance policy with respect to our exposure to warranty claims. The failure of installed systems deploying our products and services to operate properly could give rise to substantial liability for special, consequential or incidental damages, which in turn could materially and adversely affect us.



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*Our business operations and adoption of our products and services may be adversely affected by data protection laws and regulations and privacy concerns. There is no assurance that our information risk management and internal control procedures are adequate and can prevent personal data leakage at all times. Failure to protect end users' personal data against security breaches or any actual or perceived failure by us or our employees to comply with applicable data protection laws and regulations could adversely affect our business, financial condition and results of operations.*

In the provision of our products and services, we have access to certain personal information and data of the relevant telecom operator customers' subscribers and the relevant enterprise customers' users, such as name, ID number, contact information and address. Although these data are collected, used and processed by our customers and are stored on our customers' own private clouds, and our customers are mainly responsible for protecting the safety and privacy of these data, if we or our employees fail to protect end users' personal data against security breaches or loss, intrusion or theft of personal data, our customers may file claims against us and demand for monetary damage, and our relationship with such customers may also be adversely affected. As such, we are committed to adhering to applicable PRC laws and regulations relating to the collection, use or processing of personal information and data when we provide products and services to our customers.

On February 1, 2013, China's first set of personal data protection guidelines, the Guidelines for Personal Information Protection in Information Security Technology Public and Commercial Service Systems (《信息安全技術公共及商用服務信息系統個人信息保護指南》), came into effect, which set forth detailed personal information protection requirements on data collection, data processing, data transfer and data creation. Although these guidelines are voluntary and non-binding, we believe that growing regulatory oversight of data privacy in China is inevitable. In addition, Amendment 7 to the PRC Criminal Law (《中華人民共和國刑法修正案(七)》) prohibits institutions, companies and their employees in the telecommunications and other industries from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. Pursuant to the Cyber Security Law of the PRC, providers of network products and services shall provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. Moreover, the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) is the specific regulation governing the collection, use, disclosure and security of personal information. Complying with these PRC laws and regulations may cause us to incur substantial costs or require us to change our business practices.

We have taken various measures to ensure the security of personal information we have access to in the provision of our products and services. See "Business—Information Risk Management" for more details. However, individuals or third parties may be able to circumvent such measures and we cannot assure you that a security breach, loss, intrusion or theft of personal information will not occur. Such privacy breach may harm customers' trust in us, our business, reputation and future prospects and may require us to expend significant resources to address. The perception of privacy concerns, whether or not valid, may inhibit market adoption of our software products and services. Any failure or perceived failure to comply with all applicable data privacy laws and regulations in China and other jurisdictions, or any failure for our employees to do so, may result in negative publicity and claims

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filed by our customers against us demanding for monetary damage. We cannot assure you that the relevant governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. Any occurrence of the abovementioned circumstances may negatively affect our business and results of operations.

***As the data protection laws and regulations in China and globally continue to evolve and our business continues to grow, we may become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters, which may adversely affect our business operations.***

As the data protection laws and regulations in China and globally continue to evolve and our business continues to grow, we may become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with the user data we have access to, which may negatively affect our business and results of operations.

We are subject to new and evolving PRC laws and regulations relating to the collection, use or processing of personal information and data when we provide products and services to our customers. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects.

As our business continues to grow, we may also be subject to data privacy protection laws and regulations in other jurisdictions. For example, in Hong Kong, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) restricts a company's collection, processing and use of personal data, including the sale or transfer of personal data for direct marketing purposes. In addition, recent legal developments in Europe have imposed new compliance obligations regarding certain transfers of personal data. For example, the General Data Protection Regulation, or the GDPR, which came into application in the European Union in May 2018, imposed a range of new compliance obligations, which could cause us to change our business practices, and significantly increased financial penalties for non-compliance.

***Our computer networks may be vulnerable to security risks that could disrupt our services and adversely affect our results of operations.***

Our computer networks may be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems caused by unauthorized access to, or improper use of, systems by third parties or our employees. A hacker who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. Computer attacks or disruptions may jeopardize the security of information stored in and transmitted through our computer networks. Actual or perceived concerns that our computer networks may be vulnerable to such attacks or disruptions may deter telecom operators and other customers from using our software products or services. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches, which could adversely affect our results of operations.

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***The success of our business depends on the continuing efforts of our key management and technical personnel, and our business may be severely disrupted if we lose their services or if they compete against us; continued increase in wages may adversely affect our results of operations.***

Our future growth and success depends, to a significant extent, on our ability to attract, train and retain qualified executive officers, engineers and technicians, particularly those with expertise in the software and IT industry and established relationships with our major customers. In particular, we are highly dependent on our founder and senior management team, due to their experience, relationships and knowledge in China's telecom and non-telecom enterprise software product and related service markets.

It is imperative for us to develop proprietary technologies and continuously bring to market innovative products and services in response to rapidly evolving customer preferences and technological developments. There is substantial competition for qualified personnel, particularly in the areas of software programming and system engineering, and there can be no assurance that we will be able to attract or retain qualified personnel on commercially reasonable terms or at all. Besides, wages in China's telecom and non-telecom enterprise product and related service markets have increased in recent years and may continue to increase. Wage increases will increase the cost of our products and services of the same quality and increase our cost of sales and services. In the long term, unless offset by increases in efficiency and productivity of our work force, may also result in increased prices for our software products and services, making us potentially less competitive. As a result, our costs may increase and our gross margin and profit margin may decline.

