

## RISK FACTORS

*An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].*

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business and industry; (ii) risks related to our regulatory compliance, (iii) risks related to our corporate structure; (iv) risks related to doing business in China; and (v) risks related to the [REDACTED].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

### **Risks Related to Our Business and Industry**

*If we fail to manage the growth and expansion of our business and operations, such as failing to expand the features and capabilities of our solutions, attract new clients and retain existing ones, or provide satisfactory client services, our revenue growth may not increase to offset our future operating expenses, and our results of operations, financial condition and growth prospects may be materially and adversely affected.*

We have been expanding the type and scale of our services since our inception and experienced steady growth in our revenue during the Track Record Period. Our total revenue increased at a CAGR of 9.6% from RMB334.8 million in 2019 to RMB401.9 million in 2021. Our gross profit increased at a CAGR of 8.3% from RMB155.9 million in 2019 to RMB182.7 million in 2021. We may continue to launch more business initiatives as we unearth more pressing client needs. Such expansion in business, while introducing more monetization opportunities, may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, business systems, operation procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or to implement all these business systems, operation procedures and control measures successfully, neither can we guarantee that our new business initiatives will be as successful as expected or achieve profitability.

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While our business has grown in the past, we cannot assure you that we are able to sustain our historical growth rate for various reasons. We believe our revenue growth depends on a number of factors, including, but not limited to, our ability to:

- expand the features and capabilities of our solutions;
- attract new clients and retain existing ones;
- achieve widespread acceptance and use of our solutions;
- provide effective and timely client support;
- maintain the security and reliability of our software solutions;
- maintain or increase our dollar-based net retention rate, and expand usage with our solutions;
- adequately expand our sales force;
- price our software solutions effectively so that we are able to attract and retain paying clients without compromising our profitability;
- successfully compete against established companies and new market entrants;
- increase awareness of our brand;
- comply with existing and new applicable laws and regulations; and
- introduce our services and grow their adoption in new markets outside China.

If we are unable to accomplish any of these goals, our revenue growth may be harmed. If our revenue growth does not increase to offset our future operating expenses, our business, results of operations, and financial condition may be harmed, and we may not be able to achieve or maintain profitability. We have also encountered in the past, and expect to encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly evolving industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our growth rates may slow and our business would be materially and adversely affected.

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***The market in which we participate is highly competitive, and if we do not compete effectively, our operating results could be harmed.***

The market for cloud-based customer contact solutions is relatively new, rapidly evolving and competitive. We face competition in various aspects of our business, including, among others, the comprehensiveness and adaptability of solutions, brand recognition, ability to continuously innovate services and solutions, and vertical expertise in developing industry-specific solutions. In addition to other cloud-based customer contact solutions providers, we also compete with large legacy technology vendors that offer on-premise contact center systems. These legacy technology and software companies are increasingly supplementing their traditional on-premise contact center systems with competing cloud offerings, through a combination of acquisitions, partnerships and in-house development. Additionally, vendors that historically provided other services and technologies, such as cloud service providers and telecommunications companies, may expand to offer cloud-based customer contact solutions.

Some of our competitors can devote significantly greater resources than we can to the development, promotion and sales of their products and services and many have the ability to initiate or withstand substantial price competition. Current or potential competitors may also be acquired by third parties with significantly greater resources and therefore gain competitive advantages. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources and ability to compete. With the introduction of new technologies and entry of new market participants, we expect competition to continue to intensify in the future. If we fail to predict the right combination of market and technology and our competitors’ products, services or technologies become more accepted than our solutions, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are less expensive or more technologically capable than ours, our revenue could be harmed. Pricing pressures and increased competition could result in reduced sales and revenue, reduced margins and loss of, or a failure to maintain or improve, our competitive market position, any of which could harm our business.

***If we fail to improve and enhance the functions, performance, reliability, design, security, and scalability of our solutions to meet our clients’ evolving needs, we may lose our clients.***

The market for cloud-based customer contact solutions in China where we operate and compete is constantly changing with innovations. Our ability to continue to attract and retain clients and increase sales depends largely on our ability to continue improving and enhancing the functions, performance, reliability, design, security, and scalability of our solutions. We may experience difficulties in developing new technologies as it is costly and time consuming, which in turn could delay or prevent the development, introduction or implementation of new products, services and enhancements. While we have invested a significant amount of time and money in research and development to date, we may not have sufficient resources to invest into the same level going forward. To the extent that we are unable to improve and enhance the functions, performance, reliability, design, security, and scalability of our solutions in a manner that timely responds to our clients’ evolving needs, we may lose our clients and our business, financial condition, results of operations, and prospects may be materially and adversely affected. For example, we intend to integrate additional communication channels into our

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system and increase our compatibility with a variety of development platforms. We may not be successful in these enhancements or bringing them to market in a timely fashion. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could delay introduction of our solutions and increase our research and development expenses. Any failure of our solutions to operate effectively with future network platforms and technologies could reduce the demand for our solutions, result in client dissatisfaction and harm our business.

*If we fail to attract new clients or retain existing ones, our business, results of operations and financial condition could be materially and adversely affected.*

To increase our revenue, we must acquire new clients, encourage existing clients to renew their subscriptions on terms favorable to us and to add additional agent seats and sell additional functionality to existing clients. As a strategy to increase our penetration rate in our targeting industries, we rely on our business relationships with and recommendations from clients who are market leaders in their industries. As we enter into a new sector, our dedicated sales team will introduce our solutions to top-tier enterprises in the sector and we will invest abundant resources in meeting potential clients' requirements. With endorsement from top players, we have effectively increased our penetration rate in the relevant sector. While this strategy has been proven effective so far, we cannot assure you the outcome will always be in line with our expectation. We often need to spend more money and resources in acquiring key clients, but there can be no assurance that our efforts to acquire new clients will be successful. If this go-to-market strategy turn out to be less effective than we expected, we may not be able to maintain our existing level of revenue or profitability.

As our industry matures, or as competitors introduce lower-cost and/or differentiated products or services that are perceived to compete favorably with ours, our ability to add new clients and renew or upsell existing clients based on pricing, technology and functionality could be impaired. As a result, we may be unable to renew our agreements with existing clients, attract new clients or develop new business from existing clients, which could harm our revenue and growth. In particular, if we lose any of our key clients or if our clients reduce their purchase of our solutions, could have a significant impact on our revenue, reputation and our ability to obtain new clients.

In addition, certain factors beyond our control may also adversely affect our ability to retain clients. Historically, mergers and acquisitions between our clients led to cancellation of our contracts with those clients which were merged into or acquired by other companies, which reduced the number of our existing clients and had adverse impact on our results of operations. Our clients may not be able to sustain or grow their business operations and may as a result cancel or reduce their subscription for our solutions. Our revenue from clients in a particular industry may fluctuate due to different reasons, many of which are out of our control. Such reasons may include factors affecting our clients' industries such as market conditions, development in regulatory requirements and release of new government policies. If certain clients elect to or are mandated to terminate or reduce their operations due to changes in laws and regulations or interpretation of existing ones, our business, financial condition and results of operations may be materially and adversely affected.

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### Recent regulatory changes have led to a significant decrease in our revenue from clients in the education industry.

During the Track Record Period, clients in education industry contributed to a significant portion of our revenue. In 2019, 2020 and 2021, revenue from these clients amounted to RMB89.5 million, RMB104.4 million and RMB107.8 million, respectively, accounting for 26.7%, 29.5% and 26.8% of our total revenue. The increases were primarily driven by the robust growth of the business of education companies prior to June 30, 2021. In July 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (the "**Opinion**"), which contains high-level policy directives about requirements and restrictions related to after-school tutoring services, including that, among others, (i) Academic AST Institutions, need to be registered as non-profit; (ii) changing the current registration-based regime for operating online Academic AST Institutions to a government approval-based regime, (iii) alleviating the amount of homework that students are required to complete, (iv) foreign ownership in Academic AST Institutions is prohibited, including through contractual arrangements, and companies with existing foreign ownership need to rectify the situation; (v) listed companies are prohibited from raising capital to invest in businesses that teach academic subjects in compulsory education; (vi) Academic AST Institutions are prohibited from providing tutoring services on academic subjects in compulsory education during public holidays, weekends and school breaks; and (vii) Academic AST Institutions must follow the fee standards to be established by relevant authorities. The Opinion also provides that institutions providing after-school tutoring services on academic subjects in high schools (which do not fall within China's compulsory education system) shall take into consideration the Opinion when conducting activities. Subsequently, local education authorities started to promulgate implementation measures of the Opinion. In 2019, 2020 and 2021, we had 25, 26, and 34 clients who are Academic AST Institutions, respectively. Many of these clients also provide vocational and quality education services in addition to after-school tutoring services on academic subjects. During the same periods, these clients contributed to 16.2%, 18.9% and 16.9% of our total revenue, respectively. According to the CIC Report, the Opinion, related rules and regulations, and the accompanying enforcement measures have had a material adverse impact on the results of operations and prospects of Academic AST Institutions, including a significant number of our clients from the education industry. In the second half of 2021, Academic AST Institutions significantly reduced their business activities as well as their demand for customer contact solutions. In the medium to long term, some of these institutions will repurpose into institutions that provide vocational education and quality education, which are less affected by the Opinion. Since the release of the Opinion and the related implementation measures, we have observed a decrease in usage of our services by clients who are Academic AST Institutions. The total voice minutes used by such clients decreased by approximately 55.0% in the second half of 2021 as compared to the first half of 2021. In the second half of 2021, our revenue generated from such clients was approximately RMB24.1 million, accounting for 12.5% of our total revenue. In contrast, in the first half of 2021, our revenue generated from the same type of clients was approximately RMB43.8 million, accounting for 21.0% of our total revenue. As a result, we had a significant decrease in the revenue from education companies for the second half of 2021, and our total

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revenue and gross profit in 2021 was negatively impacted. In addition, prior to the issuance of the Opinion, we purchased a larger pool of telecommunication resources, including telephone numbers, dedicated leased lines and internet broadband, in anticipation of increasing client demand, which increased our cost of sales. Due to the regulatory development, client demand from the education industry did not grow as expected, while some of the telecommunication resources we purchased cannot be canceled within a short time. Therefore, the average utilization rate of such resources decreased in 2021, which negatively impacted our gross profit and gross margin.

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

We rely on major telecommunications companies in China to provide our clients and their customers with telecommunications services. These telecommunications services include both fixed and mobile voice network services and data network services. We depend on these telecommunications companies to provide uninterrupted and error-free service through their telecommunications networks. We exercise little control over these third-party providers, which increases our vulnerability to problems with the services they provide. We also collaborate with telecommunications companies on sales and marketing initiatives. These telecommunications companies possess significant bargaining power and may change their service terms or other policies or change their interpretation of such terms and policies at discretion, which may adversely affect our operation plans. As a result, we may not be able to carry out our operations, sales and marketing activities as planned.

In addition, we cooperate with third-party cloud service providers to host our communications solutions. We are, therefore, vulnerable to problems experienced by these providers. We expect to experience interruptions, delays or outages with respect to our third-party cloud infrastructure in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions and capacity constraints. Such issues could arise from a number of causes such as technical failures, natural disasters, fraud or security attacks. The level of service provided by these providers, or regular or prolonged interruptions in that service, could also affect the use of and our clients’ satisfaction with our solutions and could harm our business and reputation. In addition, hosting costs will increase as our client base grows, which could harm our business if we are unable to grow our revenue sufficiently to offset such increase.

