

RISK FACTORS

An investment 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 investment 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 investment.

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.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition and results of operations could be adversely affected.

China’s HCM market is highly competitive. Our primary competitors include cloud-based HCM solutions providers, enterprise software providers and potential new market entrants both in China and around the world. Some customers may be hesitant to switch vendors or to adopt cloud-based HCM solutions such as ours and may prefer to maintain their existing relationships with our competitors. Some of our competitors, such as certain global cloud-based HCM solutions providers or local enterprise software providers, are larger in size and have greater brand recognition, longer operating histories, and greater resources than we do. In addition, legacy vendors may also expand their offerings of cloud-based HCM solutions through acquisitions, strategic alliances, and organic development. We may also face competition from a variety of cloud-based and on premise software providers that address only one or a portion of our offerings. Also, other companies that provide cloud-based HCM solutions in different target markets may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal software solutions. With the introduction of new technologies and market entrants, we expect this competition to intensify in the future.

Some of our competitors are able to devote greater resources to the development, promotion and sale of their HCM solutions and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and ability to initiate or withstand substantial price competition. In addition, some of our competitors have established marketing relationships and access to larger customer base. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors’ products, services or technologies become more accepted than ours, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, some of our competitors may offer their products and services at a more competitive price. If we are unable to achieve our target pricing levels, our operating results would be negatively affected. Pricing pressure and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business, financial condition and results of operations.

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Our success depends on growth in market acceptance of cloud-based HCM solutions, and our solutions and services in particular.

We provide our solutions and services through our cloud-based platform. Our success will depend to a substantial extent on the widespread adoption of cloud computing in general, and of cloud-based HCM solutions and services in particular. Many organizations have invested substantial human and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based HCM solutions and services. It is difficult to predict customer adoption rates and demand for our solutions and services, the future growth rate and size of China’s HCM market or the entry of competitive services. The expansion of the market depends on a number of factors, including the cost, performance, perceived value associated with cloud computing, as well as the ability of service providers to address security and privacy concerns. If other major service providers experience security incidents, loss of customer data, disruptions in delivery or other problems, China’s HCM market as a whole, including our solutions and services, may be negatively affected. If cloud-based HCM solutions and services do not achieve widespread adoption, or there is a reduction in demand for such solutions and services caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, our business, prospect, financial conditions and results of operations could be materially and adversely affected.

In addition, many organizations have invested substantial personnel, infrastructure and financial resources in their own internal HCM systems and therefore may be reluctant to switch to our solutions and services. Companies may not engage us for other reasons, including a desire to maintain control over all aspects of their HCM activities, a belief that they manage their HCM activities more effectively using their internal systems or our competitors’ HCM solutions and services, perceptions about the expenses associated with our solutions and services, perceptions about whether our solutions and services comply with laws and regulations applicable to them or their businesses, or other considerations that may not always be evident. Additional concerns or considerations may also emerge in the future. We must address our potential customers’ concerns and explain the benefits of our approach in order to convince them to change the way that they manage their HCM activities, particularly in markets and industry categories where our Company and our solutions and services are less well-known. If we are not successful in addressing potential customers’ concerns and convincing companies that our services can fulfill their HCM needs, the market for our services may not develop as we anticipate and our business may not grow.

If we are not able to upgrade, enhance and expand our technology and solutions or provide successful enhancements, new features and applications, our business could be adversely affected.

Our businesses operate in industries that are subject to rapid technological advances and changing customer needs and preferences. In order to remain competitive and responsive to customer demands, we continually upgrade, enhance, and expand our existing solutions and services. If we fail to respond successfully to technology challenges and customer needs and preferences, the demand for our solutions and services may diminish. We will also need to enhance and create new features and functionalities of our solutions to enhance its utility to our customers and adapt to the changing customer preferences, in order to maintain existing customers and attract new customers. If we are unable to provide enhancements and new features for our existing or new solutions and services that achieve market acceptance or that keep pace with rapid technological developments, our business could be materially and adversely affected. The success of enhancements and new features depends on several factors, including the timely completion, introduction and market acceptance of such

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enhancements or new features. Failure to do so may significantly impair our revenue growth. In addition, because our cloud-based platform is designed to integrate with and connect to a variety of systems developed by our customers and their technology and HCM service providers, we will need to continuously modify and enhance our solutions and services to keep pace with changes in internet-related hardware and software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in 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 increase our research and development expenses. Any failure of our solutions and services to operate effectively with future network platforms and technologies could reduce the demand for our solutions and services, result in customer dissatisfaction and materially and adversely affect our business.

Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future. Our growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have since our inception experienced rapid growth. Our revenues increased from RMB382.3 million for the fiscal year ended March 31, 2019 to RMB458.5 million for the fiscal year ended March 31, 2020 and RMB556.3 million for the fiscal year ended March 31, 2021, and further to RMB679.6 million for the fiscal year ended March 31, 2022, and from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022. However, you should not rely on the revenue growth of any prior period as an indication of our future performance. We cannot assure you that we will be able to manage our growth at the same rate as we did in the past, or avoid any decline in the future. To maintain our growth, we need to expand our product and service offerings, broaden our customer base and strengthen our technology capabilities, among others. Moreover, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage the expected growth of our operations and personnel, we will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers in a cost-effective manner, respond timely to competitive challenges, or otherwise execute our business strategies. Our growth requires significant financial resources and will continue to place significant demands on our management. There is no guarantee that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. If we fail to effectively manage the growth of our business and operations, our reputation, results of operations and overall business and prospects could be negatively impacted.

We have a history of net losses, and we may not be able to achieve profitability in the future.

We have incurred net losses of RMB690.2 million, RMB1,266.8 million, RMB940.1 million, RMB1,908.8 million and RMB162.8 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, and could continue to incur net losses in the future. We intend to continue to invest in expanding our offerings, enhancing our sales and marketing efforts, expanding into new industry categories and geographical markets and upgrading our technology. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenues enough to offset our higher operating expenses. If we are unable to achieve and sustain profitability, the value of our business and shares may significantly decrease. Furthermore, it is

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difficult to predict the size and growth rate of our market, customer demands for our solutions and services, renewal rate for our solutions and services or the success of existing solutions and services. As a result, we may not achieve or maintain profitability in future periods. If we fail to grow our revenues sufficiently to keep pace with our investments and other expenses, our business would be harmed.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our solutions and services may be perceived as not being secure, customers may reduce the use of or stop using our solutions and services, and we may incur significant liabilities.

Our solutions and services involve the storage, processing and transmission of our customers’ sensitive and proprietary information, including personal or identifying information regarding their employees and other sensitive business information. As a result, unauthorized access or use of these data could expose us to regulatory actions, litigation, investigations, remediation obligations, damage to our reputation and brand, supplemental disclosure obligations, loss of customer and partner confidence in the security of our solutions and services, destruction of information, indemnity obligations, and resulting fees, costs, expenses, loss of revenues, and other potential liabilities. We devote significant financial and personnel resources to implementing and maintaining security measures. If these measures are compromised as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance, or otherwise, and someone obtains unauthorized access to or use of our customers’ data, our reputation could be damaged, our business may suffer, and we could incur significant liabilities as well as incur significant costs to remediate any incidents.

Cybersecurity challenges, including threats to our own IT infrastructure or those of our customers or third-party providers, are often targeted at companies such as ours and may take a variety of forms ranging from individual and groups of hackers to sophisticated organizations, including state-sponsored actors. Key cybersecurity risks range from viruses, worms, and other malicious software programs to “mega breaches” targeted against cloud services and other hosted software, any of which can result in unauthorized disclosure of confidential information and intellectual property and compromised data. As the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, if a high-profile security breach occurs with respect to an industry peer, our customers and potential customers may generally lose trust in the security of cloud-based HCM solutions providers, or in cloud applications for enterprises in general. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate or not renew their subscriptions, result in reputational damage, cause us to pay remediation costs and/or issue service credits or refunds to customers for prepaid and unused subscription services, require us to compensate our customers for certain losses, or result in lawsuits, regulatory fines, or other action or liabilities, which could materially and adversely affect our business, financial condition and results of operations. See “Regulation—Regulations on Internet Information Security and Privacy Protection.”

Because we recognize subscription revenues over the term of the contract, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription revenues from customers over the terms of their contracts, which are typically one year. As a result, most of the subscription revenues we report is derived from

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the recognition of contract liabilities relating to subscriptions entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any period will likely have only a small impact on our revenue results for that period. However, such a decline will negatively affect our revenues in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions and services, and potential changes in our pricing policies or rate of renewals, may not be fully reflected in our results of operations until future periods. We may be unable to adjust our cost structure to reflect the changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as revenues from new customers must be recognized over the applicable subscription term.

Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.

Our business requires us to collect, store and process confidential information, including personally identifiable information, with respect to our customers and their employees. The PRC government has in recent years tightened the regulation of the collection, storage, sharing, use, disclosure and protection of personal data and information.

The PRC Cybersecurity Law, which became effective in June 2017, created China’s first national-level data protection framework for “network operators,” which may potentially include all organizations in China that provide services over the internet or through other types of information network. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law. Any actual or perceived non-compliance with the relevant cybersecurity laws and regulations, may result in administrative penalties, including fines, a shut-down of our business, suspension of our solutions and services and revocation of requisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effects on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law. See “Regulations—Regulations on Internet Information Security and Privacy Protection.”

Furthermore, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law (the “**July 2021 Opinions**”), which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information

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provision mechanisms and procedures. However, these opinions were newly issued, and there were no further explanations with respect to such opinions, and there are still uncertainties regarding the interpretation and implementation of these opinions.

On August 20, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Personal Information Protection Law, or the PIPL, which came into effect in November 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual’s rights and interests. We may store and process sensitive personal information of customers’ employees, such as ID number, bank account, contact information, education background and work experience, that our customers collect when they use our solutions and services for recruiting, organizing, evaluating and developing workforce. As uncertainties remain regarding the interpretation and implementation of the PIPL, we cannot assure you that we will comply with the PIPL in all respects and regulatory authorities may order us to rectify or terminate our current practice of collecting and processing sensitive personal information. We may also become subject to fines and/or other penalties which may have material adverse effect on our business, operations and financial condition.

On November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例 (徵求意見稿)》 (“**Draft Data Security Regulations**”), which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our PRC Legal Advisor advises that the Draft Data Security Regulations are applicable to the data processing activities of certain of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form. The Draft Data Security Regulations stipulates that a data processor contemplating to list its securities on a stock exchange in Hong Kong which affects or may affect national security is required to apply for a cybersecurity review pursuant to relevant rules and regulations. However, the Draft Data Security Regulations does not provide the standard to determine under which specific circumstances such listings would “affect or may affect national security.” As of the Latest Practicable Date, the Draft Data Security Regulations was released for public comment only and its final version and effective date may be subject to change and uncertainty.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Cybersecurity Review Measures (網絡安全審查辦法), or the Review Measures, which became effective on February 15, 2022. The Review Measures has replaced its previous version promulgated on April 13, 2020. See “Regulations—Regulations on Internet Information Security and Privacy Protection.” On March 6, 2023, our PRC Legal Advisor and the Sponsor’s PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (the “**CCRC**”), which is delegated by the CAC to accept applications for cybersecurity review, the staff of which confirmed that the term “listing abroad (赴國外上市)” under Article 7 of the Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante application of cybersecurity review and the Company does not need to apply for the cybersecurity review according to Article 7 of the Review Measures. Our PRC Legal Advisor is of the view that the CCRC is the

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competent authority for such consultation, and the staff who responded our inquires during such consultation is the duly designated person in the CCRC to handle public inquiries. As such and based on the consultation with the CCRC, our PRC Legal Advisor is of the view that, we do not need to initiate the application for cybersecurity review pursuant to Article 7 of the Review Measures. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator, neither had we been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in such respect.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China. As uncertainties remain regarding to what extent we would be subject to such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. We have notified the relevant CAC branch regarding our proposed [REDACTED] on the Stock Exchange and have not received any inquiry, notice, warning, or sanctions regarding cybersecurity review or the [REDACTED] plan. If the Draft Data Security Regulations was to be implemented in its current form, based on the foregoing and the analysis of provisions of the Review Measures and the Draft Data Security Regulations by our PRC Legal Advisor, the Directors and our PRC Legal Advisor do not foresee any material impediments for us to comply with the Review Measures and the Draft Data Security Regulations in all material aspects, given that we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice as detailed in “Business—Data Privacy and Security.”

These and other similar legal and regulatory developments could lead to legal and economic uncertainty, affect how we design, market and sell our solutions and services, how we operate our business, and how we process and use data, which could negatively impact demand for our solutions and services. We may incur substantial costs to comply with such laws and regulations, to meet our customers’ demands relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations regarding cybersecurity, information security, privacy and data protection with various standards and applications. We may from time to time be required to rectify or further improve our measures regarding cybersecurity, information security, privacy and data protection. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in

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negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage our current and potential customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations. While currently we are focused on enhancing our market presence within China, to the extent we expand our business to any overseas market, we may become subject to additional or new laws and regulations regarding cybersecurity, information security, privacy and data protection in foreign jurisdictions, which may result in additional expenses to us and subject us to potential liability and negative publicity. We expect that these areas will receive greater attention and focus from regulators, and attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges regarding cybersecurity, information security, privacy and data protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

Certain customers may demand more configuration and integration services or customized features or functions when using our cloud-based HCM solutions and services, which could materially and adversely affect our business, financial condition and results of operations.

Certain customers, particularly large multi-national organizations, may demand more configuration and integration services or customized features and functions, support services, pricing concessions and additional security management or controls. Such demand could significantly increase our upfront investment in sales and system and infrastructure integration efforts, with no guarantee that these customers will increase the scope of their subscription. As a result of these factors, we must devote a significant amount of sales support and professional service resources to these customers individually, increasing the cost and time required to complete sales and implement integration of systems, databases and processes. If prospective customers require customized features or functions that we do not offer, the market for our solutions and services will be limited and our business could suffer.

Our business could be adversely affected if our customers and their employees are not satisfied with the services provided by us.

Our business depends on our ability to satisfy our customers, both with respect to our product offerings and the professional services that are performed to help our customers use features and functions that address their evolving HCM needs. If a customer or any of its employees is not satisfied with the quality of work performed by us or with the type of professional services delivered, then we could incur additional costs to address the situation, thereby affecting our profitability, and the customer’s and its employee’s dissatisfaction with our solutions and services could damage our ability to expand the number of services subscribed to by that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

If our solutions and services fail to perform properly, our reputation could be adversely affected, our market share could decline and we may fail to honor our obligations in respect of our contract liabilities and therefore be subject to liability claims.

Our customers use our solutions and services for important aspects of their businesses, and any errors, defects or disruptions to our solutions and services and any other performance problems with

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our solutions and services could damage our customers’ businesses and, in turn, hurt our brand and reputation. We provide regular updates to our solutions and services, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures, bugs or security vulnerabilities in our products could result in:

- loss or delayed market acceptance and product sales;
- sales credits or refunds for prepaid amounts related to unused subscription services;
- loss of customers;
- contractual disputes and legal proceedings;
- diversion of development and customer service resources; and
- damages to our reputation.

In addition, we cannot ensure the accuracy or completeness of the data provided by our customers and their employees, which are necessary for us to timely and effectively provide our solutions and services. In the event that such data are inaccurate, incomplete, misleading or fraudulent, the integrity and effectiveness of our solutions and services, and consequently, our reputation may be materially and adversely affected.

The costs incurred in correcting any material defects or errors might be substantial and could materially and adversely affect our business, financial condition and results of operations.

Because of the large amount of data that we collect and manage, it is possible that failures or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Furthermore, the availability or performance of our platform and services could be adversely affected by a number of factors, including customers’ inability to access the internet, the failure of our network or software systems, security breaches or variability in user traffic for our solutions and services. We may be required to refund customers’ prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from certain of these events. For example, our customers access our solutions and services through their internet service providers. If a service provider fails to provide sufficient capacity to support our solutions and services or otherwise experiences service outages, such failure could interrupt our customers’ access to our solutions, adversely affect their perception of our solutions and services’ reliability and reduce our revenues. In addition to potential liability, if we experience interruptions in the availability of our solutions and services, our reputation could be adversely affected and we could lose customers. In addition, if we fail to provide the prescribed solutions and services to our customers in time or at all due to such material errors, defects and security issues, we may not be able to fulfill our obligations in respect of our contract liabilities, which totaled RMB210.7 million, RMB286.0 million, RMB381.1 million, RMB420.7 million and RMB409.2 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. To the extent we are unable to fulfill our obligations in respect of our contract liabilities, our reputation, business, financial position and growth prospects may be adversely affected.

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We may fail to optimize the prices for our solutions and services or the renewal terms of our subscription agreements, or the impact of changes in pricing or customer renewal rates will have on our revenues or operating results.