If one or more of our key executive officers, engineers or technicians are unable or unwilling to continue in their present positions, we may not be able to replace them easily. If we fail to provide appropriate training, career opportunities and otherwise motivate and retain our employees, or if our employees fail to acquire the appropriate industry knowledge and expertise or adapt quickly to changing industry and technological trends, we may not be able to execute our strategies and our business and prospects could suffer. As a result, our business may be severely disrupted and we may incur additional expenses to recruit and retain new personnel or find other suitable replacements. The loss of the services of any of our key personnel without adequate replacement, the inability to attract new qualified personnel or significant increases in the cost to retain such personnel may have a material adverse effect on our operations.

In addition, if any of our key management or technical personnel joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our executive officers has entered into employment agreements and confidentiality and non-competition agreements with us. However, in China, where most of these executive officers reside, if we have not provided adequate compensation for three months to these executive officers for their non-competition obligations and any dispute arises between our executive officers and us, the non-competition provisions contained in their confidentiality and non-competition agreements may not be enforceable according to the relevant PRC regulations.

***We may be subject to additional contributions of social insurance and late payments and fines imposed by relevant governmental authorities.***

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), we are required to make social insurance for our employees in amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local

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government from time to time at locations where they operate their business. We have in the past failed to make full contributions to such social insurance for our employees, and we have made provisions in connection with this non-compliance of RMB45.5 million, RMB18.4 million, RMB17.6 million and RMB6.9 million in 2015, 2016 and 2017 and the six months ended June 30, 2018. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim or request from these employees in this regard. However, we cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be subject to a fine of one to three times the amount of the overdue payment. See “Business—Legal Proceedings and Compliance—Social Insurance Contribution Shortfalls” for more details.

***Weakened economic conditions in China may adversely affect our industry, business and results of operations.***

As a substantial majority of our software products and services are offered in China, our overall performance and demand for our software offerings depend in part on economic conditions in China and any prolonged slowdown in the Chinese economy may have a negative impact on our business, results of operations and financial condition. In particular, the demands for telecom and non-telecom enterprise software products and services are subject to business cycles and may rise or fall along with the overall economic and business environment in China.

Economic conditions in China are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and there are new challenges, including the escalation of the European sovereign debt crisis from 2011 and the slowdown of China’s economic growth since 2012 which may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. The slowdown in China’s economic growth and credit tightening have adversely affected people’s economic outlook. If present Chinese and global economic uncertainties persist, the rate of software spending can be negatively affected and the ability or willingness of our existing and potential customers to purchase our software products and services may be adversely affected, which could adversely affect our operating results. We are also dependent on general economic conditions, which any adverse economic developments involving China, such as the recent U.S.-China trade tension, could lead to a general decline in domestic consumption and a slowdown in international trade.

***We face risk regarding the recoverability of deferred tax assets.***

As of June 30, 2018, we had deferred tax assets of RMB197.5 million. While the deferred tax assets may enable us to reduce future tax payments, our deferred tax assets may also pose risk to our Group as its recoverability is dependent on our ability to generate future taxable profit.

We cannot assure you that the deferred tax assets can be recovered. In the case that the value of deferred tax assets has changed, we may have to write-down the deferred tax assets, which may adversely affect our financial condition for that respective year.

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***Any reduction in or discontinuation of government grants or preferential tax treatment would have a material and adverse impact on our business.***

During the Track Record Period, we received government grants of RMB45.2 million, RMB49.2 million, RMB44.1 million and RMB10.1 million in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. During the Track Record Period, certain subsidiaries of our Company enjoyed some preferential tax treatments. For example, certain of our subsidiaries, including AsiaInfo China and AsiaInfo Nanjing, were recognized as Key Software Enterprises within National Programming Layout (國家規劃佈局內重點軟件企業) and enjoyed a preferential EIT rate of 10% during the Track Record Period. See “Financial Information—Description of Major Components of Our Results of Operations—Continuing Operation—Other Income” and “—Income Tax Expenses” for more details. In addition, our subsidiaries operating in the PRC were eligible for certain tax credits of 150% deduction rate on certain research and development expenses in 2015, 2016 and 2017, which totaled RMB15.7 million, RMB12.8 million and RMB14.5 million in the respective period. See Note 10 to “Appendix I—Accountants’ Report” for more details.

We cannot assure you that we will continue to receive government grants, which are non-recurring in nature, at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and results of operations may be materially and adversely affected.

***We recorded certain gains that are non-recurring in nature. Accordingly, we may not record such gains in the future.***

We recorded an RMB48.8 million gain on disposal of a subsidiary in 2016. While such gain had a positive impact on our reported profit for 2016, it was non-recurring in nature. Therefore, we may not record such gain in the future.

In addition, we recorded interest income from related parties of RMB3.6 million, RMB19.7 million, RMB19.0 million and RMB7.8 million in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, in connection with loans we extended to related parties. See Note 7 and Note 44 to “Appendix I—Accountants’ Report” for more details. As such loans had been fully repaid to us by the related parties as of June 30, 2018, such interest income will no longer be a source of income to us.