Our success depends in large part upon the capacity, stability and performance of our system. We have experienced interruptions in service, and may experience such interruptions in the future. When problems occur, it may be difficult to identify the source of the problem. Service disruption or outages, whether caused by our service, the products or services of our third party service providers, or our clients’ or their customers’ equipment and systems, may result in loss of market acceptance of our solutions and any necessary repairs or other remedial actions may force us to incur significant costs and expenses. Any failure on the part of third party service providers to achieve or maintain expected performance levels, stability and



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security could harm our relationships with our clients, cause us to lose clients, result in claims for credits or damages, increase our costs or the costs incurred by our clients, damage our reputation, significantly reduce clients' demand for our solutions and seriously harm our financial condition and operating results. During the Track Record Period and up to the Latest Practicable Date, we encountered one prolonged service interruption on June 2, 2019, due to disruption in the service provided by a third-party cloud service provider. The disruption was caused by a failure in the fiber optic cables of the third-party provider which was beyond our control. The third-party provider's service disruption lasted approximately 12 hours. Our services were unavailable for approximately one hour and were negatively impacted during the rest of the disruption. We did not experience any loss of clients, claim for damages or other material adverse impact as a result of the incident. We voluntarily reduced the service fees of certain clients who were impacted by the disruption, which amounted to RMB311,117.5. The incident motivated us to transition to our active-active dual cloud architecture, under which our services run simultaneously on two independent cloud computing platforms. The disruption of one platform will not affect the other and will not interrupt our services, which significantly improved our system's fault tolerance.

Furthermore, during the Track Record Period, we primarily collaborated with three cloud service providers. As of the Latest Practicable Date, we had worked with one of them for more than seven consecutive years and another for more than four consecutive years. However, we have not entered into any long-term service agreements with these cloud service providers. Our providers have broad discretion to change and interpret the terms of service and other policies with respect to us, and those actions may be unfavorable to our business operations. Our providers may also take actions beyond our control that could seriously harm our business, including discontinuing or limiting our access to one or more services, increasing pricing terms, terminating or seeking to terminate our contractual relationship altogether, or altering how we are able to process data in a way that is unfavorable or costly to us. Although we expect that we could obtain similar services from other third parties, if our arrangements with our current providers were terminated, we could incur additional expenses in arranging for alternative cloud infrastructure services.

As a result, we may incur additional costs, fail to attract or retain clients, or be subject to potential liability, any of which could have an adverse effect on our business, results of operations and financial condition.

***Our business is subject to system and data security risks, and our security measures may be inadequate to address these risks, making our systems susceptible to compromise, which could materially adversely affect our business, financial condition, results of operations, and prospects.***

Nowadays, cyberattacks, distributed denial of service attacks, hacking and phishing attacks, security breaches, computer malware, and other malicious internet-based activity continue to increase, and cloud-based platform providers of products and services have been and are expected to be targeted. Our business is at risk of similar attacks and breaches. While we have adopted and implemented security protocol, network protection mechanisms,

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applicable recovery system or other defense procedures, we cannot assure you that these measures are, or will be, adequate to prevent any of such attacks or breaches and protect us from any network or service interruptions, system failures or data losses. We may not be able to anticipate or prevent all techniques that could be used to obtain unauthorized access or to compromise our systems because such techniques change frequently and are generally not detected until after an incident has occurred. Additionally, we cannot be certain that we will be able to address any vulnerabilities in our software that we may become aware of in the future. Attacks or security breaches could delay or interrupt our services to our clients and their customers, damage our reputation and brand, expose us to risks of potential litigation and liabilities, and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches.

In addition, our clients store and transmit substantial amounts of data and information, including confidential information relating to our clients, on cloud computing platforms when using our solutions. We cannot assure you that third parties will not succeed in their attempts to obtain unauthorized access to any confidential information relating to our clients and their customers. If any security incident, human error or other malfeasance occurs in the future causing unauthorized access to our system, loss of, or unauthorized disclosure of such information, we may be subject to regulatory enforcement actions, litigation, indemnification obligations, and other potential liabilities, as well as negative publicity, which could materially adversely affect our business, reputation, financial condition, results of operations, and prospects. During the Track Record Period, our clients included Chinese SOEs. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice from the relevant competent authorities stating that any of our operations or information obtained by us had been determined to involve state secrets. To the best knowledge of our Directors, we have not in the past worked with any entities that are concerned with state secrets and have no plan to do so in the future. Nevertheless, if the data and information our clients store and transmit while using our solutions involve state secrets, we may be subject to onerous compliance obligations.

Furthermore, security incidents experienced by us, or by others, such as our competitors or clients, may lead to public disclosures and widespread negative publicity for us, our clients, or the enterprise software industry generally and clients may lose confidence in the security of our cloud-based service model as a whole. Concerns regarding privacy, data protection, and information security may cause some of our clients to stop using our solutions and decline to renew their subscriptions, and make it harder to acquire new clients. To the extent we do not effectively address these risks, our business, financial condition, results of operations, and prospects could be materially adversely affected.



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*Our business is subject to a variety of evolving laws and regulations regarding cybersecurity, data security and data privacy. Any failure of our platform to comply with applicable laws and regulations could harm our business, operating results and financial condition.*

We and our clients may be subject to a variety of evolving laws and regulations regarding cybersecurity, data security and data privacy. In the PRC, governmental authorities have enacted a series of laws and regulations to enhance the protection of privacy and data. The PRC Constitution, the PRC Criminal Law, the Civil Code of the PRC and the PRC Cybersecurity Law and relevant regulations require network operators, which may include us, to: (i) ensure the security and stability of the services provided via network; (ii) protect individual privacy and the security of personal data in general by requiring the consent of internet users prior to the collection, use or disclosure of their personal data; and (iii) provide assistance and support in accordance with the law for public security and national security to protect national security or assist with criminal investigations. PRC regulators, including the MIIT and the Cyberspace Administration of China, have been increasingly focused on regulation in the areas of cybersecurity and data protection.

Regulatory requirements on cybersecurity, data security and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. For example, on June 10, 2021, the SCNPC promulgated the Data Security Law, which came into effect on September 1, 2021 and imposes a range of compliance obligations for enterprises conducting data processing activities. Further, the Personal Information Protection Law was passed by the SCNPC on August 20, 2021 and entered into effect on November 1, 2021, which aims to protect personal information and regulate the processing of personal information. On December 28, 2021, the CAC and other regulatory authorities jointly promulgated the Cybersecurity Review Measures, effective on February 15, 2022, seeking to further expand the applicable scope of cybersecurity review. The Cybersecurity Review Measures requires enterprises to apply for cybersecurity review under the following circumstances: (i) critical information infrastructure operators purchasing network products and services and internet platform operators carrying out data processing activities in a manner which affects or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking a listing overseas. In addition, the competent PRC government authority may initiate cybersecurity review if the authority believes that any network product, service or data processing activity affects or is likely to affect national security. On November 14, 2021, the CAC published the Draft Cybersecurity Regulation (together with the Cybersecurity Review Measures, the “Cybersecurity Regulations”), which governs the use of networks to carry out data processing activities, and the supervision and management of data security in the PRC. The Draft Cybersecurity Regulation mainly focuses on the data processing activities of data processors and provides that, if a data processor’s listing in Hong Kong affects or may affect national security, the data processor shall apply for cybersecurity review in accordance with relevant regulations. For more information, see “Regulations – Regulations Relating to Cyber Security, Data Security and Privacy Protection – Cyber Security.”

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As of the Latest Practicable Date, the Draft Cybersecurity Regulation had not come into effect, and some of the requirements in the Cybersecurity Regulations are subject to more specific implementation rules. Based on the current regulatory regime, our PRC Legal Adviser is of the view that we have not been classified as a critical information infrastructure operator by any relevant authorities and pursuant to currently effective laws and regulations, the likelihood that we will be classified as a critical information infrastructure operator in the near future after [REDACTED] is relatively remote. Therefore, our PRC Legal Adviser is of the view that we are currently not subject to cybersecurity review under the Cybersecurity Review Measures or the Draft Cybersecurity Regulation, assuming it is implemented in its current form. For a detailed analysis of the applicability of the Cybersecurity Regulations, please refer to "Business – Network, System and Data Security." However, there can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from the foregoing views of our PRC Legal Adviser. It also remains uncertain whether future regulatory changes would impose additional restrictions on companies like us. We may not accurately predict the impact of the Cybersecurity Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If we were required to apply for cybersecurity review, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, or suspension of our non-compliant operations, among other sanctions, which could materially and adversely affect our business and results of operations.

Similarly, many other countries and governmental bodies, including the EU member states, have laws and regulations concerning the collection and use of personal data obtained from individuals located in the EU or by businesses operating within their jurisdiction. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal data that identifies or may be used to identify an individual, such as names, telephone numbers, email addresses and, in certain circumstances, IP addresses and other online identifiers. For example, the EU has adopted the General Data Protection Regulation, or the GDPR, which took full effect on May 25, 2018. The GDPR enhances data protection obligations for businesses and requires service providers (data processors) processing personal data on behalf of customers to cooperate with European data protection authorities, implement security measures and keep records of personal data processing activities. Noncompliance with the GDPR can trigger fines equal to or greater of €20 million or 4% of global annual revenues. Given the breadth and depth of its obligations, working to meet the requirements of the GDPR has required significant time and resources, including a review of our technology and systems currently in use against the requirements of the GDPR. There are also additional EU laws and regulations (and member states implementations thereof) which govern the protection of consumers and of electronic communications. We have taken measures to address certain obligations under the GDPR and to make us GDPR compliant, but we may be required to take additional steps in order to comply with the GDPR. If our efforts to comply with GDPR or other applicable EU laws and regulations are not successful, we may be subject to penalties and fines that would adversely impact our business and operating results, and our ability to conduct business in the EU could be significantly impaired.

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We also continue to see jurisdictions imposing data localization laws, which require personal information, or certain subcategories of personal information to be stored in the jurisdiction of origin. These regulations may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant additional costs.

Additionally, although we endeavor to have our platform comply with applicable laws and regulations, these and other obligations may be modified, they may be interpreted and applied in an inconsistent manner from one jurisdiction to another, and they may conflict with one another, other regulatory requirements, contractual commitments or our practices. For details of our internal measures relating to data privacy and security and our compliance efforts with respect to applicable laws and regulations, see “Business – Network, System and Data Security – Data Privacy and Security.” We expect that there will continue to be new proposed laws, rules of self-regulatory bodies, regulations and industry standards concerning privacy, data protection and information security in the PRC, the EU and other jurisdictions, and we cannot yet determine the impact such future laws, rules, regulations and standards may have on our business. The uncertainty and changes in the requirements of multiple jurisdictions may increase the cost of compliance, delay or reduce demand for our services, restrict our ability to offer services in certain locations, impact our clients’ ability to deploy our solutions in certain jurisdictions, or subject us to claims and litigation from private actors and investigations, proceedings, and sanctions by data protection regulators, all of which could harm our business, financial condition and operating results.

Any failure or perceived failure by us, our products or our platform to comply with new or existing PRC, EU or other foreign privacy, cybersecurity or data protection laws, regulations, policies, industry standards or legal obligations, or any systems failure or security incident that results in the unauthorized access to, or acquisition, release or transfer of, personally identifiable information or other data relating to customers or individuals may result in governmental investigations, inquiries, enforcement actions and prosecutions, private claims and litigation, fines and penalties, adverse publicity or potential loss of business.