We have limited experience with respect to determining the optimal prices for our solutions and services. As the markets for our solutions and services evolve or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, certain customers, such as large and global organizations, may demand greater price discounts. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenues, gross margin, profitability, financial position and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our solutions and services after the expiration of the initial subscription period. Our customers may renew for fewer elements of our solutions and services or on different pricing terms. We may not accurately predict customer renewal rates. Our customers’ renewal rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our solutions and services and their ability to continue their operations and spending levels. If our customers do not renew their subscriptions for our solutions and services on similar pricing terms, our revenues may decline and our business could suffer. In addition, over time the average term of our contracts could change based on renewal rates or for other reasons.

Our business operations have been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.

Since late 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

To varying degrees, our business operations have been affected by the COVID-19 pandemic. For example, we experienced temporary declines in subscriptions to certain of our cloud-based HCM solutions, such as Recruitment Cloud and Assessment Cloud, primarily because enterprises in China reined in hiring amid the uncertainty caused by the COVID-19 pandemic, and many on-site recruiting events, such as on-campus recruiting, were canceled due to lockdown and gathering restrictions temporarily imposed in certain cities in China. In addition, the provision of certain on-site implementation services for a limited number of projects had been delayed due to lock-down restrictions and closure of workplaces.

We cannot assure you that our efforts to mitigate the impact of the COVID-19 pandemic on our business operations will always be effective or at all. Furthermore, we may in the future experience additional disruptions caused by the COVID-19 pandemic that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- global economic recessions due to reduced level of economic activities and lockdown restrictions, which in turn resulted in reductions in sales of our solutions and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition;
- inefficiencies, delays and additional costs in our product development, sales and marketing and customer service efforts;

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- service interruptions or impaired system performance due to failures of or delays in our systems or resources in light of increasing usage of our cloud-based HCM solutions;
- delays or failure to collect receivables from our customers impacted by the COVID-19 pandemic;
- the possibility that one or more clusters of COVID-19 cases could occur at one of our locations, third-party cloud computing platform providers or other third-party providers, affecting our employees or the systems or employees of our customers or other third parties on which we depend; and
- challenges to our systems supporting our remote workforce, due to the higher demand of such systems and the related software to support such remote working conditions.

We may also take further actions as may be required by government authorities or as we determine are in the best interests of our employees, customers and business partners which could further adversely impact our business operations.

To the extent the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our ability to improve and enhance our solutions and services, our ability to expand our customer base, our ability to continue technology and product innovations, and our ability to conduct our sales and marketing activities cost-effectively.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change, even though conditions have been gradually improving in China where we conduct substantially all of our business. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. The extent to which the COVID-19 pandemic may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns across China where we and our customers operate. For example, the resurgence of the COVID-19 in China since the beginning of 2022 has resulted in city-wide lock-downs in a number of Chinese cities, and also heightened epidemic prevention measures in general across China to curb the momentum of the outbreak. In addition, China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were significant surges of COVID-19 cases in many cities in China during this time, which disrupted our and our customers’ operations due to an increased number of employees contracted with COVID-19. For more information on the impact of the COVID-19 outbreak on our business, see “Financial Information – The Impact of and Our Response to COVID-19.”

We use third-party cloud-based infrastructure to support our business operations. Any disruption in the operations of these third-party providers, limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.

Our cloud infrastructure hosting our HCM solutions is operated and maintained by our own servers operated in custody with a third-party data center, and we use various third-party cloud

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infrastructure, such as Ali Cloud and Tencent Cloud, to support certain aspects of our business operations, such as hosting our official website. We do not control, or in some cases have limited control over, the operation of the facilities or technologies we use from the third-party vendors. Customers expect to access our services at any time, without interruption or degradation of performance. Any limitation on the capacity of our cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our cloud infrastructure that may be caused by cyberattacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect our platform. A prolonged service disruption for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

In the event that our service agreements relating to our third party cloud infrastructure are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform, as well as significant delays and additional expenses in arranging or creating new facilities and services or re-architecting our platform for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

Our customers may fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.

If customers fail to pay us under the terms of our agreements, we may be adversely affected by both the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. Furthermore, some of our customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or delay such payments, either of which could adversely affect our business, financial condition and results of operations.

If we fail to manage our technology infrastructure effectively, our existing customers may experience service outages and our new customers may experience delays in the deployment of our solutions and services.

We have experienced growth in the number of customers and data that our technology infrastructure supports. We seek to maintain sufficient excess capacity in our technology infrastructure to meet our customers’ needs. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions and services. However, the provision of new hosting infrastructure requires significant lead time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, our existing customers

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may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and materially and adversely affect our business, financial condition and results of operations.

If we fail to adequately expand and retain our direct sales team with qualified and productive persons, or if our direct sales efforts are not successful, we may not be able to grow our business effectively.

We rely on our direct sales force to market and sell our solutions and services. We believe it is in the best interest of our Company at its current growth stage to let our in-house sales personnel, who have deep knowledge of our solutions and services and appreciation of our corporate values, to execute our sales and marketing strategies. Nevertheless, we cannot assure you that our direct sales efforts will always remain effective and competitive, if at all. If our direct sales team fail to market our solutions and services in a cost-effective manner, or provide satisfactory customer services during the sales process, sales of our solutions and services may decline, which may materially and adversely impact our business, prospects, results of operations and financial condition.

Additionally, we will need to continue to expand and optimize our direct sales force and efforts in order to grow our customer base and business. Identifying and recruiting qualified sales personnel and training them to be familiar with our solutions and services requires significant time, expense and attention. Our business may be adversely affected if our efforts to expand and train our sales personnel do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

If we fail to adapt our solutions and services to the changes in related laws and regulations, our business, financial condition and results of operations would be materially and adversely affected.

The nature of the HCM solutions and services we provide, especially those in relation to payroll, social security and tax, require constant updates to adapt our solutions and services to the evolving laws and regulations. As a result, we continue to invest significant time and resources to research the relevant laws and regulations to design, create and enhance our solutions and services to ensure the customers using our solutions and services are compliant in fulfilling their legal and regulatory obligations concerning their HCM activities. Our failure to innovate and adapt our solutions and services to the changes and developments in laws and regulations would render some of our solutions and services obsolete and thus have a material adverse effect on our business, financial condition and results of operations.

If we fail to obtain or maintain all required licenses, permits and approvals or if we are required to take actions that are time-consuming or costly, our business 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 solutions and services. See the section headed “Regulations” for details.

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The government authorities may continue to pass new rules regulating the HCM industry and telecommunication business and we have been continually expanding 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. 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.

Adverse economic conditions may negatively impact our business.

Our business depends on the overall demand for enterprise software and on the economic health of our current and prospective customers. Any financial recession could result in a significant weakening of the economy in China and across the world, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell our solutions and services. During periods of weak economic conditions, customers may delay or reduce their information technology spending, which could result in reductions in sales of our solutions and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position. In addition, there can be no assurance that cloud-based HCM solutions spending levels will increase following any recovery.

If we fail to strengthen our brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solutions and services and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our solutions and services.

Our use of open source software could subject us to possible litigation.

We use open source software in connection with our cloud-based HCM solutions. Companies that incorporate open source software into their products and services may, from time to time, face claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or non-compliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay

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damages for breach of contract could be harmful to our business, financial condition and results of operations.

We employ third-party licensed software for use in or with our HCM solutions, and the inability to maintain these licenses or any error in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.

Our HCM solutions incorporate certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the future. There may not always be commercially reasonable alternatives to the third-party software we currently license, or it may be difficult or costly to replace. In addition, integration of the software used in our solutions with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our solutions depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our solutions, delay new application introductions, result in a failure of our solutions and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties.

Our employees and business partners may engage in intentional or negligent misconduct or other improper activities, or violate laws, our internal policies or policies of our customers, which could impair the quality of our service, cause us to lose customers or subject us to liability.

We risk compromising the quality of our solutions and services if our employees and business partners do not perform in accordance with our standards. We have policies and guidelines to monitor and ensure the solutions and services delivered are of satisfactory standards. We have also adopted and implemented a series of onboarding procedures designed to verify the integrity and qualifications of our employees and business partners. However, we cannot guarantee that our employees and business partners will not commit any misconduct.

Furthermore, we may be exposed to the risks of fraud or other misconducts committed by our employees and business partners. Fraud or other misconducts by our employees and business partners may involve engaging in unauthorized misrepresentation to our potential customers, misappropriating third-party intellectual property and other proprietary rights, misusing sensitive personal information, and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our customers or candidates for fraud or misconduct committed by such third parties.