***If we become a party to litigations, legal disputes or claims, such involvement may result in costs and liabilities.***

We have been, and from time to time in the future may, become a party to various litigations, legal disputes or claims arising in the performance of our contractual obligations and in the ordinary course of our business, such as labor disputes. See “Business—Legal Proceedings and Compliance” for more details. Our project development contracts with our customers may contain provisions prohibiting sub-contracting or outsourcing without the customers’ approval. As a result of past reorganizations, there may be instances of technical breaches where we outsourced certain services to our affiliates in contravention of these terms. To the extent that our customers suffer any loss from such arrangements, we cannot preclude our customers from pursuing claims against us. Ongoing litigations, legal disputes or claims, regardless of merit, may divert our management’s attention and significantly consume our other resources. Furthermore, any litigations, legal disputes or claims which are initially not of material importance may escalate due to a variety of factors, such as the facts and

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circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Negative publicity arising from litigations, legal disputes or claims may damage our reputation and adversely affect our brand image. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business or project. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

AsiaInfo (Guangzhou) Software Service Ltd. (“**AsiaInfo Guangzhou Software**”) and AsiaInfo Software (H.K.) Limited (“**Software HK**”), being former indirect subsidiaries of our Company and now indirect subsidiaries of Skipper Holdings, are involved in a shareholder dispute lawsuit brought by an indirect minority shareholder of AsiaInfo Guangzhou Software. As both AsiaInfo Guangzhou Software and Software HK do not form part of the Group, we are not a party in this lawsuit. The lawsuit has been dismissed by the court of first instance and the minority shareholder has appealed to the appeal court. See “Business—Legal Proceedings and Compliance” for more details.

***Negative publicity and allegations directed against our Group or our affiliates may affect our reputation and, as a result, our operational and financial performance may be negatively impacted.***

We and our affiliates may be subject to negative media coverage and publicity from time to time. Negative coverage in the media and public allegations directed at our Group and/or our affiliates could threaten the perception of our brand and reputation. We cannot assure you that we will be able to defuse negative press coverage or publicity about our Group and/or our affiliates to the satisfaction of our investors, customers, suppliers and business partners. If we are unable to defuse negative press coverage and publicity about our Group and/or our affiliates, our brand and reputation may suffer in the marketplace, our operational and financial performance may be negatively impacted and the price of our Shares may decline.

***We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.***

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, trade secrets or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims alleging that we have infringed upon intellectual property rights of others, which, regardless of merit, may divert our management’s attention, significantly consume our other resources and adversely affect our brand image. In September 2015, AsiaInfo China was named as a co-defendant in a trade secret infringement claim, which was dismissed by the Beijing Intellectual Properties Court in September 2018. See “—If we become a party to litigations, legal disputes or claims, such involvement may result in costs and liabilities” and “Business—Legal Proceedings and Compliance” for more details. In addition, there may be other third party intellectual property that is infringed by our software products or other aspects of our business. There could also be existing intellectual property rights of which we are not aware that our software may inadvertently infringe. We cannot assure you that owners of intellectual property rights purportedly relating to some aspect of our software products, if any such holders exist, would not seek to enforce such intellectual property rights against us in China or any other jurisdictions. Further, the application and interpretation of China’s intellectual property laws and the procedures and standards for granting intellectual property rights in

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China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis.

If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question.

Moreover, we use open source software in connection with the development of some of our software products. Companies that incorporate open source software into their products have, from time to time, faced claims challenging the ownership of open source software and compliance with open source license terms. As a result, we and/or our customers could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms and could be enjoined from the sale of our products that contained the open source software. In addition, some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost, which could disrupt our sale of the relevant products.

***Our intellectual proprietary rights may be inadequately protected and there is a risk of poor enforcement of intellectual property rights in China.***

Our success and ability to compete depend in part upon our intellectual property, which we protect through a combination of confidentiality arrangements and copyright, trademark, and patent registrations. We have registered trademarks in the PRC, Hong Kong, the United States, Singapore, Malaysia, Thailand, Japan, Australia and the European Union and have filed trademark applications in the PRC. We have also registered copyrights in China with respect to certain of our software products. We have been granted numerous patents in the PRC and the United States and have filed many other patent applications in the PRC for software products used or developed in our business. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, or to develop similar technology independently. Since the Chinese legal system in general and the intellectual property regime in particular, are relatively weak, it is often difficult to enforce intellectual property rights in China. In addition, there are other countries where effective copyright, trademark and trade secret protection may be unavailable or limited.

Policing unauthorized use of our intellectual proprietary rights is difficult and the steps we take may not prevent misappropriation or infringement of our proprietary technology. In addition, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the intellectual proprietary rights of others, which could result in substantial costs and diversion of our resources.

A portion of our business involves the development and customization of software products for customers. We generally retain significant ownership or rights to use and market such software for other customer projects, where possible. However, our customers sometimes retain co-ownership and

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rights to use the software products, processes, and intellectual property so developed. In some cases, we may have no right or only limited rights to reuse or provide these products, processes and intellectual property to other customers. To the extent that we are unable to negotiate contracts which permit us to reuse these products, processes and intellectual property, or to the extent that we have conflicts with our customers regarding our ability to do so, we may be unable to provide similar products to our other customers.

***Defects related to certain of our leased properties may adversely affect our ability to use these properties.***

As of June 30, 2018, we operated our businesses through certain leased properties with a total gross floor area of 75,500 square meters in China. Our leased properties primarily serve as offices and dormitories. Any dispute or claim in relation to the titles of the properties that we occupy or any litigation involving allegations of illegal or unauthorized use of these properties could expose us to potential fines or render us unable to continue to use such properties. See “Business—Properties—Leased Properties” for more details.