***We are subject to many hazards and operational risks that can disrupt our business.***

Our operations are subject to many hazards and other risks inherent in the business for cloud-based customer contact solutions, including:

- damage to third-party and our infrastructure and data centers, related equipment and surrounding properties caused by earthquakes, hurricanes, tornadoes, floods, fires and other natural disasters, explosions and acts of terrorism;
- employee’s misconducts, whether intentional or inadvertent;
- inadvertent damage from third parties; and
- other hazards that could also result in suspension of operations, personal injury and even loss of life.

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While our active-active dual cloud architecture is highly fault-tolerant, we cannot guarantee that these risks would not result in substantial losses and the curtailment or suspension of our operations. As a result, we may endure system and service interruptions, reputational harm, delays in product development, breaches of data security and loss of critical data, all of which could harm our operating results.

We are not insured against claims, events or accidents that might occur. If a significant accident or event occurs, or if we or our data center providers fail to reopen facilities damaged by such accidents or events, our operations and financial condition could be harmed.

*We may have insufficient transmission bandwidth, which could result in disruptions to our solutions and loss of revenue.*

Our operations are dependent in part upon transmission bandwidth provided by telecommunications companies. There can be no assurance that we are adequately prepared for unexpected increases in bandwidth demands by our clients. Enterprises are increasingly inclined to adopt cloud-based communications solutions, especially as a result of rising demand for remote collaboration caused by the COVID-19 outbreak, and we may experience spikes in usage from time to time. Although we believe we are able to quickly scale our network resources owing to our cloud-native architecture and automatic scaling mechanism, we cannot guarantee that we will always be able to augment capacity to meet growing traffic or security demands. Failure to put in place the capacity we require could result in a reduction in, or disruption of, service to our clients, damage our reputation, significantly reduce clients’ demand for our solutions and seriously harm our financial condition and operating results.

*The effects of the COVID-19 pandemic have materially affected how we and our clients are operating, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.*

Since late 2019, the outbreak of a novel coronavirus disease known as COVID-19 has materially and adversely affected the global and Chinese economy.

The conditions caused by the COVID-19 pandemic, the extent of which depends upon its prolonged impact, have or may:

- harm our ability to renew and maintain our relationships with our existing clients;
- cause our existing clients to reduce the number of agent seats to which they subscribe, seek price concessions, or go out of business, which would harm our revenue;
- result in some of our clients failing to comply with the terms of their agreements, including payment terms, due to economic uncertainty, financial hardship, and even failure of their businesses, which could result in us being required to take action to collect payments, terminate their subscriptions for our solutions, and increase accounts receivable and bad debt, any of which would increase our expenses and harm our revenue and results of operations;

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- make it more difficult for us to sell increased services or functionality to our existing clients;
- reduce the rate of spending on customer contact systems or enterprise software solutions generally;
- delay prospective clients’ decisions to subscribe to our solutions, increase the length of sales cycles, or slow the typical growth in the use of our solutions once clients have initially deployed our solutions;
- harm our ability to effectively market and sell our solutions, particularly during social distancing and office closure orders;
- change the mix and sizes or types of organizations that purchase our solutions;
- delay the introduction of enhancements to our solutions and market acceptance of any new features and products;
- harm our ability to grow our international sales and operations;
- harm our ability to recruit, onboard and successfully integrate new employees, including members of our direct sales force;
- impact the health and safety of our employees, including our senior management team, and their ability to perform services;
- cause our management team to continue to commit significant time, attention and resources to monitor the COVID-19 pandemic and seek to mitigate its effect on our business and workforce.

It is uncertain as to how long and how severely the COVID-19 pandemic may continue to impact us. There continue to be significant uncertainties associated with the coronavirus, including with respect to the availability of vaccines, the duration of the pandemic, and actions that may be taken by Chinese or other governmental authorities to contain the coronavirus or to treat its impact. The full impact of the coronavirus is unknown at this time. If the pandemic continues and lasts for a prolonged period in the regions where we operate, the economy could suffer substantially from the measures and restrictions taken to combat the virus, which would in turn have adverse impact on certain industries such as tourism, which may in turn adversely affect our business prospects. Any significant disruption resulting from this or similar epidemics on a large scale or over a prolonged period of time could cause significant interruption to our business until we would be able to resume normal business operations, negatively affecting our business, results of operations and financial condition. To the extent COVID-19 adversely affects our business, financial condition and results of operations, it may also heighten some of the other risks described in this “Risk Factors” section. For details of the impact of the COVID-19 pandemic on our business, results of operations and financial condition, see “Financial Information – Impact of COVID-19.”

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***If the cloud-based customer contact solutions market develops more slowly than we expect or declines, our business could be harmed.***

The cloud-based customer contact solutions market is not as mature as the market for legacy on-premise contact center systems, and it is uncertain whether cloud-based customer contact solutions will achieve and sustain high levels of client demand and market acceptance. Our success will depend to a substantial extent on the widespread adoption of cloud-based customer contact solutions as a replacement for legacy on-premise systems. Many larger organizations have invested substantial technical, personnel and financial resources to integrate legacy on-premise contact center systems into their businesses and, therefore, may be reluctant or unwilling to migrate to cloud-based customer contact solutions such as ours. It is difficult to predict client adoption rates and demand for our solutions, the future growth rate and size of the market for cloud-based customer contact solutions, or the entry of competitive products and services. The expansion of the market for cloud-based customer contact solutions depends on a number of factors, including the refresh rate for legacy on-premise systems, cost, performance and perceived value associated with cloud-based customer contact solutions, as well as the ability of providers to address security, stability and privacy concerns. If other providers of cloud-based customer contact solutions experience security incidents, loss of client data, disruptions in delivery or other problems, the market for cloud-based customer contact solutions as a whole, including our solutions, may be harmed. If cloud-based customer contact solutions do not achieve widespread adoption, or there is a reduction in demand for such solutions caused by a lack of client acceptance, enhanced product offerings from on-premise providers, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenue and our business could be harmed.

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

In order to remain competitive, we must continue to develop new solution offerings and enhancements to our existing offerings. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. If we are unable to develop products, applications or features internally due to certain constraints, such as high employee turnover, inability to hire sufficient research and development personnel or a lack of other research and development resources, we may miss market opportunities. Furthermore, many of our competitors expend a considerably greater amount of funds on their research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors' research and development programs. Our failure to devote adequate research and development resources or compete effectively with the research and development programs of our competitors could harm our business.



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## RISK FACTORS

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*Our initiatives to develop new solutions and introduce new technologies may not succeed, which may limit our future growth.*

We have invested and plan to continue investing heavily in research and development of new products. In 2019, 2020 and 2021, our research and development expenses totaled RMB37.1 million, RMB38.5 million and RMB53.8 million, respectively, representing 11.1%, 10.9% and 13.4% of our total revenue during the same periods. However, positive research results may not lead to commercially successful products. The new solutions we develop may not be commercially viable and may not reach the industry standards or meet clients’ needs. As a result, we cannot assure you that our efforts in research and development will translate into commercial success.

In addition, radical technological changes may not be well received by the market or lead to a long-term success. As early as 2015, we completed our migration to the cloud and started to offer cloud-based customer contact solutions. Despite our belief that cloud-based customer contact solutions are a superior alternative to the legacy on-premise customer contact systems, our clients may not be willing to undertake such technological changes, and as a result we may suffer a lag in client adoption. New products or features may initially suffer from performance and quality issues that may negatively impact our ability to market and sell such products to new and existing clients. There is no assurance that any enhancements to our platform or new products, features, or capabilities will be compelling to our clients or gain market acceptance. Additionally, we may experience difficulties with software development, or marketing that could delay or prevent our development, introduction, or implementation of new products, features, or capabilities. Any delays in releasing new products, features, or capabilities could result in adverse publicity, loss of revenue or market acceptance, or claims by clients brought against us, all of which could harm our business.

*Development of our AI solutions to improve business efficiency and increase agent productivity may not be successful and may result in reputational harm and our future operating results could be materially harmed.*

We plan to continue to expand and enhance our AI-powered applications. While we aim for our AI-powered applications to improve business efficiency and increase agent productivity, our AI models may not achieve sufficient levels of accuracy. In addition, we may not be able to acquire sufficient training data or our training data may contain biased or otherwise inaccurate information. Furthermore, the costs of AI technologies, such as automatic speech recognition and natural language processing, may currently be too high for broad market adoption. Our competitors or other organizations may incorporate AI features into their products more quickly or more successfully and their AI features may achieve higher market acceptance than ours, which may result in us failing to recoup our investments in developing AI-powered applications. Should any of these items or others occur, our ability to compete, our reputation and operating results may be materially and adversely affected.

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## RISK FACTORS

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*If we fail to maintain or improve the compatibility of our solutions across cloud computing platforms, devices, business systems, applications and physical infrastructure that we do not control, we may experience increased integration costs and lowered client satisfaction or encounter difficulties in acquiring new clients or retaining existing ones.*

During the Track Record Period, we primarily worked with three cloud service providers, which support our active-active dual cloud deployment. We have been making efforts to increase the adaptability of our solutions to different cloud environments in response to clients’ evolving needs. While we have successfully tested the compatibility of our platform with other major cloud computing platforms, there is no guarantee that we will achieve compatibility with all cloud computing platforms our clients request to use or do so at a reasonable cost. Further, the cloud services industry in the PRC is highly regulated. For example, as of the Latest Practicable Date, multiple municipal and provincial governments in the PRC had released plans or taken actions to establish State-Owned Public Cloud Platforms, which are public cloud computing platforms exclusively serving SOEs. SOEs in the relevant municipalities and provinces may be encouraged or required to migrate their IT infrastructure to State-Owned Public Cloud Platforms. They may even be prohibited from using Privately-Owned Public Cloud Platforms. For details, see “Business—Our Suppliers—Cloud Services.” Such initiatives in general are still at a pilot stage and subject to uncertainties. Our efforts in acquiring more SOE clients may not be successful and we may be required to incur substantial costs, such as recruiting additional salespersons, for the unsuccessful venture. While we believe that we will not encounter material difficulties in integrating our platform with State-Owned Public Cloud Platforms, there is no guarantee that we will ultimately achieve such integration or do so at a reasonable cost. Further, SOEs primarily select their vendors through a public tender process. Even though we believe that we enjoy competitive edges when compared to other cloud-based customer contact solutions providers, we cannot guarantee that we will be successful in winning service contracts in the tenders we choose to participate in, and we may incur substantial costs in preparation for the tender. Any of the foregoing may cause us to encounter difficulties in acquiring new clients or retaining existing ones.

We intend to integrate additional communication channels into our system and increase our compatibility with different development platforms. In particular, we aim to enhance our integration with WeCom, the enterprise version of WeChat, which has become an increasingly popular communications platform for Chinese enterprises. In addition, our clients often integrate our solutions with their business applications, particularly third-party CRM and ERP solutions. These third-party platforms or providers could alter their products so that our solutions no longer integrate well with them, or they could delay or deny our access to technology releases that allow us to adapt our solutions to integrate with their products in a timely fashion. Such third-party providers could also favor integration of our competitors’ products over our solutions, making our solutions less attractive to our clients. If we cannot adapt our solutions to changes in complementary technology deployed by our clients, it may significantly impair our ability to compete effectively.