Any claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit, any of which could result in customers and candidates complaints, regulatory and legal liabilities, as well as serious harm to our reputation.

We may not have sufficient insurance coverage to cover our potential liability or losses.

We face various risks in connection with our business, and we may lack adequate insurance coverage to cover our potential liability or losses. Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in other more developed economies. We do not have any business liability or disruption insurance to cover our operations. We

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have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured occurrence may disrupt our business operations, expose us to liabilities, incur substantial costs and divert our resources, which could have an adverse effect on our results of operations, financial condition and cash flows.

Negative publicity and allegations involving us, our shareholders, directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation as a trustworthy HCM service provider. In addition, to the extent our employees and business partners were incompliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our [REDACTED] and customers.

We depend on our senior management team and the loss of one or more key employees could materially and adversely affect our business, financial condition and results of operations.

Our success and future growth depend largely upon the continued services of our executive officers and other key employees, including Mr. Wang, our Chairman of the Board and executive Director and Mr. Ji, our Chief Executive Officer and executive Director. We also rely on our leadership team in the areas of product development, marketing, sales, services, and general and administrative functions. 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. We do not have employment agreements or any other written agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period, and they could terminate their employment with us at any time. The loss of one or more of our executive officers or other key employees and any failure to develop an appropriate succession plan for these persons could have a serious adverse effect on our business and results of operations.

The failure to attract and retain highly skilled employees could adversely affect our business and our future growth prospects.

To execute our growth plan, we must attract and retain highly qualified personnel with diverse credentials and expertise, and our managers must be successful in hiring employees who share our values and have the competencies to succeed with us. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software and internet-related services, and for seasoned sales personnel. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and we may not be able to fill positions in desired geographic areas or at all.

Some of the companies with which we compete for experienced personnel may offer more lucrative compensation packages. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could have a material adverse impact on our hiring efforts and result in a diversion of our time and resources. Additionally, laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of

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visas, may limit our ability to recruit internationally. We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business and future growth prospects could be adversely affected.

Increased staff cost may negatively affect our financial performance and liquidity position.

We intend to recruit additional employees to support our business growth and to provide our employees with training and development opportunities. For details, please refer to “Future Plans and Used of [REDACTED]” in this Document. Such additional recruitments will increase our staff costs, and there is no assurance that our total bookings or revenue will increase in proportion to or at a faster pace than that in staff costs. As a result, the increases in staff costs may have a negative impact on our results of operations and financial condition. Our continued investments in recruiting, retaining and training our employees may also place constraints on our liquidity and working capital.

If we cannot maintain our corporate culture, we could lose the innovation, teamwork, and passion that we believe contribute to our success, and our business and reputation may be harmed.

We believe that a critical component of our success has been our corporate culture, which is focused on driving customer satisfaction and employee experience. We have invested substantial resources in building our team. As we continue to grow, both organically and through acquisitions of employee teams, we will need to maintain our corporate culture among a larger number of employees dispersed in various geographic regions. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

We may acquire, other companies or technologies, which could divert our management’s attention and otherwise disrupt our operations and adversely affect our operating results.

We may in the future seek to acquire or invest in businesses, services or technologies that we believe could complement or expand our solutions and services, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business.

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 adversely affect our results of operations. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

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

We have funded our operations since inception primarily through cash generated from our operating activities and equity financings. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, a decline in the level of customer prepayments or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons, and we may not be able to timely secure additional debt or equity financing on favorable terms, or at all. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable copyright registration and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In the future, they may claim that our applications and underlying technology infringe or violate their intellectual property rights, even if we are unaware of the intellectual property rights that others may claim cover some or all of our technology or solutions and services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions and services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

If we fail to adequately protect our proprietary rights, our business may be harmed.

Our success depends in part on intellectual property rights to the solutions and services that we develop. We rely on a combination of contractual rights, including non-disclosure agreements, trade secrets, copyrights and trademarks, to establish and protect our intellectual property rights in our names, solutions and services, methodologies and related technologies. Legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our applications and use information that we regard as proprietary to create solutions and services that compete with ours. If we lose intellectual property protection or the ability to secure intellectual property protection on any of our names, confidential information or technology, this could harm our business. The steps we take might be inadequate to deter infringement or misappropriation of our intellectual property by competitors, former employees or other third parties, any of which could harm our business.

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We typically enter into confidentiality and invention assignment agreements with our employees and consultants, and enter into confidentiality agreements with most of the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our applications and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our technologies.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions 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. Our failure to secure, protect, and enforce our intellectual property rights could seriously adversely affect our brand and our business.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.

We may be subject to litigation, disputes or claims of various types brought by our competitors, employees, customers, business partners or others against us in matters relating to contractual or labor disputes, intellectual property infringements, or claims and disputes involving misconducts of our employees. We cannot assure you that we will not be subject to similar disputes, complaints or legal proceedings in the future, which may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, subjects us to the risk of significant damages, requires significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base. We may also need to pay damages or settle lawsuits with a substantial amount of cash. While we do not believe that any currently pending proceedings are likely to have a material adverse effect on us, if there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our solutions and services, and could have a negative impact on our business.

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communication and business solutions. Government bodies or agencies in jurisdictions where we have operations have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could require us to modify our resolutions in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, result in reductions in the demand for internet-based services such as ours.

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In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool has been adversely affected by “viruses,” “worms” and similar malicious programs and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our solutions and services could suffer.

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

In accordance with the PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund and other relevant laws and regulations, China establishes a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing provident fund, and a handicapped employment security fund (collectively, the “**Employee Benefits**”). An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance, the housing provident fund and other Employee Benefits that should be assumed by the employees. According to the Social Insurance Law, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. Pursuant to the Regulations on the Administration of Housing Provident Fund, in the event that the payment and deposit of the housing provident fund is not made in full or at all in time by an employer, the housing provident fund management center may order it to make the payment and deposit within a prescribed period, and where the payment and deposit has not been made within the prescribed period, an application may be made to a people’s court for enforcement.

Under the Social Insurance Law and the Regulations on the Administration of Housing Provident Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing provident fund management centers and establish a special housing provident fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits. During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. As of the Latest Practicable Date, we had not received any notice from the relevant governmental authorities or any claim or request from the relevant employees in this regard. We have made provisions of nil, RMB0.4 million, RMB2.0 million, RMB5.6 million and RMB3.5 million for the shortfall in our social insurance and housing provident fund contributions for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

We cannot assure you that the relevant governmental authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor and social security laws and regulations and are imposed severe penalties or incur significant legal fees in connection with labor or social security law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

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We may be subject to fines for failing to register and file lease agreements with the relevant government authorities in China.

As of the Latest Practicable Date, 32 lease agreements of our leased properties had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor 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 non-compliance after we are required to do so by the relevant PRC governmental authorities.

We may not be able to fully control our leasehold interest in these premises, nor can we renew our current leases or locate desirable alternatives for our offices.

We lease properties for our offices. Certain lessors have not provided us with valid ownership certificates or authorization of sublease for our leased properties. As a result, there is a risk that such lessors may not have the right to lease such properties to us, in which case the relevant lease agreements may be deemed invalid and we may face challenges from the property owners or other third parties regarding our right to occupy and use the premises.

In addition, we may not be able to extend or renew such leases on commercially reasonable terms, if at all. For instance, we compete with other businesses for premises at certain locations of desirable sizes. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our offices. For the leased sites registered as the address of our PRC subsidiaries, we may face the risk of being included in the list of enterprises with abnormal business operations if we fail to extend such leases or relocate the registered address and file such leases with the local authorities. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations and prospects.

Any discontinuation, reduction or delay of any government grant, tax refund or preferential tax treatment could have a material and adverse impact on our business.

For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we received government grants of RMB1.0 million, RMB2.4 million, RMB3.3 million, RMB3.1 million and RMB2.3 million, respectively. During the Track Record Period, we also received certain VAT refunds from the PRC governments, which are non-recurring in nature. Such VAT refunds amounted to RMB22.7 million, RMB21.0 million, RMB22.3 million, RMB29.7 million and RMB14.1 million, respectively, for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022. In addition, we had enjoyed various types of preferential tax treatment during the Track Record Period. For example, the Onshore Holdco has since October 2014 qualified as a “high and new technology enterprise” under the relevant PRC laws and regulations, and therefore has been entitled to a favorable enterprise income tax rate of 15%. We cannot assure you that we will continue to receive such government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatment, in which case our business, financial condition and results of operation may be materially and adversely affected.