Pursuant to the applicable PRC laws and regulations, lease agreements must be registered with the local branches of the PRC Ministry of Housing and Urban-Rural Development. As of June 30, 2018, we failed to register the lease agreements for 126 leases with a gross floor area of 75,114 square meters, accounting for 99.5% of the total gross floor area we leased, primarily due to the relevant lessors’ failure to cooperate. Although we are in the process of registering these lease agreements with the relevant government authorities, there is no assurance that such registration will be completed in a timely manner. Our PRC Legal Advisor has advised us that the lack of registration of such lease agreements will not affect their validity under PRC law, however, a fine of up to RMB10,000 may be imposed for non-registration of each lease agreement, exposing us to potential fines of up to RMB1,260,000.

As of June 30, 2018, the lessors of 13 of our leased properties failed to provide us with valid property ownership certificates or authorization from the property owners for the lessors to sub-lease such properties. These properties had a gross floor area of 3,019 square meters, accounting for 4.0% of the total gross floor area we leased. There is a risk that such lessors may not have the relevant property ownership certificates or even the right to lease or sub-lease such properties to us, in which case the relevant lease agreements may be deemed invalid and we may be forced to vacate these properties. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

In addition, as of June 30, 2018, 13 of our leased properties are subject to registered mortgages. These properties had a gross floor area of 5,793 square meters, accounting for 7.7% of the total gross floor area we leased. We may be forced to vacate these properties in the event that the mortgagees foreclose on these properties.



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*We may seek to grow our business through acquisitions of or investments in new or complementary businesses, technologies or products, or through strategic alliances, and the failure to manage acquisitions, investments or strategic alliances, or the failure to integrate them with our existing business, could have a material adverse effect on us.*

We may consider opportunities to acquire or make investments in new or complementary businesses, technologies or products, or enter into strategic alliances, that may enhance our capabilities, complement our current software products and services or expand the breadth of our markets. We do not know if we will be able to identify suitable acquisitions or strategic relationships. Our ability to successfully grow through strategic transactions depends upon our ability to identify, negotiate, complete and integrate suitable target businesses, technologies and products and to obtain any necessary financing. These efforts could be expensive and time-consuming and may disrupt our ongoing business. In addition, our ability to successfully integrate acquired businesses may be adversely affected by a number of factors. These factors include:

- diversion of management's attention;
- difficulties in retaining customers of the acquired businesses;
- difficulties in retaining personnel of the acquired businesses;
- entry to new markets in which we have not previously operated;
- unanticipated problems or legal liabilities; and
- tax and accounting issues.

If we are unable to integrate any acquired businesses, technologies and products effectively, our business, results of operations and financial condition could be materially adversely affected. Furthermore, the acquired companies may not perform to our expectations for various reasons, including legislative or regulatory changes that affect the products or services in which the acquired companies specialize, and the loss of key customers and personnel. If we are not able to realize the benefits envisioned for such acquisitions, joint ventures or other strategic alliances, our overall profitability and growth plans may be adversely affected.

*Natural disasters, epidemics, acts of war, terrorist attacks and other events could materially and adversely affect our business.*

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations. An outbreak or epidemic, such as those of the Middle East Respiratory Syndrome ("MERS"), Ebola virus disease, the severe acute respiratory syndrome ("SARS") or the H1N1 and H5N1 viruses, could cause general consumption demand to decline. In addition, political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business, which could materially and adversely affect our business, financial condition and results of operations.

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***Any non-compliance with relevant anti-bribery and anti-corruption laws by our employees or parties who have a business relationship with us may materially and adversely affect our business operation.***

Our industry is subject to anti-bribery and anti-corruption laws and regulations. In the PRC, where we operate substantially all of our business and where all of our revenue is generated from, we must strictly comply with the PRC criminal laws and other applicable regulations, which prohibit companies and their intermediaries from making improper payments or other benefits to government officials or other parties for the purpose of obtaining or retaining business, including improperly influencing the results of tenders.

While we have internal controls and procedures in place to monitor internal and external compliance with anti-corruption laws, regulations and policies, we cannot assure you that such internal controls and procedures will always protect us from penalties that may be imposed by PRC government authorities due to violations committed by our employees or other parties with whom we have a business relationship. If our employees or other parties are found or alleged to be in violation of anti-corruption regulations, we may face or be involved in fines, lawsuits, loss of permits and licenses and loss of key personnel, as well as damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

***We rely on outsourcing service providers to provide certain services to us, and any failure by the outsourcing service providers to meet our quality and safety standards may result in our liabilities to our customers.***

During the Track Record Period, we engaged third-party outsourcing service providers to provide certain non-core IT services at different stages of our project development process, such as certain aspects of our operations and maintenance services which do not require extensive software and IT expertise. See “Business—Our Suppliers—Outsourcing Service Providers” for more details.