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## RISK FACTORS

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***We may face competition from new market entrants, such as WeCom.***

One of our key product strategies is to enhance our integration with WeCom, the enterprise version of WeChat, which has become an increasingly popular communications platform for Chinese enterprises. For details of our integration with WeCom, see “Business – Our Offerings – Key Modules and Functions – Integration with WeCom.” While as of the Latest Practicable Date, WeCom has not publicly announced its intention to expand to offer cloud-based customer contact solutions, we cannot guarantee that it or other communication platforms that are more resourceful and technologically advanced will not make such a move in the future, which may further intensify market competition. Companies such as WeCom can devote significantly greater resources than we can to the development, promotion and sales of their products and services and many have the ability to initiate or withstand substantial price competition. Pricing pressures and increased competition could result in reduced sales and revenue, reduced margins and loss of, or a failure to maintain or improve, our competitive market position, any of which could harm our business. In such circumstances, WeCom may alter their platform so that our solutions no longer integrate well with them, making our solutions less attractive to our clients.

***If we fail to maintain and enhance our brand image and generate positive publicity, our business, results of operations and financial condition could be materially and adversely affected.***

We believe that maintaining and enhancing our “Ti-Net (天潤融通)” brand and increasing market awareness of our company and solutions play an important role in achieving widespread acceptance of our solutions as well as strengthening our relationships with existing clients and our ability to attract new clients. As competition in our market intensifies, the importance of brand recognition will increase. Any unfavorable publicity or perception of our solutions or platform or the providers of similar software generally, could adversely affect our reputation and our ability to attract and retain clients.

The successful promotion of our brands will depend largely on our ability to continue to offer high-quality solutions, our ability to successfully differentiate our solutions from competing products and services, and our ability to maintain market leadership. In addition, the successful promotion of our brand will also depend on the effectiveness of our continued marketing efforts. We market our solutions mainly through our in-house direct sales force. We have conducted various online and offline branding and client acquisition activities. These activities, however, may not be successful or yield increased revenue. The promotion of our brand also requires us to make substantial expenditures. In 2019, 2020 and 2021, our selling and distribution expenses amounted to RMB44.2 million, RMB50.4 million and RMB71.3 million, respectively, representing 13.2%, 14.2% and 17.7% of our total revenue during the same periods. We anticipate these expenditures to increase as the markets we address become more competitive and as we expand into new markets. To the extent that these marketing activities lead to increased revenue, the additional revenue generated could nevertheless be insufficient to offset the increased expenses we incur. If we fail to maintain and enhance our brands, our pricing power may decline relative to competitors and we may lose existing or prospective clients, which could materially and adversely affect our business, results of operations and financial condition.

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## RISK FACTORS

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In addition, our clients may, from time to time, complain about our solutions, such as complaints about our pricing and client support. If we fail to handle client complaints effectively, our brand and reputation may suffer, our clients may lose confidence in us, and they may reduce or cease their use of our solutions.

***Our business could be harmed if our clients are not satisfied with the solutions, professional services and technical support provided by us.***

Our business depends on our ability to satisfy our clients, not only with respect to our solutions but also with the professional services and technical support that are performed to enable our clients to implement and use our solutions to address their business needs. We enter into service-level agreements with our clients and, in the event that we fail to meet guaranteed service or performance levels, we could be subject compensation claims and our clients may choose to terminate our services. If the cost of meeting these service and performance requirements increases, our results of operations could be harmed. For details of our service-level agreements, see “Business—Client Service.” Further, we may be unable to respond quickly enough to accommodate short-term increases in client demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased client demand for these services, without corresponding revenues, could increase costs and harm our operating results. If a client is not satisfied with the deployment and ongoing services performed by us, we could lose clients, miss opportunities to expand our business with these clients, incur additional costs, or lose, or suffer reduced margins on, our service revenue, any of which could damage our ability to grow our business. In addition, negative publicity related to our professional services and technical support, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective clients.

***We may not be able to fulfill our obligations in respect of contract liabilities, which might have an adverse impact on our cash and liquidity position.***

We require a majority of our SaaS clients, which are primarily small and medium-sized enterprises, to top up their business accounts with our platform before they can use our services. These clients may only use our services when their business accounts have outstanding balance and we settle payments with them on a monthly basis. Our contract liabilities primarily represent prepayments from our SaaS clients. As of December 31, 2019, 2020 and 2021, we had contract liabilities of RMB22.7 million, RMB18.1 million and RMB22.7 million, respectively. If these clients are not satisfied with our services and choose to cancel their subscriptions, we may be required to refund all or a portion of the prepayments we receive and experience adverse effects on our cash and liquidity position.

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## RISK FACTORS

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*Shifts over time or from period-to-period in the mix of sizes or types of organizations that purchase our solutions or changes in the components of our solutions purchased by our clients could affect our gross margins and operating results.*

Our strategy is to sell our solutions to both large and small- and medium-sized enterprises. Sales to larger enterprises may entail longer sales cycles and more significant selling efforts and expenses. Large enterprises may have stronger bargaining power and higher service requirements. Selling to smaller clients may involve smaller contract sizes, fewer opportunities to offer additional services, a higher likelihood of contract terminations, lower returns on sales and marketing expenses and fewer potential agent seats. All of the foregoing may affect our gross margin.

Our gross margins may also vary depending on the number of agent seats purchased by our clients, the type of functions they choose and the level of usage they require. Solutions delivered under our VPC model generally have a higher profit margin than solutions delivered under our SaaS model while the revenue generated from our VPC model is project-based rather than recurring. If the mix of organizations that purchase our solutions, or the mix of solutions purchased by our clients, changes unfavorably, our revenue and gross margins could decrease and our operating results could be harmed.

*If we fail to grow our sales and marketing capabilities, our business may suffer.*

Our ability to increase our client base and achieve broader market acceptance of our cloud-based customer contact solutions will depend to a significant extent on our ability to expand our sales and marketing capabilities. We plan to strengthen our sales capabilities by expanding our direct sales teams, providing more training opportunities and upgrading our sales management system. To that end, we need to continue to retain key members of our direct sales force. We plan to expand our sales teams and establish new regional sales offices in Chengdu, Wuhan, Hangzhou and Xi'an. Identifying and recruiting qualified personnel and training them in the use and sale of our solutions requires significant time, expense and attention. It can take several months before our sales representatives are fully trained and productive. Our business may be harmed if we fail to retain key members of our direct sales force or if our efforts, and the expense incurred, to expand and train our direct sales force do not generate a corresponding increase in revenue. In particular, if we are unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this [REDACTED] or increase our revenue.

Additionally, we will continue to intensify our marketing efforts by increasing our online marketing spending, sponsoring industry conferences, and participating in exhibitions and trade shows related to the market for customer contact solutions. These activities will cause us to incur an increasing amount of marketing expenses. We cannot assure you that our marketing expenses will lead to increasing revenue, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred.

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## RISK FACTORS

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***We may fail to optimize the prices for our solutions, and any adverse trend in pricing will impact our revenue and results of operations.***

We charge our clients on a combination of pricing methods, depending on the type of solutions they use. For details, see “Business – Our Business Model.” We may fail to optimize our pricing, which is predominantly determined by the competitive landscape and market conditions. As competitors introduce new products or services that compete with ours or reduce their prices, we may be unable to attract new clients or retain existing clients based on our historical pricing.

One of the challenges to our pricing is that the fees that we pay to telecommunications companies over whose networks we transmit communications can vary frequently and are affected by volume and other factors that may be beyond our control and difficult to predict. This can cause us to incur increased costs that we may be unable or unwilling to pass through to our clients, which could adversely affect our business, results of operations and financial condition. Moreover, large enterprises, which are a primary focus of our business, may demand substantial price concessions leveraging their significant bargaining power. In addition, if the mix of solutions sold changes, we may need to, or choose to, revise our pricing. In the past, we have sometimes reduced our prices either for individual clients in connection with long-term agreements or for a particular solution or project, and have also sometimes failed to increase our pricing levels to cover increased costs and expenses or to reach desirable profit margins. In the future we may fail to increase our pricing levels, or may even be required or choose to reduce our prices or change our pricing model, which could materially and adversely affect our business, results of operations and financial condition.

***Our sales cycle can be lengthy and unpredictable and requires considerable time and expense when we seek to serve large enterprises, and we may encounter configuration, integration, implementation and client support challenges that could cause delays in revenue recognition.***

We currently derive a significant portion of our revenue from sales of our solutions to large enterprises. We generated 74.5% of our total revenue in 2021 from our key accounts, each with an annual purchase amount exceeding RMB1 million. We believe that increasing our sales to these clients is key to our future growth. The length of our sales cycle, which is the time between initial contact with a potential client and the ultimate sale to that client, is approximately seven months on average and varies upon the size of potential client and project. Based on our experience, the sales cycle for large enterprises, which generally ranges from five months to one year, is often lengthy and unpredictable, especially when we serve them with our project-based VPC solutions. For clients which are SOEs, we are required to participate in public bidding process which may further prolong the process. Many of our prospective clients do not have prior experience with cloud-based customer contact solutions and, therefore, typically spend significant time and resources evaluating our solutions before they purchase from us. Similarly, we typically spend more time and effort determining their requirements and educating these clients about the benefits and uses of our solutions. Large enterprises also tend to demand more customizations, integrations and additional features than their smaller counterparts. As a result, we may be required to divert more sales and research and



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development resources to large enterprises and will have less personnel available to support other clients, or that we will need to hire additional personnel, which would increase our operating expenses. It is often difficult for us to forecast whether we will secure the contract, when a potential enterprise sale will close, the size of the client's initial service order and the period over which the implementation will occur, any of which may impact the amount of revenue we recognize or the timing of revenue recognition. Large enterprises may delay their purchases as they assess their budget constraints, negotiate early contract terminations with their existing providers or wait for us to develop new features. Any delay in closing, or failure to close, a large-enterprise sales opportunity in a particular period or year could significantly harm our projected growth rates and cause the amount of new sales we book to vary significantly from period to period.

In addition, we have experienced, and may continue to experience, challenges in configuring, integrating and implementing our solutions and providing ongoing support when serving large enterprises. Large enterprises' networks and operational systems are often more complex than those of smaller clients, and the configuration, integration and implementation of our solutions for these clients generally require more efforts as well as participation from the clients' IT team. There can be no assurance that the client will make available to us the necessary personnel and other resources for a successful configuration. The lack of local resources may prevent us from proper configurations, which can in turn adversely impact the quality of solutions that we deliver over our clients' networks, and/or may result in delays in the implementation of our solutions. This may create a public perception that we are unable to deliver high-quality solutions to our clients, which could harm our reputation and make it more difficult to attract new clients and retain existing clients. Moreover, large enterprises tend to require higher levels of client support and individual attention, including periodic business reviews and training sessions, which may increase our costs. If a client is unsatisfied with the quality of solutions and client support we provide, we may decide to incur costs beyond the scope of our contract with the client in order to address the situation and protect our reputation, which may in turn reduce or eliminate the profitability of our contract with the client. In addition, negative publicity related to our client relationships, regardless of its accuracy, could harm our reputation and make it more difficult for us to compete for new business with current and prospective clients.

If we fail to effectively execute the sale, configuration, integration, implementation and ongoing support of our solutions to large enterprises, our results of operations and our overall ability to grow our client base could be materially and adversely affected.