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We recorded net liabilities and net current liabilities during the Track Record Period.

We recorded total liabilities during the Track Record Period, which amounted to RMB2,264.4 million, RMB3,436.0 million, RMB4,136.1 million, RMB7,315.1 million and RMB8,065.3 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. In addition, we recorded net current liabilities of RMB53.2 million and RMB3,595.7 million as of March 31, 2020 and 2021, respectively. Our total liabilities and net current liabilities position as of each of these dates was primarily due to the warrants and/or redeemable convertible preferred shares in connection with our [REDACTED] Investments. The foregoing redeemable convertible preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. There is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due. Additionally, there can be no assurance that we will be able to successfully take any of these actions in a timely manner, including prudently managing our working capital, or raising additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary could materially adversely affect our liquidity, results of operations, financial condition and ability to operate.

Fair value changes in redeemable convertible preferred shares issued to [REDACTED] Investors and related valuation uncertainty may materially affect our financial condition and results of operations.

Our Company has historically issued several series of redeemable convertible preferred shares, consisting of Series A, B, B-1, C, D, E and F Preferred Shares, to investors. Upon the completion of this [REDACTED], all of such redeemable convertible preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing [REDACTED] Investors have the right to require us to redeem such redeemable convertible preferred shares if this [REDACTED] is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see the section headed “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information about Our Major [REDACTED] Investors”.

The redeemable convertible preferred shares were recorded on a fair value basis. The discount cash flow method was adopted to determine the fair value of the redeemable convertible preferred shares, and the key valuation assumptions used include discount rate, risk-free interest rate and volatility. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these redeemable convertible preferred shares. To the extent we need to revalue the redeemable convertible preferred shares prior to the closing of the [REDACTED], any change in fair value of redeemable convertible preferred shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic conversion of the redeemable convertible preferred shares into Shares upon the closing of the [REDACTED], we do not expect to recognize any further gains or losses on fair value changes from these redeemable convertible preferred shares in the future.

We recorded net operating cash outflows historically and there can be no assurance that we will not have net cash outflow in the future.

We recorded net cash outflow from operating activities of RMB83.4 million, RMB65.5 million, RMB156.0 million and RMB186.1 million for the fiscal years ended March 31, 2019, 2020 and 2022 and the six months ended September 30, 2022, which were attributable primarily to our operating loss for the same period. Throughout the Track Record Period, we had made substantial initial investment

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in customer acquisition and product development to drive market acceptance of our cloud-based HCM solutions, which resulted in significant operating expenses. Nevertheless, we believe such investment is indispensable in establishing compelling competitive advantages to achieve long-term profitability. See “Business—Business Sustainability.” For a detailed operating cash flow analysis, also see “Financial Information—Liquidity and Capital Resources—Cash Flow Analysis—Net Cash (Outflow) / Inflow from Operating Activities.” We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

Fluctuations in the changes in fair value of such financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs would affect our financial results.

For investments underlying our financial assets at fair value through profit or loss with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include net asset value of underlying investments and discounted cash flows. Valuation techniques are certified by independent and recognized business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the specific data. However, some inputs, such as the probability of redemption of preference shares, require management estimates and assumptions, which are adjusted if necessary. Should any of the estimates and assumptions be changed, it might lead to a change in the fair value of the financial assets.

The fair value of our financial assets at fair value through profit or loss are subject to other factors beyond our control. We are exposed to credit risk in relation to the investments underlying our financial assets at fair value through profit or loss, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our investments underlying financial assets at fair value through profit or loss in the future. If the fair value of our financial assets at fair value through profit or loss were to fluctuate due to these reasons, our business, financial condition and results of operations could be materially adversely affected.

In the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded net fair value gains on financial assets measured at fair value through profit or loss in the amount of RMB3.7 million, RMB4.0 million, RMB13.1 million, RMB17.5 million and RMB21.2 million, respectively.

For details, please see Note 3.3 to the Accountant’s Report in Appendix I to this Document.

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

While we typically request our customers to pay upfront before we deliver our cloud-based HCM solutions and professional services, we are exposed to credit risk from our customers to the

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extent we allow them a credit period on a case-by-case basis. Our trade receivables amounted to RMB11.2 million, RMB12.3 million, RMB13.4 million, RMB22.2 million and RMB26.6 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022. The increase in our trade receivables throughout the Track Record Period was attributable primarily to the growing customers’ demand for our solutions and services as we had continued to attract and engage a growing customer base who had increased their usage of our cloud-based HCM solutions. Our trade receivables turnover days were 12.4 days, 9.6 days, 8.7 days, 9.9 days and 13.8 days for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. In addition, we record contract assets, which represent our rights to receive consideration for obligations partially performed and not yet billed under our subscription agreements with customers as such rights are conditioned on our future performance of our remaining obligations under such agreements, such as provision of implementation services. Contract assets are transferred to trade receivables when the rights to receive consideration become unconditional. Our contract assets amounted to RMB1.3 million, RMB3.3 million, RMB1.3 million, RMB2.7 million and RMB2.7 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. For further details, see “Financial Information—Discussion of Certain Key Balance Sheet Items.”

A customer’s ability to make payments on timely basis depend various factors such as general economic and market conditions and the customer’s cash flow position, which are out of our control. Delays in receiving payments from our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. Defaults in making payments to use on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other purposes. There is no assurance that our customers will pay us on a timely basis or at all, which may adversely affect the recoverability of our contract assets and trade receivables, or that we will be able to efficiently manage the level of bad debt arising from staged payments. We recorded a net impairment loss reversal on financial assets and contract assets of RMB118,000 for the fiscal year of 2019. We recorded net impairment losses on financial assets and contract assets of RMB384 thousand, RMB1,026 thousand, RMB1,024 thousand and RMB2,601 thousand for the fiscal years ended March 31, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. However, such provision for impairment of trade receivables and contract assets may not reflect the real recoverability of our contract assets and trade receivables. For further details, see Note 3.1(b) to the Accountant’s Report included in Appendix I to this Document.

We may be subject to impairment losses on other receivables and prepayments.

As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we recorded other receivables and prepayments of RMB30.1 million, RMB21.5 million, RMB29.2 million, RMB40.5 million and RMB40.9 million, respectively. Our other receivables and prepayments consist primarily of rental and other deposits and prepaid services and goods. See “Financial Information—Discussion of Certain Key Balance Sheet Items—Other Receivables and Prepayments” for a detailed discussion of the composition of our other receivables and prepayments during the Track Record Period. We may be subject to impairment losses on other receivables and prepayments if their actual recoverability is lower than the expected level, which could adversely affect our cash flow and our ability to meet our working capital requirements, thereby adversely affecting our business, financial condition and results of operations.

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Our contract acquisition costs may be subject to impairment losses.

We recorded contract acquisition costs during the Track Record Period. Our contract acquisition costs relate to the sales commissions payable by us to our sales personnel for sales of our solutions and services to customers. Our contract acquisition costs are initially capitalized as assets upon customers’ payment of the subscription fees and are subsequently recognized as selling and marketing expenses over an estimated period of benefit. Although there was no impairment to our contract acquisition costs during the Track Record Period, there is no assurance that all the costs incurred in connection with sales of our solutions and services under a particular subscription agreement will not exceed the proceeds received from the relevant customer, which may subject our contract acquisition costs to impairment losses in the future.

Share-based payments may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.

We adopted [REDACTED] Share Option Plan for the benefit of our employees (including Directors) as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see “Appendix IV—Statutory and General Information—D. [REDACTED] Share Option Plan” and “Appendix IV—Statutory and General Information—E. RSU Plan.” For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we incurred share-based payments for ESOP purposes of nil, RMB75.4 million, RMB33.5 million, RMB53.6 million and RMB5.7 million, respectively, in relation to [REDACTED] Share Option respectively. To incentivize our employees, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payments may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

We may face risk regarding the recoverability of deferred income tax assets, net.

As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, our deferred income tax assets, net were RMB31.6 million, RMB17.1 million, RMB0.4 million, RMB13.2 million and RMB17.5 million, respectively. Deferred income tax assets relating to certain temporary differences and tax losses are recognized when we consider it is probable that the future taxable profit will be available against which the temporary differences or tax losses can be utilized. However, the outcome of their actual utilization may be different. While the deferred income tax assets may enable us to reduce future tax payments, our deferred income tax assets may also represent a risk to us as their recoverability depends on our ability to generate future taxable profit. We cannot assure you that our deferred income tax assets can be recovered in the future. In the case that the value of our deferred income tax assets is changed, we may have to write-down the deferred income tax assets, which may materially and adversely affect our financial condition and results of operations.