We closely monitor the performance of our outsourcing service providers, but we may not be able to control the quality and safety standards of the work done by such outsourcing service providers to the same extent as when the work is performed by our own employees. Any failure by the outsourcing service providers to meet our quality and safety standards may result in our liabilities to our customers and have a material adverse effect on our business, reputation, financial condition and results of operations. Moreover, if our outsourcing service providers cannot meet delivery deadlines or deliver services of unsatisfactory quality, our business, reputation and operations may be adversely affected. There is no assurance that the services our outsourcing service providers provide will always be able to meet the requirements of our customers. If any services they deliver cannot meet our customers’ requirements or standards, we may not be able to meet our commitments to our customers, which may have an adverse impact on our business reputation. Any failure to retain our current outsourcing service providers or obtain replacement of favorable terms or at all may have an adverse effect on our business and results of operations.

***Our insurance coverage may not completely cover the risks related to our business and operations.***

We maintain limited insurance coverage such as property insurance. We do not carry any business interruption insurance or product liability insurance, which we believe is in line with industry practice. There is no assurance that our insurance coverage would be sufficient to cover all our potential losses related to our business and operations. See “Business—Insurance” for more

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information on the insurance policies maintained by us. In the event that our insurance policies cannot sufficiently compensate for our losses sustained as a result of damage to items covered or howsoever incurred, we would have to pay for the difference ourselves and our cash flow and liquidity could be negatively affected.

***We may not be able to obtain additional capital and proceed with our long-term business plan.***

We will require additional working capital to support our long-term business plan, which includes identifying suitable targets for horizontal or vertical mergers or acquisitions, so as to enhance the overall productivity and benefit from economies of scale. Our working capital requirements and the cash flow provided by future operating activities, if any, may vary greatly from quarter to quarter, depending on the volume of business during the period and payment terms with our customers. We may not be able to obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources. Additional financings could result in significant dilution to our earnings per share or the issuance of securities with rights superior to our current outstanding securities. If we are unable to raise additional financing, we may be unable to implement our long-term business plan, develop or enhance our software products and services, take advantage of future opportunities or respond to competitive pressures on a timely basis, if at all. In addition, a lack of additional financing could force us to substantially curtail or cease operations.

***CITIC Capital Entities and Dr. Tian have significant influence over our Company and their interests may not be fully aligned with the interest of our other Shareholders.***

Upon completion of the Global Offering, (i) CITIC Capital Entities will, through Skipper Investment Limited as the immediate Shareholder of the Company, remain as our substantial shareholder and although they will not have a controlling interest of 30% or more in us, Skipper Investment Limited is expected to remain as the single largest Shareholder of our Company; and (ii) Dr. Tian, the founder, chairman and executive Director of our Company, will also remain as a substantial shareholder of our Company. CITIC Capital Entities will, through the voting power at the Shareholders' meetings controlled by Skipper Investment Limited and their delegates on the Board, and Dr. Tian will through the voting power at the Shareholders' meeting controlled by him and his position 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. The interests of CITIC Capital Entities and Dr. Tian may not be fully aligned with the interests of our other Shareholders.

***The actual or perceived sale or availability for sale of substantial amounts of our Shares by our existing Shareholders, including our institutional Shareholders and individual Shareholders, could have an adverse effect on the market price of our Shares.***

Future sales of a substantial number of our Shares by our existing Shareholders, including our institutional Shareholders and individual Shareholders (including Shares that will be in issue upon completion of the Global Offering and the Shares that may be allotted and issued by us pursuant to the exercise of the outstanding share options under the Pre-IPO Share Option Scheme and the vesting of the outstanding RSAs under the Pre-IPO RSA Scheme), or the perception or anticipation of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

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The Shares held by CITIC Capital Entities are subject to certain lock-up period. For further details, see the section headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus. We cannot assure you that they will not dispose of any Shares they may own now or in the future.

***Allotment and issue of Shares upon the exercise of the share options granted under the Pre-IPO Share Option Scheme and upon the vesting of the RSAs granted under the Pre-IPO RSA Scheme will result in the dilution of your shareholding in our Company and a significant amount of employee benefit expenses.***

We have granted share options under the Pre-IPO Share Option Scheme and RSAs under the Pre-IPO RSA Scheme to certain of our employees, ex-employees, consultants and ex-consultants. As of the Latest Practicable Date, share options underlying a total of 15,049,232 Shares (being 120,393,856 Shares after the completion of the Share Subdivision) granted under the Pre-IPO Share Option Scheme remain unexercised and outstanding and a RSAs underlying a total of 2,095,115 Shares (being 16,760,920 Shares after the completion of the Share Subdivision) granted under the Pre-IPO RSA Scheme remain unvested and outstanding. Assuming full exercise of such outstanding share options granted under the Pre-IPO Share Option Scheme and full vesting of such outstanding RSAs granted under the Pre-IPO RSA Scheme, the shareholding of our Shareholders immediately following the Listing would be diluted by 16.12% as calculated based on 850,930,960 Shares then in issue (without taking into consideration any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, but including Shares issued pursuant to the full exercise of the outstanding share options granted under the Pre-IPO Share Option Scheme and the full vesting of outstanding RSAs granted under the Pre-IPO RSA Scheme are vested) and the dilution effect on our earnings per Shares would be 16.12%. Issuance of Shares pursuant to the exercise of the share options granted under the Pre-IPO Share Option Scheme and the vesting of the RSAs granted under the Pre-IPO RSA Scheme will result in an increase in the total number of Shares in issue and therefore dilute your shareholding percentage in our Company.