***There can be no assurance that we will be able to maintain or increase our historical levels of profitability.***

As of December 31, 2021, we had achieved profitability for seven consecutive years. Our gross margin, representing our gross profit divided by total revenue, was 46.6%, 49.6% and 45.5% in 2019, 2020 and 2021, respectively. Our net profit margin, representing our profit for the year divided by total revenue, was 17.7%, 19.8% and 4.4% in 2019, 2020 and 2021, respectively. Our net profit margin decreased significantly in 2021, primarily due to (i) a lower-than-expected revenue from education clients whose businesses were adversely affected

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by the recently promulgated regulations that crack down on after-school tutoring services on academic subjects in China's compulsory education system, coupled with an increased cost of sales, (ii) a significant increase in professional service fees in relation to the Proposed Listing on the ChiNext Board and the [REDACTED], (iii) the increases in selling and distribution expenses and research and development expenses incurred in 2021 to implement our business plan, and (iv) an increase in employee benefit expenses as we were no longer exempt from making employer contribution to employee social security schemes in 2021. Our future profitability depends on a number of factors, including:

- whether we will effectively execute our growth strategy;
- whether we can strengthen our sales and marketing capabilities to drive growth;
- whether we can successfully control our costs and manage our research and development and other expenses;
- whether we will continue to charge a price premium for our solutions in the face of market competition; and
- whether our target clients will continue to have positive perceptions of our solutions.

As a result of these and other factors, the level of our profitability may fluctuate, and we cannot assure you that our future revenue will increase or that we will maintain historical level of our profitability or continue to be profitable at all. Accordingly, [REDACTED] should not rely on our historical results as an indication of our future financial or operating performance.

***If we fail to collect accounts receivables from our clients in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.***

As of 2019, 2020 and 2021, we had trade receivables of RMB48.4 million, RMB75.2 million and RMB64.4 million, respectively, accounting for 20.9%, 28.2% and 22.5% of our total current assets. We are not subject to material credit risks associated with our SaaS model because clients for our SaaS solutions usually prepay for our services or settle payments with us on a monthly basis. For solutions delivered via our project-based VPC model, clients generally make milestone payments at agreed-upon deadlines, which may include the time the service agreement is signed, when our solutions are deployed and accepted by our clients, and a predetermined period after our solutions are deployed. If clients fail to pay us under the terms of our agreements, fail to comply with the terms of our agreements, or terminate their subscriptions for our solutions, we may lose revenue, be unable to collect amounts due to us, be subject to legal or regulatory action and incur costs in enforcing the terms of our contracts, including litigation. These risks increase the longer the term of our client arrangements. Some of our clients may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or pay those amounts more slowly, either of which could harm our operating results, financial position and cash flow.

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## RISK FACTORS

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*We may not be able to secure financing on favorable terms, or at all, to meet our future capital needs.*

To date, we have financed our operations primarily through sales of our solutions. In the future, we may require additional capital to respond to research and development requirements, business opportunities, challenges, acquisitions, a decline in sales, increased regulatory obligations or unforeseen circumstances and may engage in equity or debt financings or enter into credit facilities. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

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

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity or debt securities, or to obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders’ shareholdings. Any incurrence of indebtedness will also lead to increased debt service obligations, and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our shareholders.

*We have granted, and may continue to grant, share incentive awards, which may result in increased share-based compensation expenses and negatively impact our results of operations.*

We operated a share award arrangement during the Track Record Period. In 2019, 2020 and 2021, we incurred equity-settled share-based compensation payment expense of RMB2.1 million, RMB1.3 million and RMB1.2 million, respectively. On May 13, 2021, we adopted the Share Incentive Plan in order to motivate, attract and encourage certain officers, managers, employees, directors and other eligible persons. The maximum aggregate number of shares that we are authorized to issue pursuant to the Share Incentive Plan is 26,550,000 Shares. Upon the adoption of the Share Incentive Plan, all the share awards that had been previously granted under our share award arrangement were transferred to the Share Incentive Plan as 22,459,299 restricted shares, among which 262,281 were subsequently canceled. In addition, we have granted 501,080 RSUs under the Share Incentive Plan, among which 60,000 were subsequently canceled. As a result, an aggregate of 22,638,098 awards, comprising 22,197,018 restricted

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shares and 441,080 RSUs, were granted and outstanding as of the Latest Practicable Date. See “History, Reorganization and Corporate Structure – Reorganization – V. Share Incentive Plan.” We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

*Any discontinuation, reduction or delay of any preferential tax treatments or government grants that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.*

We have benefited from preferential tax treatments and government grants from the PRC government. For details, see “Financial Information – Description of Major Components of Our Results of Operations – Income Tax Expenses.” In 2019, 2020 and 2021, we received government grant of RMB3.6 million, RMB8.0 million and RMB4.7 million, respectively, which mainly represented financial assistance from local governments and preferential tax treatment. The government agencies may decide to reduce, eliminate or cancel our preferential tax treatments or government grants at any time. Therefore, we cannot assure you of the continued availability of such preferential tax treatments or government grants which we currently enjoy. For example, from February to December 2020, we enjoyed certain exemptions from making employer contribution to employee social security schemes as part of the alleviation measures for the COVID-19 pandemic. However, the exemption was no longer available since 2021. The discontinuation, reduction or delay such preferential tax treatments or government grants could adversely affect our financial condition and results of operations.

*We are exposed to fair value changes of financial investments at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.*

During the Track Record Period, our financial investments at fair value through profit or loss comprised (i) investments in certain wealth management products issued by major and reputable commercial banks in China, (ii) investments in certain structured deposits issued by major and reputable commercial banks in China, (iii) trust plan issued by licensed trust management companies in China, and (iv) investments in funds issued by licensed fund management companies operating in China. As of December 31, 2021, our financial investments at fair value through profit or loss amounted to RMB31.2 million, representing approximately 10.3% of our total assets. Our financial investments at fair value through profit or loss as at December 31, 2021 will be disposed of upon maturity.

Since the value of our financial investments depends on the investment performance of the underlying assets, our investments are subject to risks associated with those underlying assets, including the possibility of a default by, or bankruptcy of, the issuers of such assets. Any potential realized or unrealized losses in our financial investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition.

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Further, the fair value of financial instruments that are not traded in an active market is determined using valuation techniques, which require judgment and assumptions and involve the use of unobservable inputs. Changes in the basis and assumptions used in the valuation could materially affect the fair value of these financial instruments. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

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

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. As of the Latest Practicable Date, we had registered 49 software copyrights, 11 issued patents, 56 trademarks and 37 domain names, including [www.ti-net.com.cn](http://www.ti-net.com.cn). We rely, and expect to continue to rely on, on a combination of intellectual property laws, unfair competition laws, nondisclosure agreements and other protective measures to protect our intellectual property rights. However, the steps we take to secure, protect and enforce our intellectual property rights may be inadequate. We may not be able to obtain any further patents or trademarks, our current patents could be invalidated or our competitors could design their products around our patented technology, and our pending applications may not result in the issuance of patents or trademarks. Consequently, we may be unable to prevent our proprietary technology from being infringed or exploited abroad, which could require costly efforts to protect our technology.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to our management and could result in the impairment or loss of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could substantially harm the value of our technology, solutions, brand and business.

*We may be subject to claims by third parties for intellectual property infringement.*

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights which they hold, whether such claims are valid or otherwise. We may face allegations that we have infringed the trademarks, copyrights,

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patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. The validity, enforceability and scope of protection of intellectual property rights, particularly within China, are still evolving. As we face increasing competition and as litigation becomes a more commonly pursued method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable final outcomes in all cases. Such intellectual property claims may harm our brand and reputation, even if they are vexatious or do not result in liability. Any resulting liability or expenses, or changes required to our products or services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations, and prospects.

***Our ability to offer services outside China is subject to different technical and regulatory requirements, which may be complicated and uncertain.***

A key element of our growth strategy is to explore business opportunities in overseas markets, in particular Europe. Because of our limited experience with international sales efforts, our international expansion may not be successful and may not produce the return on **[REDACTED]** we expect.

Operating in international markets requires significant resources and management attention and subjects us to intellectual property, regulatory, economic and political risks that are different from those in China. As we increase our international sales efforts, we will face risks in doing business internationally that could harm our business, including:

- the need to establish and protect our brand in international markets;
- the need to localize and adapt our solutions for specific countries, including translation into foreign languages and associated costs and expenses;
- difficulties in staffing and managing foreign operations, particularly hiring and training qualified sales and service personnel;
- different pricing environments, potentially longer sales and accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- general economic conditions in international markets;
- fluctuations in the value of Renminbi and foreign currencies, which may make our solutions more expensive in other countries or may impact our operating results when translated into Renminbi;



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- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax and telecommunications laws and regulations;
- privacy and data protection laws and regulations that are complex, expensive to comply with and may require that client data be stored and processed in a designated territory;
- weaker protection for intellectual property and other legal rights than in China and practical difficulties in enforcing intellectual property and other rights outside of China;
- increased risk of international telecom fraud;
- laws and business practices favoring local competitors;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- adverse tax consequences; and
- unstable economic and political conditions.

The occurrence of any of these risks could harm our international operations, increase our operating costs and hinder our ability to grow our international business and, consequently, our overall business and results of operations.

*We may acquire other companies or technologies. We may not be able to identify suitable acquisition targets or consummate acquisitions on acceptable terms, or we may be unable to successfully integrate acquisitions or achieve the anticipated benefits.*

■ We may in the future conduct strategic acquisitions and investments that are complementary to our growth strategies, particularly those that can help us enrich our offerings, enhance our technologies, and expand our client base. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations. For example:

- we may not be able to identify suitable acquisition candidates or to consummate acquisitions on acceptable terms;
- we compete with others to acquire complementary businesses and technologies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;

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## RISK FACTORS

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- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any or all of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a business or technology;
- acquired technologies, products or businesses may not perform as we expect and we may fail to realize anticipated revenue and profits; and
- our acquisition activities may be subject to various regulations, including antitrust regulations.

In addition, our acquisition strategy may divert management's attention away from our existing business, resulting in the loss of key clients or employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor for undisclosed or contingent liabilities of acquired businesses or assets.

To date, the growth in our business has been primarily organic, and we have limited experience in acquiring other businesses. In any future acquisitions, we may not be able to successfully integrate acquired personnel, operations and technologies, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from our future acquired businesses due to a number of factors, including:

- inability to integrate or benefit from acquisitions in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty converting the clients of the acquired business to our solutions and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional costs and expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- diversion of management's attention from other business concerns;
- harm to our existing relationships with our partners and clients as a result of the acquisition;
- the loss of our or the acquired business's key employees;

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## RISK FACTORS

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- diversion of resources that could have been more effectively deployed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could harm our results of operations.

Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of debt, which could harm our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

***We depend on our senior management team and the loss of one or more key employees or an inability to attract and retain highly skilled employees could harm our business.***

Our success largely depends upon the continued services of our key executive officers, including Mr. Wu Qiang, our Chairman and Chief Executive Officer, and Mr. An Jingbo, our Vice President and Chief Technology Officer. We also rely on our leadership team in the areas of research and development, marketing, sales and other functions, and on mission-critical individual contributors. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. The loss of one or more of our executive officers or key employees could seriously harm our business. Furthermore, our key officers are granted with options when appointed. Once they are eligible to exercise their options and sell the shares, they may have less incentives to stay with us and the departure of any key employees may cause material adverse effects on our operations. We currently do not maintain key person life insurance policies on any of our employees.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing cloud software and for senior sales executives. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources and, potentially, damages. In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects would be harmed.

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## RISK FACTORS

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***We may be subject to legal proceedings or arbitration claims in the ordinary course of our business, and the court ruling or arbitration award may not be favorable to us.***

We may be subject to disputes or claims of various types brought by our competitors, employees, associates, clients or others against us relating to contractual disputes, labor disputes, intellectual property infringements, or disputes involving misconducts of our employees. Such claims and disputes may evolve into litigations and damage our reputation and goodwill, thereby adversely affecting our client base. Litigation is distractive and expensive as it requires time and attention from our management team and employees. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which could have a material and adverse effect on our business, financial condition, and results of operations.