If we are unable to maintain a consistently high level of customer service, this may materially and adversely impact our brand, business and financial results.

We believe our focus on customer success and service is critical to onboarding new customers and retaining our existing customers and growing our business. As a result, we have invested heavily in the quality and training of our customer success and service teams to ensure that they could maintain a consistently high level of our services. If we are unable to maintain a consistently high level of

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services, we may lose existing customers or fail to increase revenues from existing customers. In addition, our ability to attract new customers is highly dependent on our reputation and on positive recommendations from our existing customers. Any failure to maintain a consistently high level of customer service, or a market perception that we do not maintain high-quality customer service, could adversely affect our reputation and the number of positive customer referrals that we receive.

Our business and results of operations may be subject to seasonal fluctuations.

Our quarterly operating results have fluctuated in the past and may continue to fluctuate depending on a number of factors, many of which are out of our control. We tend to generate higher revenues in the fourth calendar quarter as the demand for our solutions and services are typically higher with customers reviewing expenses against their annual budgets and accelerating spending before year ends. In addition, we also record higher revenues in the first calendar quarter as a result of our ongoing efforts to incentivize sales personnel and drive product sales at the end of our fiscal year. For these reasons, comparing our operating results for different periods may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues in a given period may be significantly different from our historical or projected rates and our operating results in future quarters may fall below expectations.

We face risks related to natural disasters, extreme weather conditions, health epidemics, such as the outbreak of COVID-19, and other catastrophic incidents, which could significantly disrupt our operations.

China has in the past experienced significant natural disasters, including earthquakes, extreme weather conditions, as well as health scares related to epidemic diseases, and any similar event could materially impact our business in the future. If a disaster or other disruption were to occur in the future that affects the regions where we operate our business, our operations could be materially and adversely affected due to loss of personnel and damages to property. Even if we are not directly affected, such a disaster or disruption could affect our operations or financial condition. In addition, our business could be affected by public health epidemics, such as the outbreak of avian influenza, severe acute respiratory syndrome, or, Zika virus, Ebola virus, coronavirus or other disease. If any of our employees is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or otherwise disrupt our business operations and adversely affect our results of operations. Also see “— Our business operations have been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.”

The estimates of market opportunity, forecasts of market growth included in this Document may prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts included in this Document are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable companies covered by our market opportunity estimates will purchase our solutions and services at all or generate any particular level of revenue for us. Even if the markets in which we compete meets the size estimates

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and growth forecasted in this Document, our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry.

We rely on certain key operating metrics to evaluate the performance of our business, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We continually review number of customers, total bookings, subscription revenue retention rate, ARR, ARR per customer and ARR for customers who subscribe for more than one cloud-based HCM solution as a percentage of total ARR to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal data. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring such key metrics, and the methodologies used to measure these metrics may be susceptible to technical errors. If [REDACTED] do not perceive our operating metrics to accurately represent our operating performance, or if we discover material inaccuracies in our operating metrics, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entity.

The current industry entry clearance requirements governing the foreign investment activities in the PRC are set out in two categories, namely the Encouraged Industry Catalog for Foreign Investment (2022 version), as promulgated by the National Development and Reform Commission, or the NDRC, and the MOFCOM on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures for Foreign Investment Access (Negative List 2021), or the 2021 Negative List. Industries not listed in these two catalogs are generally deemed “permitted” for foreign investments unless specifically restricted by other PRC laws. According to the 2021 Negative List and other applicable laws and regulations, the industry of internet and other related businesses /value-added telecommunications services (other than the e-commerce, domestic multi-party communications, storage-forwarding, and call center) generally falls into the restricted category.

We are a company incorporated under the laws of the Cayman Islands, and our PRC subsidiaries are considered a foreign-invested enterprises in the PRC, or FIEs. Therefore, neither we nor our FIEs are currently eligible to apply for the required licenses for providing restricted valued-added telecommunication services or conduct other business that foreign-owned companies are prohibited or restricted from doing in China. To comply with PRC laws and regulations, we conduct a portion of our business in China through our Consolidated Affiliated Entity based on the contractual arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of the Onshore Holdco, (ii) receive all of the economic benefits from Onshore Holdco in consideration for the services provided by Beijing WFOE; and (iii) have an exclusive option to purchase all or part of the shares in the Onshore Holdco when and to the extent permitted by PRC law, or request any Registered Shareholders to transfer any or part of the shares in the Onshore Holdco to another person or entity designated by us at any time at our discretion. Because

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of these contractual arrangements, we are the primary beneficiary of the Onshore Holdco and hence treat it as our Consolidated Affiliated Entity, and consolidate its results of operations into ours. Our Consolidated Affiliated Entity holds certain licenses, approvals and assets that are essential to our business operations.

We believe that our corporate structure and contractual arrangements in the PRC comply with the current applicable PRC laws and regulations. Our PRC Legal Advisor, based on its understanding of the relevant laws and regulations, is of the opinion that each of the agreements under the contractual arrangements through which we control the Consolidated Affiliated Entity is valid, binding and enforceable against each party thereto in accordance with its terms and applicable laws and regulations currently in effect. In particular, we are advised by our PRC Legal Advisor that the relevant agreements under the Contractual Arrangements do not contravene the Foreign Investment Law in any material aspect. However, we are further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations that are currently existing or may be promulgated in the future, including the Foreign Investment Law and its implementing rules, and the relevant regulatory measures concerning the internet industry and other industries we are or will be engaged in, and the relevant PRC governmental authorities have broad discretion in determining whether a particular contractual arrangement violates the applicable PRC laws and regulations. As a result, there can be no assurance that the PRC government authorities, including the MOFCOM, the MIIT or other competent authorities would not ultimately take a view contrary to the opinion of our PRC Legal Advisor.

If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign ownership of businesses, or if the PRC government otherwise finds that we or any of our subsidiaries are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM and MIIT, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking the agreement constituting the contractual arrangements;
- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and Consolidated Affiliated Entity may not be able to comply;
- requiring us or our PRC subsidiaries and Consolidated Affiliated Entity 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 our Consolidated Affiliated Entity; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of the assets under the name of the shareholders of the Onshore Holdco, including their shares in our Consolidated Affiliated Entity, may be put under court custody in connection with

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litigation, arbitration or other judicial or dispute resolution proceedings against such shareholder. We cannot ensure that such shares will be disposed of in accordance with the Contractual Arrangements. Furthermore, any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entity in our consolidated financial statements, if the PRC governmental authorities find our corporate structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entity that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entity, we may not be able to consolidate the Consolidated Affiliated Entity into our consolidated financial statements in accordance with IFRS.

Our contractual arrangements may not be as effective in providing operational control as direct ownership. Our Consolidated Affiliated Entity or their shareholders may fail to perform their obligations under our contractual arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of internet, value-added telecommunication businesses and other related businesses in China, we operate a portion of our business in China through our Consolidated Affiliated Entity, in which we have no ownership interest. We rely on a series of contractual arrangements with our Consolidated Affiliated Entity and their shareholders to control and operate their business. These contractual arrangements are intended to provide or extend us with effective control over our Onshore Holdco and allow us to obtain economic benefits from it. See the section headed “Contractual Arrangements” for more details about these contractual arrangements.

Although we have been advised by our PRC Legal Advisor, that our contractual arrangements with the Onshore Holdco constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms and applicable laws and regulations currently in effect, these contractual arrangements may not be as effective in providing control over the Consolidated Affiliated Entity as direct ownership. If the Onshore Holdco or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the Onshore Holdco or the Onshore Holdco were to refuse to transfer their shares in or assets of the Onshore Holdco 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 have to take legal actions to compel them to perform their contractual obligations. All of these contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration. These uncertainties could limit our ability to enforce these contractual arrangements. In addition, under PRC law, rulings by arbitrators are final, parties generally cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration

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awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entity and may lose control over the assets owned by our Consolidated Affiliated Entity. As a result, we may be unable to consolidate our Consolidated Affiliated Entity in our consolidated financial statements, our ability to conduct our business may be negatively affected.