Moreover, we are required to recognize share-based compensation as expenses in respect of the share options granted under the Pre-IPO Share Option Scheme and the RSAs granted under the Pre-IPO RSA Scheme. We expect to recognize a significant amount of employee benefit expenses in our consolidated financial statement in respect of the share options granted under the Pre-IPO Share Option Scheme and the RSAs granted under the Pre-IPO RSA Scheme, particularly in 2018 and 2019. The recognition of employee benefit expenses in respect of the outstanding share options and RSAs could negatively impact on the financial results of our operations on a per-Share basis.

### **RISKS RELATING TO DOING BUSINESS IN CHINA**

***Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.***

All of our operating subsidiaries are located in China and substantially all of our business activities are conducted in China. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies in most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate, control of foreign exchange and allocation of resources. Since 1978, the Chinese government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a

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more market-oriented economy. Many of the reforms are exploratory or experimental, and they are expected to be modified as the economic and social situation develops. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Although China has experienced rapid economic growth over the past decades, its continued growth has been facing downward pressure since the second half of 2008 and its annual GDP growth rate has declined from 7.3% in 2014 to 6.9% in 2015 and to 6.7% in 2016. There is no assurance that future growth will be sustained at similar rates or at all. Our business, financial position, results of operations and prospects may be adversely affected by Chinese government's political, economic and social policies affecting our industries.

The PRC Government exercises significant control over PRC economic growth through allocation of resources, restrictions on payment of foreign currency-denominated obligations, the setting of monetary policy and provision of preferential treatment to particular industries or companies. Any adverse change in the economic conditions or government policies in China could have a material adverse effect on overall economic growth and the level of IT investments and expenditures in China, which in turn could lead to a reduction in demand for our software and consequently have a material adverse effect on our businesses.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically, among various sectors of the economy, and during different periods. The PRC Government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC Government has in the past implemented certain measures, including interest rate increases, in an attempt to control the rate of economic growth. The PRC economy has begun to show signs of a potential slowdown in recent years, including decreased gross domestic product growth rates. In response, the PRC Government has announced stimulus measures, but the overall impact of such stimulus measures is uncertain, and they may not have the intended effects. The Chinese economy may not continue to grow, and if there is growth, such growth may not be steady and uniform; and if there is a slowdown, such a slowdown may have a material negative effect on us.

Since we currently derive all of our revenue in China, any prolonged slowdown in the Chinese economy or downturn affecting the global economy generally, or the adoption by the PRC Government of policies detrimental to the software industry, could materially and adversely affect our business, results of operations and financial condition.

***Uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.***

While we are incorporated in the BVI, substantially all of our business and operations are conducted in the PRC and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations and promulgated laws and regulations in relation to economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to establishing a comprehensive legal system conducive to investment activities. However, the implementation, interpretation and enforcement of these laws and regulations may cause

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greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history, limited volume of court cases and their non-binding nature. Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for guidance. PRC administrative and court authorities also have significant discretion in interpreting and enforcing statutory and contractual terms. It thus may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. Depending on the government agency or how an application or a case is presented to such agency or other factors, we may receive less favorable application of law.

In addition, any litigation or legal proceeding in China may be protracted and result in substantial legal costs and diversion of resources and management attention. We cannot predict the effect of future legal developments in China, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local rules and regulations by national law, the overturn or modification of the lower-level authority's decisions at the higher level, or the changes in judiciary and administrative practices. As a result, there is substantial uncertainty as to the legal protection available to us or to our investors.

Moreover, there can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations, or promulgate new laws, rules or regulations, in a manner which materially and adversely affects our business, results of operations or financial condition. For example, the PRC government may require additional approvals, licenses or permits for our business and operations, or impose stricter requirements or conditions for the maintenance or renewal of approvals, licenses or permits required for our business and operations, or adopt new or stricter national standards for our products. Any loss of or failure to obtain, maintain or renew our approvals, licenses or permits or failure to meet the new or stricter national standards could disrupt our operations or subject us to fines or penalties imposed by the PRC government. See "Regulatory Overview."

***There are significant uncertainties under the EIT Law of the PRC, with respect to our PRC enterprise income tax liabilities, and with respect to possible PRC withholding tax upon our shareholders.***

There are significant uncertainties under the EIT Law, which came into effect on January 1, 2008, and its implementation rules.

Under the EIT Law and its implementation rules, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise". The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民

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企業所得稅管理辦法(試行)》) issued in April 2009 and July 2011 and amended in June 2015, October 2016 and June 2018, respectively, set out certain criteria for what constitutes a “de facto management body” in respect of enterprises that are established offshore by PRC enterprises, which could be applied in determining the tax resident status of non-PRC enterprises, regardless of whether they are established by PRC enterprises.

As substantially all of the operational management of our Company is currently based in the PRC, we and our offshore subsidiaries may be deemed to be “PRC resident enterprises” for the purpose of the EIT Law. If we or our offshore subsidiaries are deemed PRC resident enterprises, we could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes “dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise.” It is, however, unclear what type of enterprise would be deemed a “PRC resident enterprise” for such purposes. If we are deemed a PRC resident enterprise and earn significant income other than exempted dividends from our PRC subsidiaries, the EIT on our global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

Further, pursuant to the EIT Law and its implementation rules, PRC income tax at the rate of 10% is generally applicable to PRC source dividends paid by “PRC resident enterprises” to investors that are “non-PRC residents”. Similarly, any gain realized on the transfer of the shares of “PRC resident enterprises” by such investors is also subject to PRC income tax, usually at the rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends payable to our foreign investors or gains our foreign investors may realize from the transfer of the Shares may be treated as income sourced within the PRC and be subject to PRC income tax. Accordingly, if we are deemed a PRC resident enterprise under the EIT Law, our shareholders that are “non-PRC resident enterprises” could be subject to the withholding income tax upon the dividends payable by us or upon any gains realized from the transfer of our Shares at the rate of 10% unless otherwise reduced or exempted. Such dividends or gains received by non-PRC resident individuals may be subject to PRC individual income tax at a rate of 20%.