***Our business is subject to seasonality.***

We have experienced, and expect to continue to experience in the future, seasonality in our business, results of operations and financial condition. We believe that our quarterly sales are affected by industry buying patterns. In 2019, 2020 and 2021, we derived a revenue of RMB325.3 million, RMB341.2 million and RMB370.7 million from our SaaS solutions, respectively, accounting for 97.2%, 96.5% and 92.2% of our total revenue during the corresponding periods. We offer three pricing options to our SaaS clients, and the clients may choose among the options at their discretion. For details, see “Business – Our Business Model.” We charge monthly subscription or package fees based on the number of agent seats used and we are able to charge full monthly subscription or package fees only if each licensed account is used in at least 15 days in a given month. In addition, we charge on-demand service fees based on the voice minutes used. Therefore, during periods when our clients’ business activities slow down and their demand for customer interactions are reduced, our revenues may be negatively impacted. As a result, we typically generate lower revenues in the first half because clients usually reduce their usage of our solutions during or around the Chinese New Year due to reduced business activities. We may also generate lower revenues during the labor day holiday and the national day holiday. Our revenues may also fluctuate due to other factors such as the general economic environment in China. Our financial condition and results of operations for future periods may continue to fluctuate due to seasonality.

***We currently do not own the properties on which we carry out our business, and we are exposed to the risks associated with the commercial and industrial real estate rental market.***

As of the Latest Practicable Date, the properties occupied by us for our business purposes were leased from Independent Third Parties, details of which are disclosed in the section headed “Business — Properties.” Accordingly, we are susceptible to the rental fluctuation from time to time. As most of our current operating leases in respect of rented premises will expire in or prior to November 2023, we have to negotiate the terms of renewal with the landlord prior to the expiry of the lease agreements. In the event that there is any increase in the rental expenses for our existing leased properties in the long run, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations and prospects.

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## RISK FACTORS

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In addition, there is no assurance that we will successfully renew the tenancy agreements for the relevant rented premises on commercially acceptable terms, or at all. There is also no assurance that such tenancy agreements will not be terminated before their expiration. Termination of our leases may occur beyond our control, such as breaches of agreements by the lessor or the tenant of the premises or invalidation of lease agreements due to the lessors' lack of title to lease the properties. If it happens, we need to relocate to other premises and incur additional costs due to relocation.

*We may not have insurance coverage to protect us from potential losses.*

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, complete related registration with the competent authorities and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. However, we face various risks in connection with our business, and do not have relevant insurance coverage. We do not maintain insurance policies covering damages to our network infrastructures, information technology systems or property. We also do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. Any uninsured occurrence may disrupt our business operations, expose us to liabilities, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

*A severe or prolonged downturn in the Chinese or global economy, any financial or economic crisis, or perceived threat of such a crisis, could materially and adversely affect our business and financial condition.*

COVID-19 pandemic may continue to have a severe and prolonged negative impact on the Chinese and the global economy, including potential reductions in clients' budgets, which may affect our revenue and financial performance generally. Even before the outbreak of COVID-19, the global macroeconomic environment faced numerous challenges. The growth rate of the Chinese economy has gradually slowed in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which have been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the hostilities in the Ukraine, the economic slowdown in the Eurozone in 2014. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. It is unclear whether these challenges will be contained and what effects they each may have. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have negative economic effects. In particular, there is significant uncertainty about the future relationship between the United

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States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy might lead to tighter credit markets, increased market volatility, sudden drops in business and dramatic changes in business, and may materially and adversely affect our business, results of operations and financial condition.

### **Risks Related to Our Regulatory Compliance**

#### ***Failure to comply with laws and regulations could harm our business and our reputation.***

Our business is subject to various laws and regulation in the PRC. Noncompliance with applicable laws or regulations could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions, fines or penalties are imposed, or if we do not prevail in any civil or criminal litigation, our business, operating results, financial condition and reputation could be harmed. In addition, responding to any action will likely result in a significant diversion of management’s attention and resources and an increase in professional fees. Enforcement actions and sanctions could further harm our business, operating results, financial condition and reputation.

#### ***We are subject to extensive and evolving regulatory requirements. We may be adversely affected by the complexity, uncertainties and changes in PRC regulations related to internet-related business and companies.***

We are operating an internet-related industry, which the PRC government extensively regulates. Foreign ownership of and the licensing and permit requirements pertaining companies in our industry are among areas that are subject to government scrutiny. These laws and regulations related to internet-related businesses are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of internet-related industries include, but are not limited to, the following:

- We operate our business and hold licenses through T&I Net Communication and its affiliates due to restrictions on foreign investment in businesses providing value-added telecommunication services.
- Uncertainties relating to the regulation of cloud-based communications business and other internet-related businesses in China, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us.



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## RISK FACTORS

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- We have not received notice of violation or faced administrative actions in connection with our operation of business via T&I Net Communication and its affiliates. We cannot assure you, however, that the PRC government will not find such practice incompliant with PRC laws and regulations or the interpretation thereof, in which case we could be subject to severe penalties or be forced to relinquish our interests in those operations.

We cannot assure you that subsequent laws and regulations or interpretation of existing ones would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models as well as solutions and service offerings in a manner that undermines our solutions’ and services’ attractiveness. We may also become subject to fines or other penalties and, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

***If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.***

We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business in connection with our provision of cloud-based customer contact solutions. T&I Net Communication and certain of its subsidiaries have obtained from the MIIT and/or its local counterparts VAT Licenses for engaging in, among others, internet resource collaboration business and domestic contact center business. For details of our material licenses and permits, see “Business – Compliance.” As of the Latest Practicable Date, we have not been subject to any legal or regulatory sanction for failure to obtain, renew or update such licenses. The government authorities may continue to promulgate new rules regulating the industry in which we operate and we may expand into new business operations. They may require us to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operation of the types of businesses to which the new requirements apply. However, we cannot assure you that T&I Net Communication and its subsidiaries can successfully obtain or maintain required licenses and permits in a timely manner or at all, and we may be subject to fines, confiscation of income and discontinuation of or restrictions on certain of our operations in China as a result. Moreover, if we fail to renew or update any of our current licenses and permits in a timely manner and on commercially reasonable terms or at all, our business, results of operations and financial condition could be materially and adversely affected. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines. Lastly, our existing licenses may expire without proper renewal or be revoked due to violations of relevant licensure maintenance requirements. If any of our entities is deemed by governmental authorities to be operating without appropriate permits and licenses or outside of their authorized scopes of business or otherwise fail to comply with relevant laws and regulations, we may be subject to penalties and our business, financial condition, and results of operation may be materially and adversely affected.

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## RISK FACTORS

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*Our brand image, business and results of operations may be adversely affected by third-party misconduct and misuse of our solutions, many of which are beyond our control.*

We store, process and transmit a large amount of data and communications in the ordinary course of business, which may be subject to improper disclosure and misappropriation by our employees, business partners and other third parties. As a result, our business may suffer and our brand image, business, results of operations and financial condition may be materially and adversely affected. We are exposed to the risk of other types of employee misconduct, including intentionally failing to comply with government regulations, engaging in unauthorized activities and misrepresentation during marketing activities, which could harm our reputation. It is not always possible to deter third-party misconduct, and the precautions we take to prevent and detect misconduct may not be effective in controlling unknown or unmanaged risks or losses, which could harm our business, results of operations and financial condition.

In addition, our clients who deploy our solutions in their business communications may misuse them to make unauthorized calls. Such misuses may subject us to potential risks, including liabilities or claims relating to consumer rights protection laws. As a provider of cloud-based customer contact solutions, we are required to comply with relevant laws and regulations relating to internet information protections. For example, on May 19, 2015, the MIIT published the Provisions on the Administration of Short Message Services which took effect on June 30, 2015 and later the MIIT promulgated Notice of Ministry of Industry and Information Technology on Strengthening the Administration of Call Center Services on June 8, 2020, the Administrative Provisions on Short Messaging and Voice Call Services (Draft for Comment) on August 31, 2020, prohibiting the use of text messages and voice call in telemarketing or other commercial settings without consumers’ proper request and consent. We are also required to comply with relevant laws and regulations regarding the control and management of unauthorized calls, including, among others, establishing forbidden call lists to prevent telemarketing calls from reaching potential customers who have formerly explicitly refused to be reached by telemarketing calls of a particular industry or business, and improving technological capability and risk precautions regarding the prevention and monitoring of unauthorized calls. The scope and interpretation of relevant laws and regulations that are or may be applicable to the delivery of text messages, calls and other content are continuously evolving. See “Regulations – Regulations Relating to Cyber Security, Data Security and Privacy Protection – Unauthorized calls and text messages.” We have taken certain acts to reduce unauthorized text messages and calls. We stipulate contract restrictions in our agreements with clients. We have also put in place a monitoring system to identify potential violations and set up ‘do not call’ lists as preventative measures. However, as in practice we have little control over text messages, calls and other content delivered by our clients to their potential customers, we cannot assure you that our current systems and acts will be sufficient or effective under applicable laws and regulations. If we do not comply with relevant laws and regulations or if we become liable under these laws and regulations, we could face direct liability and loss of client confidence, which could materially harm our reputation, business, results of operations and financial condition.

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## RISK FACTORS

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*We used third-party agents to make contributions under various government-sponsored employee benefits plans, which may subject us to penalties.*

Companies operating in China are required to complete related registration with the competent authorities and contribute to the government-sponsored employee benefits plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. We use third-party agents to make contributions under various government-sponsored employee benefits plans because we do not maintain branch offices in the relevant regions and are therefore not allowed to directly make contributions. As of the Latest Practicable Date, we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities for not contributing to government-sponsored employee benefits plans directly. However, if the relevant competent government authority is of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations in respect of housing provident fund, we may be ordered to pay the outstanding balance to the relevant local authority within a prescribed period of time, failing which the government authority can apply to the People’s Court for compulsory enforcement, but no penalties are provided under the relevant PRC laws and regulations; and in respect of social insurance, we might be ordered to pay the outstanding balance within a certain period of time and a late fee that equals to 0.05% of the total outstanding balance per day from the date of the failure to make payment, failing which we may be subject to a fine ranging from one to three times of the total outstanding balance. As advised by our PRC Legal Adviser, if we can pay the outstanding balance to the relevant authorities within a certain period of time when we are required to do so, the likelihood of us being subject to fines by the relevant government authorities is low. As of the Latest Practicable Date, none of the relevant operating entities had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies or for having not opened housing provident fund accounts. However, we cannot assure you that local authorities will not impose fees, pecuniary penalties or other administrative actions on us for our historical noncompliance. As a result, our financial condition and results of operations may be materially and adversely affected.

Under the agreements between the third-party human resources agencies and our relevant operating entities, the third-party human resources agencies have the obligations to pay social insurance premium and housing provident funds for our relevant employees. However, if the human resource agencies fail to pay the social insurance premium or housing provident fund contributions for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure or be subject to penalties. As of the Latest Practicable Date, none of the third-party human resources agencies that we cooperate with had failed to pay, or delayed in paying, any social insurance premium or housing provident fund contributions for our employees.