The shareholders of our Onshore Holdco may have conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of the Onshore Holdco include PRC nationals, their controlled entities, and a company established in the PRC, who together hold the entire equity interests in it. These shareholders may have conflicts of interest with us. In particular, Our Onshore Holdco is 47.67% directly and indirectly owned by Mr. Wang, and 43.28% directly and indirectly owned by Mr. Ji. Conflicts of interest may arise between Mr. Wang and Mr. Ji as indirect shareholders and directors of our Company and as shareholders and directors of our the Onshore Holdco. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our Company as a whole and not to place themselves in a position in which there is a conflict between their duties to our Company and their personal interests. PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. Each such individual shareholders of our Onshore Holdco may potentially have a conflict of interest with us, and they may breach their contractual arrangements with us, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts arise, shareholders of our Onshore Holdco will act in the best interest of our Company or that conflicts will be resolved in our favor. These individuals may breach or cause the Onshore Holdco to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations, and adversely affect our ability to control our Onshore Holdco and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings, which may not necessarily be in our favor.

If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entity, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangements, Beijing WFOE or its designated person(s) has the exclusive right to purchase all or any part of the shares in the Onshore Holdco at a nominal price, unless relevant government authorities or PRC laws require that another amount should be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement, or, for Mr. Wang and Mr. Ji, the purchase price shall be certain amount equivalent to the aggregate amount of the loan provided to them by Beijing WFOE under certain loan agreements.

The share transfer may be subject to the approvals from and filings with the MIIT, the SAMR and/or their local competent branches. In addition, the share transfer price may be subject to review and tax adjustment by the relevant tax authority. The Registered Shareholders of our Onshore Holdco will return the share transfer price they receive to Beijing WFOE or its designated person(s) under the contractual arrangements. The amount to be received by Beijing WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial.

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We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entity that are material to our business operations if our Consolidated Affiliated Entity declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our PRC Consolidated Affiliated Entity holds certain assets that may be critical to the operation of part of our business. If the shareholders of our Onshore Holdco breach the contractual arrangements and voluntarily liquidate the Onshore Holdco or its subsidiaries, or if our Onshore Holdco or its subsidiaries declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some of our business activities, which could adversely affect our business, financial condition and results of operations. In addition, if our Onshore Holdco or its subsidiaries undergo involuntary liquidation proceedings, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate part of our business, which could adversely affect our business, financial condition and results of operations.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People’s Congress adopted the PRC Foreign Investment Law, which has taken effect on January 1, 2020. The Foreign Investment Law has replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Wholly Foreign-Owned Enterprises. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Law on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法實施條例), the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Ventures (中外合資經營企業合營期限暫行規定), the Detailed Rules for Implementing the Law on Sino-Foreign Cooperative Joint Ventures (中華人民共和國中外合作經營企業法實施細則) and the Detailed Rules for the Implementing the Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則).

The Foreign Investment Law, together with the Regulations on Implementing the Foreign Investment Law of the PRC stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods as provided by laws and administrative regulations or prescribed by the State Council.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the Onshore Holdco. The Stock Exchange may take enforcement actions against us in the event of the above-mentioned

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unwinding or disposal, which may have a material adverse effect on the trading of our Shares. For details of the Foreign Investment Law, see “Contractual Arrangements—Development in the PRC Legislation”.

Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated profit and the value of your investment.

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws and regulations may be interpreted in significantly different ways. Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entity do not represent an arms-length transaction and adjust our Consolidated Affiliated Entity’s income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Onshore Holdco, which could in turn increase their tax liabilities, without a corresponding reduction in the taxable income of our PRC subsidiaries. In addition, the Onshore Holdco had not actually paid any service fees to Beijing WFOE pursuant to the Contractual Arrangements throughout the Track Record Period and Beijing WFOE had not been subject to any tax in this regard. Had the Onshore Holdco been able to generate any net profit and pay the sums to the Beijing WFOE as service fees under the Exclusive Business Cooperation Agreement going forward, the Beijing WFOE would have been subject to additional tax in relation to the service fees. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our PRC variable interest entities for unpaid or under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

Our Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder

The insurance of our Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and our Company has no intention to purchase any insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the operation of the Onshore Holdco, the financial results and financial position of our Group may be adversely affected.

Beijing WFOE bears economic risks as the primary beneficiary of the Onshore Holdco.

As the primary beneficiary of the Onshore Holdco, Beijing WFOE will share both profit and loss of the Consolidated Affiliated Entity and bears economic risks which may arise from difficulties in the operation of our PaaS infrastructure. Beijing WFOE may have to provide financial support in the event of financial difficulty of the Consolidated Affiliated Entity. Under these circumstances, our Group’s financial results and financial position may be adversely affected by the worsening financial performance of the Consolidated Affiliated Entity and the need to provide financial support to it.

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We conduct a part of our business operations in the PRC through the Onshore Holdco and its subsidiaries by way of our contractual arrangements, but certain of the terms of our contractual arrangements may not be enforceable under PRC laws.

All the agreements that constitute our contractual arrangements with the Onshore Holdco, its subsidiaries and shareholders are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. If we are unable to enforce the contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Onshore Holdco and its subsidiaries, and our ability to conduct a part of our business and our financial condition and results of operations may be adversely affected.

The contractual arrangements contain provisions to the effect that the arbitral body specified in them may award remedies over the equity interest, assets or properties of the Onshore Holdco, its subsidiaries, and/or shareholders; provide compulsory relief (for example, for the conduct of business or to compel the transfer of assets); or order the winding-up of the Onshore Holdco. These agreements also contain provisions to the effect that courts of competent jurisdiction are empowered to grant interim relief to a party when requested, for the purpose of preserving the assets and properties, or grant enforcement measures, subject to the requirements under PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the Consolidated Affiliated Entity in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the United States and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws may allow the arbitral body to grant an award of transfer of assets of or equity interests in the Consolidated Affiliated Entity in favor of an aggrieved party.

Furthermore, the contractual arrangements provide that in the event of a mandatory liquidation required by PRC laws, the shareholders of the Onshore Holdco will gift to Beijing WFOE or the entity designated by it any payments they receive from such transaction, and any profits arising from such a transaction shall be paid to Beijing WFOE, or the entity designated by it. These provisions may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the contractual arrangements by the Onshore Holdco, its subsidiaries and/or shareholders, we may not be able to exert effective control over the Onshore Holdco due to the inability to enforce the contractual arrangements, which could adversely affect our ability to conduct a part of our business.

There may be a potential impact to our Company if our contractual arrangements with the Consolidated Affiliated Entity, its subsidiaries and shareholders are not treated as domestic investment.

If the operation of our businesses conducted through the Consolidated Affiliated Entity is subject to any restrictions pursuant to the Negative List 2021, or any successor regulations, and the contractual arrangements are not treated as domestic investment, the contractual arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant

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businesses through the contractual arrangements and would lose our rights to receive the economic benefits of the Onshore Holdco. As a result, we would no longer consolidate the financial results of the Consolidated Affiliated Entity into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such de-recognition.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

All of our revenue was derived from our businesses in the PRC during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, 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, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also 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 inherent uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to our business and our shareholders.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited 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 afforded to 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 court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than

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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 uncertainties, including uncertainty over the scope and effect of 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 investors, which may, in turn, adversely affect the value of your investment.

PRC laws and regulations concerning the software and value-added telecommunications service industry are developing and evolving. The PRC government authorities may promulgate new laws and regulations regulating the software and value-added telecommunications 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 software and value-added telecommunications service. Moreover, developments in the software and value-added telecommunications 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 value-added telecommunications service like our PaaS infrastructure, which could materially and adversely affect our business and operations.

The successful operations of our business and our growth depend upon the internet infrastructure and telecommunication network in the PRC.

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

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, our profit margins could be adversely affected. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

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 regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements

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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 promulgated by the Standing Committee of the National People’s Congress which became effective in 2008 and revised in 2022 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by relevant governmental authorities before they can be completed. In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors 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 MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In addition, some government policies and internal rules in China are not published on a timely basis or at all, and may change from time to time and have a retroactive effect for acquisitions. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. For example, although under the PRC Anti-Monopoly Law, companies conducting certain investments and acquisitions relating to businesses in China must file with the anti-monopoly enforcement agency, in advance of any transaction where the parties’ revenues exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party, there have been very few cases in the past where transactions involving companies with a contractual structure have fulfilled such prior filing requirements, namely filing of notification of concentration of undertaking. However, the enforcement of notification of concentration of undertaking filing requirement by companies with a contractual structure has been strengthening recently. Since 2020, the SAMR has fined companies that acquired or merged with or cooperated with onshore or offshore entities, including those operated through Consolidated Affiliated Entity for failure to file prior notification before conducting the mergers or cooperation transactions. Furthermore, in February 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Platform Economy Sector, which included references to companies with contractual structure within the ambit of SAMR’s merger control review. Any failure or perceived failure to comply with the anti-monopoly laws and regulations, as well as the related government policies and guidance relating to investments in or by us may result in governmental investigations or enforcement actions, litigations or claims against us and could have an adverse effect on our business, financial condition and results of operations

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. 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 or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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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 investment.