It is unclear whether, if we and our offshore subsidiaries, are deemed a PRC resident enterprise, our shareholders would be able to claim the benefit of income tax treaties entered into between China and other countries or regions. If dividends payable to our shareholders that are “non-PRC residents,” or gains from the transfer of our Shares are subject to PRC tax, the value of such shareholders’ investment in our Shares may be materially and adversely affected.

***The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.***

On February 3, 2015, the PRC State Administration of Taxation issued the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (《國家稅務總局公告2015年第7號——關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”), which abolished certain provisions in the *Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises* (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**Circular 698**”), which was previously issued by the PRC State Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7

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provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). On October 17, 2017, the PRC State Administration of Taxation promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《國家稅務總局公告2017年第37號——關於非居民企業所得稅源泉扣繳有關問題的公告》) ("**SAT Circular 37**"), which became effective and replaced Circular 698 and certain other regulations on December 1, 2017. SAT Circular 37 simplifies procedures for withholding and payment of income tax by non-resident enterprises.

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

***A failure by our Shareholders who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.***

The State Administration of Foreign Exchange, or the SAFE, has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**"), issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle.



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If our Shareholders or beneficial owners who are PRC citizens or residents do not complete or update their registration with the qualified banks in accordance with the currently applicable foreign exchange regulations, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liabilities for our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions.

We are committed to complying with and to ensuring that our Shareholders and beneficial owners who are subject to the regulations will comply with the relevant rules. However, as of the Latest Practicable Date, certain Shareholders and beneficial owners of our Company have not completed their registration with the qualified banks. In addition, there is no assurance that all of our future Shareholders or beneficial owners who are PRC residents will make or obtain any applicable registrations or approvals required by SAFE Circular 37 or other related regulations. Failure by any such Shareholders or beneficial owners to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

***Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.***

The change in the value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and the U.S. dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the U.S. dollar and the Hong Kong dollar by approximately 2% on that date, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. On June 19, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On March 17, 2014, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 1% to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. As a result, in 2015, the value of the Renminbi depreciated approximately 5.8% against the U.S. dollar, and from December 31, 2015 through June 30, 2016, the value of the Renminbi further depreciated approximately 2.6% against the U.S. dollar. There remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant fluctuation in the value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies. Renminbi was added to its group of global reserve currencies by The International Monetary Fund on November 30, 2015, which makes Renminbi to some extent more

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susceptible to market forces as the PRC government loosens some of its currency controls. With an increased floating range of Renminbi value against foreign currencies, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term.

During the Track Record Period, we incurred exchange gains of RMB84.0 million and RMB40.1 million in 2017 and the six months ended June 30, 2017, respectively, and exchange losses of RMB3.6 million, RMB95.2 million and RMB27.2 million in 2015, 2016 and the six months ended June 30, 2018, which was associated with the fluctuation in exchange rate of the U.S. dollar against Renminbi and primarily related to the Privatization Syndicated Loan. See “Financial Information—Indebtedness and Contingencies” for more details.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Substantially all of our revenues and expenditures are denominated in Renminbi, and substantially all of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar, the U.S. dollar or any other currencies against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, an appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

***The Chinese government’s control of foreign currency may limit our foreign exchange transactions, delay or prevent us from paying dividend on our Shares, using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

In utilizing the proceeds of this offering in the manner described in the section headed “Future Plans and Use of Proceeds”, as an offshore holding company, we may extend loans to our PRC subsidiaries, establish new subsidiaries, make additional capital contributions to our PRC subsidiaries or acquire, in offshore transactions, offshore entities with business operations inside China.

On August 29, 2008, the SAFE promulgated Notice on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (《關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》) (“**Circular 142**”), which requires that any Renminbi obtained from the settlement of the capital of a foreign-invested enterprise shall be used for purposes within the business scope approved by the applicable government authority. Without a special governmental approval pursuant to Circular 142, we may not utilize our existing PRC subsidiaries to apply the settlement of capital for domestic equity investments. We may, however, use proceeds from this offering for equity investments through

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acquisitions of offshore entities with business operations in China or establish new subsidiaries with an appropriate business scope to engage in equity investment activities in China.

On March 30, 2015, the SAFE promulgated Notice on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**Circular 19**”), which became effective on June 1, 2015 to reform the administration of conversion of foreign currency registered capitals of foreign-invested enterprises. According to Circular 19, Circular 142 will be repealed simultaneously when Circular 19 comes into effect. Circular 19 adopts a concept of “discretionary settlement” as opposed to settlement on a payment basis as set forth in Circular 142. Discretionary settlement is defined in Circular 19 as the settlement of a foreign-invested enterprise’s foreign currency registered capital in accordance with the enterprise’s actual business needs. No review of the purpose of the funds is required at the time of settlement under Circular 19. However, use of any Renminbi funds converted from its registered capital shall be based on true transactions, and the Renminbi funds obtained by foreign-invested enterprises from the discretionary settlement of foreign currency registered capitals shall be managed under the accounts pending for foreign currency settlement payment. In addition, equity investments using converted registered capital are no longer prohibited under Circular 19. The SAFE further promulgated Notice on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“**Circular 16**”), which became effective on June 9, 2016, to amend certain provisions of Circular 19.

Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the applicable PRC laws and regulations. Our ability to fund our PRC subsidiaries or support our PRC operations will be subject to statutory limits and restrictions, including those described above.

Finally, any capital contributions to our existing PRC subsidiaries or to any new PRC subsidiaries that we may establish in the future must be filed with the MOFCOM or its local counterpart. There can be no assurance that we will be able to complete these filings on a timely basis, if at all. If we fail to complete these filings, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements, and any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE. However, administrative procedures or registration with appropriate governmental authorities or banks are required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Therefore, we may not make the remittance of currency out of China to pay our outstanding and due loans, including but not limited to the Privatization Syndicated Loan, which may burden us with legal obligations under the relevant loan agreements. Under the current existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior

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approval from SAFE. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. If we fail to obtain approval or registration from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

***Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of this offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.

***The enforcement of the Labor Contract Law and increase in labor costs in the PRC may adversely affect our business and our profitability.***

The Labor Contract Law of the PRC became effective on January 1, 2008 and its implementation rules effective on September 18, 2008. The Labor Contract Law, as amended on July 1, 2013, and its implementation rules impose more stringent requirements on employers with regard to, among others, minimum wages, severance payment and non-fixed term employment contracts, time limits for the probation period as well as the duration and the times that an employee can be placed on a fixed term employment contract.

Due to the lack of clarity with respect to the implementation of the Labor Contract Law and its potential penalties and fines, it is uncertain how they will impact our current employment policies and practices. Our employment policies and practices may violate the Labor Contract Law or its implementation rules and we may be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its

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implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

***There may be difficulties in effecting services of process and seeking recognition and enforcement of foreign judgments in China.***

We are incorporated in the BVI. Our corporate affairs are governed by the Memorandum and the Articles, the BVI Business Companies Act and other laws of the BVI. The rights of shareholders to take legal action against our directors and us, and actions by minority shareholders and the fiduciary responsibilities of our directors under the BVI law are to a large extent governed by the laws of the BVI. Substantially all of our assets are located in China, and most of our senior management members and directors reside in China. However, China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts of the BVI, the United States or many other jurisdictions. As a result, it may be difficult or impossible for investors to effect service of process or enforce court judgments against our PRC subsidiaries, our assets, senior management members or directors in China.

On July 14, 2006, Hong Kong and the PRC 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 (the “**Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. 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 designated 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. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

### **RISKS RELATING TO THE GLOBAL OFFERING**

***No public market currently exists for our Shares; the market price of our Shares may be volatile and an active trading market for our Shares may not develop.***

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

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In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- developments affecting our major customers;
- market developments affecting us or the software industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in the PRC, Hong Kong and elsewhere in the world.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

***You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.***

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value per Share. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

***There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price.***

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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***We may not pay any dividends on the Shares.***

We cannot guarantee when, if, or in what form, dividends will be paid on the Shares following the Global Offering. A declaration of dividends must be proposed by our Board and will be based on, and limited by, various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. Furthermore, we may not have sufficient profits to make dividend distributions to Shareholders in the future, even if our financial statements prepared under HKFRS indicate that our continuing operations have been profitable. For further details on our dividend policy, see “Financial Information—Dividend Policy.”

***Certain facts, forecasts and other statistics contained in this prospectus are obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the “Industry Overview” section of this prospectus.***

In this prospectus, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of Chinese government agencies or industry associations, or an industry report prepared by Frost & Sullivan and commissioned by us. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully that how much weight you should place on those facts, forecasts and statistics.

***This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.***

This prospectus contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this prospectus is subject to certain risk and uncertainties. For instance, the respective amounts of revenue backlog that are expected to be converted into revenue in the remainder of 2018 and 2019 are based upon our estimates and are subject to revision. The revenue backlog may not be an indicator of our future results of operations and our actual results may be materially different from our estimates. Whether we implement those plans, or whether we can achieve the objective described in this prospectus, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

***Investors may experience difficulties in enforcing their shareholder right as our Company is incorporated in the BVI, and BVI laws for protection of minority shareholders may be different from those under the laws of Hong Kong and other jurisdictions.***

Our Company is incorporated in the BVI. Our corporate affairs are governed by, amongst other things, the Articles, the Memorandum, the BVI Business Companies Act and the common laws of the BVI. The laws of the BVI relating to the protection of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority shareholders may be different compared to the laws of Hong Kong and other jurisdictions. As such,

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investors may experience difficulties in enforcing their shareholder right. See “Summary of the Constitution of our Company and the British Virgin Islands Company Law” in Appendix III of this prospectus for more details.

***You should only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.***

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

***Possible setting of the Offer Price after making a Downward Offer Price Adjustment.***

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Share. It is therefore possible that the final Offer Price will be set at HK\$9.45 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply.

If the final Offer Price is set at HK\$9.45, the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$778.0 million, assuming the Over-allotment Option is not exercised.