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## RISK FACTORS

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*Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.*

As of the Latest Practicable Date, we entered into nine lease agreements for our leased properties and eight of them had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. These properties are primarily used as our offices. We consider two leased properties in Beijing, with a GFA of 1,392.37 and 413.81 square meters, respectively, to be material to our business since they are where our headquarters are located. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Adviser has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

Further, as of the Latest Practicable Date, the lessors of three of our leased properties, including the two leased properties in Beijing which we consider to be material to our business, failed to provide us with valid property ownership certificates, and our leased property interests under such properties may be defective. These properties are primarily used as our offices. If such lessors do not have the relevant property ownership certificates, the relevant rightful title holders or other third parties may challenge our use of such leased properties, and we may be forced to vacate these properties and be required to seek alternative properties for lease or choose to terminate the lease earlier while bearing the penalty of early termination under the lease. As of the Latest Practicable Date, the relevant lessors had provided us with authorization documents evidencing their rights to lease the properties to us, and we were not aware of any challenge made by a third party or competent government authority on the titles of any of these leased properties that might affect our current occupation.

*Any failure to comply with anti-corruption and anti-bribery laws of China and other jurisdictions could subject us to penalties and other adverse effects.*

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

## RISK FACTORS

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We cannot assure that each of our employees is able to strictly follow our guidance on compliance with anti-corruption and anti-bribery laws and regulations or, in situations not covered by the guidance, could use a good judgment as to the dos and don'ts. Any violations of these anti-corruption laws by our employees, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, and other consequences that may have a material adverse effect on our business, financial condition and results of operations. In addition, our brand and reputation, our sales activities or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption and anti-bribery laws and regulations.

***We serve various levels and types of SOEs in China. Conducting business with SOEs can involve complexity that requires extra outlay of financial and managerial resources in order to comply with related laws and regulations.***

We have targeted and will continue to target more sales efforts on China's SOEs, particularly those in the insurance and banking industry. The procurement process for SOEs is in many ways more challenging than contracting in the private sector. We must comply with laws and regulations relating to the formation, administration, performance and pricing of contracts with SOEs. These laws and regulations may impose additional costs on our business or prolong or complicate our sales efforts, and failure to comply with these laws and regulations or other applicable requirements could lead to claims for damages from our clients, penalties, termination of contracts and other adverse consequences. Any such damages, penalties, disruptions or limitations in our ability to do business with SOEs could have a material adverse effect on our business, results of operations and financial condition. In addition, sales to Chinese SOEs often involve open tendering processes, where we face intense competition and pricing pressure and may thus suffer increased operating expenses and lowered profit margins. Furthermore, if we cannot succeed in our competitive tenders, our client base may decrease, and our brand image and reputation may be adversely affected.

SOEs often require highly specialized contract terms that may differ from our standard arrangements, and often impose compliance requirements that are complicated, require preferential pricing, terms and conditions, or are otherwise time-consuming and expensive to satisfy. Compliance with these special standards or satisfaction of such requirements could complicate our efforts to obtain business or increase the costs of doing so. Even if we do meet these special standards or requirements, the increased costs associated with providing our solutions to SOEs could harm our margins.

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## RISK FACTORS

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### Risks Related to Our Corporate Structure

*If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.*

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, including the value-added telecommunication services.

We are an exempted company incorporated under the laws of the Cayman Islands, and WFOE, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct our business in China through T&I Net Communication and its subsidiaries incorporated in China. We have entered into contractual arrangements with T&I Net Communication and its shareholders and subsidiaries, through which we obtain effective control over T&I Net Communication and its subsidiaries and substantially all of the economic benefits arising from T&I Net Communication and its subsidiaries. Meanwhile, we are able to consolidate the financial results of T&I Net Communication and its subsidiaries in our results of operations. See “Contractual Arrangements.”

Our PRC Legal Adviser, Commerce & Finance Law Offices, has advised us that the corporate structure of T&I Net Communication and its subsidiaries in China are not in violation with applicable PRC laws and regulations. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Adviser. If we are found in violation of any PRC laws or regulations or if the contractual arrangements among our WFOE, T&I Net Communication and its shareholders and subsidiaries are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- imposing conditions or requirements with which we may not be able to comply;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- revoking our business and operating licenses;



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- restricting or requiring us to discontinue our operations;
- revoking the agreements constituting the contractual arrangements;
- requiring us or our PRC subsidiaries and T&I Net Communication to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of T&I Net Communication and its subsidiaries; or
- shutting down all or part of our websites or services;
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any shareholder of T&I Net Communication, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that shareholder. We cannot assure you that the equity interest will be disposed of in accordance with the contractual arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements bringing additional challenges to our corporate structure and contractual arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct internet-related businesses. Furthermore, if the imposition of any of these fines causes us to be unable to direct the activities of T&I Net Communication and its subsidiaries or the right to receive their economic benefits, we would no longer be able to consolidate T&I Net Communication or its subsidiaries into our financial statements, which could materially and adversely affect our financial condition and results of operations. In this case, we may also face the risk that the Stock Exchange may consider our Company to be no longer suitable for [REDACTED] and consequently [REDACTED] our Shares.

***Our contractual arrangements may not be as effective in providing operational control as direct ownership.***

We operate substantially all of our business in China through T&I Net Communication, in which we have no ownership interest and rely on a series of contractual arrangements with T&I Net Communication and its shareholders to control and operate these businesses. A majority of our revenue and cash flow from our business are attributed to T&I Net Communication and its subsidiaries. The contractual arrangements may not be as effective as direct ownership in providing us with control over T&I Net Communication. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of T&I Net Communication, which, in turn, could affect corporate governance and operational performances, subject to any applicable fiduciary obligations at the management level. However, under the contractual arrangements, as a legal matter, if T&I Net Communication or its shareholders fail to perform their respective obligations under the contractual arrangements, we may experience substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal

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remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you the sufficiency and effectiveness under PRC law. For example, in the event that shareholders in T&I Net Communication were to refuse to transfer their equity interests in T&I Net Communication to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may refer to immediate legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. See “– Risks Related to Doing Business in China – Uncertainties in interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated affiliated entities should be interpreted or enforced under PRC law. In respect of the ultimate outcome of such proceeding, significant uncertainties remain if legal action becomes necessary. In addition, under PRC law, although rulings by arbitrators are final, if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only resort to PRC courts for enforcement of the arbitration awards through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over T&I Net Communication or its subsidiaries, and our ability to conduct our business may be negatively affected.

In addition, the shareholders in T&I Net Communication may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in T&I Net Communication and the validity or enforceability of our contractual arrangements with T&I Net Communication and its shareholders. For example, if any of the shareholders of T&I Net Communication divorces his or her spouse, the spouse may claim that the equity interest of in T&I Net Communication held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder’s spouse. While we have obtained the consent letter from the spouse of each individual shareholder of T&I Net Communication, under which such spouse has undertaken to honor the contractual arrangements among us, T&I Net Communication and its shareholders, we cannot assure you that such undertakings will be fulfilled should the relevant equity interest in T&I Net Communication be obtained by the spouse. In addition, the relevant equity interest may also be obtained by another third party who is not subject to obligations under our contractual arrangements, which could result in our loss of the effective control over T&I Net Communication. Similarly, if any of the equity interests of T&I Net Communication is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our control over T&I Net Communication or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

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## RISK FACTORS

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*We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by T&I Net Communication if T&I Net Communication petition for bankruptcy or becomes subject to a dissolution or liquidation proceeding.*

T&I Net Communication and its subsidiaries have contributed to the majority of our revenue, and held the majority of our operational assets and licenses, approvals and assets that are necessary for the going concern of our business. The contractual arrangements contain terms that specifically obligate the shareholders of T&I Net Communication to ensure the valid existence of T&I Net Communication and restrict the disposition of material assets or any equity interest of T&I Net Communication. However, in the event that the shareholders of T&I Net Communication breach the terms of these contractual arrangements and voluntarily liquidate T&I Net Communication, or T&I Net Communication petition for bankruptcy and all or part of its assets are under the control of the court-appointed bankruptcy administrator, or are otherwise disposed of without our consent, we may be unable to operate some or all of our business or otherwise benefit from the assets held by T&I Net Communication, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if T&I Net Communication undergoes a voluntary or involuntary liquidation proceeding, equity holders or unrelated third-party creditors may claim rights to some or all of the assets in T&I Net Communication, thereby thwarting our ability to operate our business as well as constraining our growth.

*The shareholders of T&I Net Communication may have potential conflicts of interest with us.*

The shareholders in T&I Net Communication may have actual or potential conflicts of interest with us. These shareholders may breach, or cause T&I Net Communication to breach, or refuse to renew, the existing contractual arrangements we have with them and T&I Net Communication, which may lead to a material and adverse effect on our ability to effectively control T&I Net Communication and receive economic benefits from it. In addition, some of the shareholders of T&I Net Communication are limited partnerships (the “**Partnership Shareholders**”), which are controlled by their respective general partner and/or ultimate beneficial owner (the “**Indirect Shareholders**”). While currently the general partners of all the Partnership Shareholders and Mr. TIAN Suning (田溯寧) (“**Mr. Tian**”) are parties to the contractual arrangements, we can not assure that these Indirect Shareholders will abide by the terms of the contractual arrangements. The Indirect Shareholders may breach, or cause the Partnership Shareholders to breach, or refuse to renew the existing contractual arrangements. For example, the shareholders of T&I Net Communication or the Indirect Shareholders may be able to cause our agreements with T&I Net Communication to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders and Indirect Shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

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## RISK FACTORS

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Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our Company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in T&I Net Communication to a PRC entity or individual designated by us, to the extent permitted by PRC law. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders in T&I Net Communication have executed powers of attorney to appoint our WFOE or a person designated by such WFOE to vote on their behalf and exercise voting rights as shareholders in T&I Net Communication. If we cannot resolve any conflict of interest or dispute between us and the shareholders in T&I Net Communication, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

***Contractual arrangements we have entered into with T&I Net Communication may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your [REDACTED].***

As a result of the contractual arrangements among our WFOE, our VIE, its shareholders and us, we are effectively subject to the PRC value-added tax at a rate of 6% and related surcharges on revenues generated by our subsidiary from our contractual arrangements with our VIE. No additional value-added tax or related surcharges are triggered due to the adoption of the contractual arrangement.

The PRC Corporate Income Tax Law and its Implementing Rules require resident enterprise to submit its annual CIT return together with a report on its related party transactions to the in-charge tax authority. According to the Implementing Rules of the Corporate Income Tax Law, related party transactions should be subject to review by the PRC tax authority within ten years after the taxable year during which the transactions are conducted. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our VIE were not on an arm's length basis and therefore raise a transfer pricing adjustment. If this occurs, the PRC tax authorities could request that our VIE and any of its subsidiaries adjust their taxable income upward for PRC tax purpose. Such an adjustment could adversely affect us by reducing expense deductions recorded by such VIE and thereby increasing the VIE's tax liabilities, which could trigger late payment interest and other penalties for the underpayment of taxes. Our results of operations may be materially and adversely affected if our VIE's tax liabilities increase or if either of them becomes subject to late payment interest or other penalties.

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## RISK FACTORS

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*Our current corporate structure and business operations may be affected by the Foreign Investment Law.*

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, there are uncertainties on interpretation and implementation. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC, which came into effect on January 1, 2020. The Foreign Investment Law, the Regulations on Implementing the Foreign Investment Law of the PRC, and the then laws, do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, in the Foreign Investment Law, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for the industries specified as “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Foreign Investment Access jointly promulgated by Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or the NDRC, and took effect in January 2022. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in “prohibited” industries and their operation in “restricted” industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Application of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” in the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the negative list. If our control over T&I Net Communication through contractual arrangements are deemed as foreign investment in the future, and any business of T&I Net Communication is “restricted” or “prohibited” from foreign investment in the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements allowing us to take control over T&I Net Communication may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

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## RISK FACTORS

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Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

### **Risks Related to Doing Business in China**

*Uncertainties in interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.*

Unlike common law systems, the PRC legal system is based on written statutes, in which legal cases have limited binding value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections on various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new, and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we are entitled to than in more developed legal systems. Moreover, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to **[REDACTED]**, which may, in turn, adversely affect the value of your **[REDACTED]**.