Under China’s Enterprise Income Tax Law, or the “EIT 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 management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as 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 that are not controlled by PRC enterprises or PRC enterprise groups like us, 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 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 of 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.

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 our Company, and/or our offshore subsidiary, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company and/or our offshore subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, 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 ordinary 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, if such gains or dividends are deemed to be from PRC sources. Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether non-PRC shareholders of our Company would in practice be able to obtain 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 investment in our Shares.

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

The value of the Renminbi 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

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impact the exchange rate between the Renminbi 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 Renminbi 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.

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 Renminbi. 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 Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in Renminbi. 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 Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows from China in 2016 due to the weakening of Renminbi, 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.

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.

Under PRC laws and regulations, 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

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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 registration with SAMR 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 a statutory limit. Any loan with a term of more than one year to be provided by us to our PRC subsidiaries must be recorded and registered by the National Development and Reform Committee 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 existing or future 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 the [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.

In August 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Exchange Capital Funds of Foreign Invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結算管理有關業務操作問題的通知), or SAFE Circular 142, providing that the Renminbi capital converted from foreign exchange capital funds of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investment within the PRC.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015, and replaced SAFE Circular 142. 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 (關於改革和規範資本項目結匯管理政策的通知), 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 developers. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net [REDACTED] from the [REDACTED], which may adversely affect our business, financial condition and results of operations.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business. On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (國家外匯管理局關

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於進一步促進跨境貿易投資便利化的通知), or SAFE Circular 28, according to which a non-investment foreign-invested enterprise is permitted to make domestic equity investments with its capital funds provided that such investments do not violate the Negative List and the target investments are genuine and in compliance with laws. On April 10, 2020, the SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (關於優化外匯管理支持涉外業務發展的通知), or SAFE Circular 8, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing, without providing the evidentiary materials concerning authenticity of each expenditure in advance, provided that their capital use shall be authentic, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how they will be implemented, and there can be high uncertainties with respect to its interpretation and implementation by government authorities and banks.

We face uncertainty relating to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On February 3, 2015, the SAT issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfer by Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知), or Circular 698, which was previously issued by the SAT in December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of PRC Taxable Assets that meet all the following conditions shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; and (iv) the income tax from the indirect transfer of PRC Taxable

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Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Circular 7 contains certain exemptions, including (i) the Public Market Safe Harbor described below; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. However, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the Public Market Safe Harbor or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares that do not qualify for the Public Market Safe Harbor by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market,” or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to the Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (關於非居民企業所得稅管理若干問題的公告). In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed “Information about this Document and the [REDACTED]”, potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

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. Circular on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents’ Offshore 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

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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 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, Mr. Wang and Mr. Ji, our indirect shareholders and ultimately beneficial owners, had completed their registration under the 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.

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The approval of or filing with the CSRC may be required in connection with the [REDACTED] and our future financing activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.

The M&A Rules require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and the [REDACTED] may ultimately require approval from the CSRC. If the CSRC approval is required, it is uncertain how long it will take us to obtain such approval and any failure to obtain or delay in obtaining the approval for the [REDACTED] would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the aforementioned approval under the M&A Rules of the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours under this Document are subject to the M&A Rules; (ii) our FIEs were incorporated as foreign-invested enterprises without involving acquisition of the equity or asset of a PRC “domestic company,” especially a PRC domestic company owned by beneficial owners who are PRC companies or individuals, as such term is defined under the M&A Rules; and (iii) no provision in the M&A Rules classifies the contractual arrangements under the contractual agreements as a type of acquisition transaction falling under the M&A Rules. However, our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we did, and hence we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for

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initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

At a press conference held for these new regulations, officials from the CSRC clarified that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved. Further, according to the officials from the CSRC, domestic companies that have obtained approval from overseas regulatory authorities or securities exchanges (for example, a contemplated offering and/or listing in Hong Kong has passed the hearing of the Stock Exchange) for their indirect overseas offering and listing prior to the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) but have not yet completed their indirect overseas issuance and listing, are granted a six-month transition period from March 31, 2023. Those who complete their overseas offering and listing within such six months are deemed as Existing Issuers. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as requiring a new hearing of the Stock Exchange), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC. Based on the foregoing, if we can not pass the hearing for the [REDACTED] on or before [REDACTED], or if we pass the hearing for the [REDACTED] on or before [REDACTED] but fail to complete this [REDACTED] and [REDACTED] on or before [REDACTED], our PRC Legal Advisor is of the view that we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED].

In addition, the Overseas Listing Trial Measures also provide that domestic companies must file with the CSRC within three business days for its follow-on offering of securities after it is listed in an overseas market. On February 17, 2023, the CSRC also issued the Notice on Administration of the Filing of Overseas Offering and Listing by Domestic Companies and held a press conference for the release of the Overseas Listing Trial Measures, which, among others, clarified that the Existing Issuers are not required to file with the CSRC immediately, but these companies should complete filing with the CSRC for their refinancing activities in accordance with the Overseas Listing Trial Measure. If we fail to complete such filing with the CSRC, in a timely manner or at all, for any future securities offering or any other financing activities which are subject to the filing requirements under the Overseas Listing Trial Measures, our ability to raise or utilize funds and our operations could be materially and adversely affected.

In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirement on us or otherwise tightening the regulations on companies with contractual arrangements. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for the [REDACTED], we cannot assure you that we could obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial conditions as well as our ability to complete the [REDACTED].

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

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

Also, pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. After our company becomes an overseas [REDACTED] company upon completion of the [REDACTED], we and our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 7 to register with SAFE or its local counterparts. We will make efforts to comply with these requirements upon completion of our [REDACTED]. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law.

Certain judgment obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. In addition, all of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, to bring an action in Hong Kong against us or against these individuals or their assets located in China in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise, or seek to enforce a foreign judgment in Hong Kong courts. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

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

Shareholder claims or regulatory investigations that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. There are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside of China, especially in the absence of a bilateral cross-border cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory. While detailed interpretation of or implementation rules under Article 177 are yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigation or collect evidence within China may further increase the difficulties you face in protecting your interests.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares and the liquidity and [REDACTED] 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 and the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our Shares will be traded following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. Moreover, [certain existing Shareholders] expected to enter into to a six-month lock-up agreement, which will restrict these Shareholders from selling their Shares and therefore, reduce the available public float for our Shares during the lock-up period, subject to customary exceptions. As a result, the absence of any sale of Shares by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our Shares. This could affect the prevailing [REDACTED] at which Shareholders are able to sell their Shares.

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

The [REDACTED] and volume 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, 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 China that have listed their securities in Hong Kong may affect the volatility of the [REDACTED] of, and [REDACTED] for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. 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 [REDACTED] and volatility of our Shares, regardless of our actual operating performance.

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You will experience immediate dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the [REDACTED] Share Option Plan.

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.

We have adopted the [REDACTED] Share Option Plan on December 31, 2021, for further information, see “Appendix IV—Statutory and General Information—D. [REDACTED] Share Option Plan”. Any newly granted options, or any other share-based compensations that we may grant from time to time may result in an increase in our issued share capital, which in turn may result in a dilution of our shareholders’ shareholding interest in our Company and a reduction in earnings per Share.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and [REDACTED] Investors, could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and [REDACTED] Investors, or the perception or anticipation of such sales, could negatively impact the [REDACTED] 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.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] 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.

We do not expect to pay dividends in the foreseeable future after the [REDACTED].

We do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

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We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, the [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 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.

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

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

You should rely solely upon the information contained in this Document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the [REDACTED].

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

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

[REDACTED] should not place undue reliance on facts, forecasts, estimates and other statistics in this Document relating to the economy and our industry obtained from official resources.

Facts, forecasts, estimates and other statistics in this Document relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisors, nor the [REDACTED], the [REDACTED], Joint Sponsors, [REDACTED], [REDACTED], any of the [REDACTED], or any of their respective directors, supervisors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED], have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this Document may not be consistent with other information available from other sources and therefore, [REDACTED] should not unduly rely on such information in this Document.