PRC laws and regulations concerning the Internet information service industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations, and to avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC government authorities may promulgate new laws and regulations regulating the Internet information service industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to Internet information service. Moreover, developments in the Internet information service industry may lead to changes in PRC laws, regulations and policies, or in the interpretation and application of existing laws, regulations and policies that may limit or restrict Internet information service platforms like ours, which could materially and adversely affect our business and operations.



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## RISK FACTORS

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***Adverse changes in economic and political policies of the PRC government could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.***

Substantially all of our assets and operations are located in China. Therefore, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic, political and social conditions in China generally. The PRC economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, degree of government involvement and foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the impact of COVID-19 pandemic on the Chinese and global economies in 2020 is likely to be severe. The PRC government still owns a substantial portion of productive assets in the PRC and exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the Internet service industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

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

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements, in some instances, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns, are subject to strict review by the

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## RISK FACTORS

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MOFCOM, and the rules prohibit any activities attempting to bypass a security review. Furthermore, the latest security review rules jointly issued by the MOFCOM and NDRC that became effective on January 18, 2021 stipulates that mergers and acquisitions or other patterns of investments by foreign investors that influence or may influence national security are subject to strict review. Foreign investors whose investments fall within the statutory scope shall take initiative to report to designated agency about the investment plan, the impact on national security and other issues required by the agency which will decide whether to go through a national security review.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, SAMR or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your [REDACTED].***

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall and substantial management of the business, productions, personnel, accounts and properties of an enterprise. In 2009, the STA issued a circular, known as STA Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to STA Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location where senior management personnel and departments that are responsible for the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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## RISK FACTORS

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We believe that neither us nor any of our offshore subsidiaries is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we and/or our offshore subsidiaries are a PRC resident enterprise for enterprise income tax purposes, we and/or our offshore subsidiaries will be subject to the uniform 25% enterprise income tax on our world-wide income, which could materially reduce our net income. In addition, we and/or our offshore subsidiaries will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty). It is unclear whether non-PRC Shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in our Shares.

*There are uncertainties with respect to value-added tax rates relating to our tax liabilities.*

Taking effect on May 1, 2016, the State started to fully implement the pilot change from business tax to value-added tax. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business. However, the Ministry of Finance and the STA in the PRC usually will issue detailed circulars to enforce tax laws more specifically. It is unclear whether we can still enjoy current tax credits after the [REDACTED] and whether the tax rates will be adjusted by the legislature. Any such tax credits or adjustments on tax rates may substantially influence our net profits as well as the returns on your [REDACTED] in our Shares.

*Fluctuation in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].*

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government’s policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government’s controls on currency conversion.

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## RISK FACTORS

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The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

*The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.*

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in RMB. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, indirectly from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB 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.

In light of the flood of capital outflows from China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies, and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process are in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may, at its discretion, further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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## RISK FACTORS

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan, or as an increase in registered capital, are subject to approval by, filing with, or registration with, relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the approval of, or filing with, the MOFCOM or its local branch, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated banks, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount. Any medium- or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches or designated banks. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [REDACTED] of this [REDACTED], and to capitalize our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, taking effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises, which allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capitals for expenditure beyond their business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use, except for real estate enterprises. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net [REDACTED] from this [REDACTED], which may adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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

On February 3, 2015, the STA promulgated 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), or STA Circular 7, which replaces certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of 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), or STA Circular 698. STA Circular 7 provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “**Chinese Taxable Assets**”). For example, STA Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. On October 17, 2017, the STA promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告), or STA Circular 37, which came into force and replaced STA Circular 698 and certain other rules or regulations on December 1, 2017. STA Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Although STA Circular 7 contains certain exemptions, it is unclear whether any exemptions under it will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying STA Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. And, if we fail to comply with STA Circular 7 and STA Circular 37, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our business operations.



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## RISK FACTORS

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*We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.*

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment

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## RISK FACTORS

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activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries’ ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, all of our ultimately beneficial owners who are PRC citizens, have completed their registration under SAFE Circular 37. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

*Any requirement to obtain approval from the MOFCOM or the CSRC could delay the [REDACTED], and any failure to obtain such approval, if required, could materially and adversely affect our business, operating results, and reputation, as well as the [REDACTED] of our Shares.*

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by the MOFCOM, the SASAC, the STA, the CSRC, SAIC, and the SAFE on August 8, 2006, effective on September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (iii) establishes a foreign-invested enterprise to purchase the assets of a domestic enterprise and operate those assets, or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such

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special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies. Our PRC Legal Adviser has advised that, given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the [REDACTED] of our Company is subject to this regulation, (ii) our WFOE were established by foreign direct investment, rather than through a merger or acquisition of a domestic company as defined under the M&A Rules, and (iii) no explicit provision in the M&A Rules classifies the Contractual Arrangements among our WFOE, a variable interest entity, its subsidiaries, and its shareholders as a type of acquisition transaction under the M&A Rules, they advise that the establishment of our WFOE and the Reorganization are not subject to the M&A Rules, and the [REDACTED] of our Company does not require approvals from the CSRC and MOFCOM under the M&A Rules. However, we cannot assure you that the relevant PRC government agency, including the MOFCOM and CSRC, would reach the same conclusion as our PRC Legal Adviser. If the MOFCOM, the CSRC or other PRC regulatory agencies subsequently determine that we need to obtain necessary approval for this [REDACTED], or if MOFCOM, CSRC or any other PRC government authorities promulgates interpretation or implementing rules before our [REDACTED] that would require any necessary governmental approvals for this [REDACTED], we may face sanctions by the MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of [REDACTED] from this [REDACTED] into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the [REDACTED] of our Shares. The MOFCOM, the CSRC or other PRC regulatory agencies may also take actions requiring us to halt this [REDACTED] before settlement and delivery of the Shares [REDACTED] by this document.

***PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.***

A number of PRC laws and regulations, including the M&A Rules, the Anti-monopoly Law promulgated by the SCNPC in August 2007, the Notice of the General Office of State Council on Establishment of Security Review System Pertaining to Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the General Office of the State Council in February 2011, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in August 2011, and the Rules of Foreign Investment Security Review jointly released by the NDRC and the MOFCOM on December 19, 2020 taking effect on January 18, 2021, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

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We may also develop our business by acquiring complementary businesses in addition to via organic growth. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, MOFCOM or other government agencies may publish interpretations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

***The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your [REDACTED] in us.***

Pursuant to the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises, or STA Circular 698, issued by the STA in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on the foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax.

On February 3, 2015, the STA issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises, or STA Circular 7, which abolished certain provisions in STA Circular 698, as well as certain other rules providing clarification on STA Circular 698. STA Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under STA Circular 7, 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 enterprise without any other reasonable commercial purpose. However, STA 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 an overseas listed 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 PRC enterprise income tax under an applicable tax treaty or arrangement.

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On October 17, 2017, the STA issued the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source, or STA Circular 37, which became effective on December 1, 2017 and abolished STA Circular 698 as well as certain provisions in STA Circular 7. STA Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to STA Circular 37, where the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties.

We may conduct acquisitions or sales involving changes in offshore corporate structures, and historically our Shares were transferred by certain then Shareholders to our current Shareholders. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, including transfer of our Shares by non-PRC resident enterprise Shareholders unless such Shareholders acquire and sell such Shares on the public market after we are [REDACTED]. We may be subject to filing obligations or taxed or subject to withholding obligations in such transactions under STA Circular 7 and STA Circular 37. For transfer of Shares in us by Shareholders that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Circular 7 and STA Circular 37. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your [REDACTED] in us.

***You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares.***

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.



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As discussed above under “– We may be classified as a ‘PRC resident enterprise’ for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your [REDACTED],” we may be considered a PRC resident enterprise. As substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident [REDACTED], the value of your [REDACTED] in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

In addition, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement and the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by STA, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice of the State Taxation Administration on the Recognition of Beneficial Owners in Tax Treaties, or Circular 9, issued on February 3, 2018 by STA and effective from April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiaries are determined by PRC government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends.



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*We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or our financial condition.*

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from T&I Net Communication, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and service any debt we may incur. If our PRC subsidiaries or T&I Net Communication incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Our PRC subsidiaries may also allocate a portion of their respective after-tax profits based on PRC accounting standards to discretionary reserve funds. These reserve funds are not distributable as cash dividends. Any limitation on the ability of T&I Net Communication to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

*It may be difficult for overseas regulators to conduct investigation or collect evidence within China.*

Shareholder claims or regulatory investigation that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in Hong Kong or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests.

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### **Risks Related to the [REDACTED]**

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

Prior to completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations among our Company, the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. We have applied for [REDACTED] of and permission to [REDACTED] our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

*The trading price of the Shares may be volatile, which could result in substantial losses to you.*

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, mainland China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility of the price of, and trading volumes of our Shares. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

*You will experience immediate dilution and may experience further dilution in the future.*

As the [REDACTED] of our Shares is higher than the consolidated net tangible assets per share immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution in [REDACTED] adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

In addition, we may grant options, RSUs or any other share-based compensations in the future, which may result in an increase in our issued share capital and in turn may result in a dilution of our shareholders' shareholding interest in our Company and a reduction in earnings per Share.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain [REDACTED] arrangements. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the [REDACTED] periods, we cannot assure you that they will not dispose of any Shares they own now or in the future.

*If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.*

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

*Our historical level of dividend payment is not indicative of our future dividend payment and we may not be able to pay any dividends on our Shares.*

Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will depend on the dividends, loans or advances that we receive from our subsidiaries, T&I Net Communication and its subsidiaries. No dividends have been paid or declared by our Cayman holding company since its incorporation. T&I Net Communication, our variable interest entity in the PRC, had declared dividends of RMB20,664,000, RMB30,996,000 and RMB25,830,000 to its then shareholders in 2019, 2020 and 2021, respectively. The dividends were fully paid in cash in July 2019, November 2020 and May 2021, respectively. However, our historical level of dividend payment is not indicative of our future dividend payment. We cannot guarantee when and in what form dividends will be paid on our Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

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**[REDACTED] may experience difficulties in enforcing Shareholder rights.**

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

*We cannot assure you the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the CIC Report, contained in this document.*

This document, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to the market of customer contact solutions in China. Such information and statistics have been derived from the CIC Report, a third-party report commissioned by us, and official government publications. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, the information derived from official government publications has not been independently verified by us, the Sole Sponsor, the [REDACTED], any of our or their respective directors, officers or representatives, or any other party involved in the [REDACTED] and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

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*You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].*

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to or after the publication of this document, there could be press and media coverage regarding us and the [REDACTED]. Such press and media coverage, if any, may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

*Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.*

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Following the completion of the [REDACTED], our Controlling Shareholders will collectively beneficially own approximately [REDACTED]% equity interest in our Company. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other Shareholders.

**|** *There will be a time gap of several business days between [REDACTED] and [REDACTED] of our Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.*

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be a short period after the [REDACTED]. As a result, **|** [REDACTED] may not be able to sell or [REDACTED] our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.