An investment in our Shares involves significant risks. You should carefully consider all 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 have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our [**REDACTED**] *could decline, 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

Due to our limited operating history in an emerging and rapidly evolving market, our historical results may not be indicative of our future performance.

Office IT integrated solution market is a new and rapidly evolving market in China. As the early mover and a major player in this market, we started our business operations in 2014. Our limited operating history may make it difficult to evaluate our future prospects and the risks and uncertainties associated with new offerings, and our historical performance may not be indicative of our future prospects and operating results. We have expanded rapidly since our inception. For the years ended December 31, 2020, 2021, and 2022, we recorded revenues of RMB813.1 million, RMB1,183.7 million and RMB1,371.9 million, respectively. However, there can be no assurance that we will be able to maintain our historical growth rates in the future. Our revenue growth may slow down and even decline for a number of possible reasons, some of which are beyond our control, including, among others, increasing competition, slower growth of China's enterprise office IT service industry, which is still at a transitional stage from the traditional direct buyout mode to usage-based mode, the emergence of alternative business models and adverse changes in the general economic conditions. If our growth rate declines, investors' perceptions of our business and prospects may be adversely affected. We aim to continue to expand our businesses and explore new market opportunities. We launched our pay-as-you-go office IT integrated solutions in 2015 and have a limited history in operating such offerings. You should consider our prospects and future profitability in light of the risks, uncertainties, and difficulties encountered by any new company. Such risks and uncertainties may affect our ability to develop and maintain our range of services for our customers and partners, as well as the potential to compete with our competitors.

Furthermore, as part of our business initiatives and growth strategies, we launched our first SaaS product in 2017, and we plan to develop more SaaS products and diversify our offerings in the future. However, the implementation of our business strategies and future plans is also expected to require significant management efforts, whilst incurring additional expenditures. Also, our business plans and strategies have been formulated based on a number of assumptions, many of which are beyond our control and cannot be ascertained. Given the fast development of the enterprise office IT service industry, there is no assurance that our business strategies and future plans will achieve wide market reception, generate revenues or profit, or increase our market shares. If our efforts fail to enhance our monetization capabilities and market positions, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be impacted, which may materially and adversely impact our business and results of operations.

The failure to attract new customers, the loss of existing customers, or a reduction in their demand for our pay-as-you-go office IT integrated solutions could have a material adverse impact on our business.

We derive our revenue primarily from our pay-as-you-go office IT integrated solutions. For the years ended December 31, 2020, 2021, and 2022, revenue from our pay-as-you-go office IT integrated solutions accounted for 79.1%, 84.3% and 84.9% of our total revenue, respectively. Our ability to generate and maintain our revenue from pay-as-you-go office IT integrated solutions depends on a number of factors, including, but not limited to, the scale, engagement and loyalty of our customers, effectiveness of our products and services, and market competition on prices. As the sophistication of our customers' internal operation develops, their needs as to office IT integrated solutions also evolve. Therefore, it is important for us to retain existing customers, as well as attracting future customers by providing appealing services that address their pain points through our services. As of December 31, 2022, we had approximately 42,000 subscribing enterprise customers. However, despite our continuous efforts, we cannot assure you that we will be able to retain existing customers or attract new ones. In addition, as our ability in addressing the pain points of customers is fundamentally driven by our innovations, as well as the optimization of our products and services, if we fail to continually innovate and diversify our product and service offerings to satisfy our customers' evolving needs, we may not be able to continue providing similarly attractive service offerings as our competitors. See "– Our failures to continue to innovate or effectively respond to the rapidly evolving needs of our customers, could have a material adverse impact on our business, financial condition, results of operations and prospects." If we fail to maintain and enhance our relationships with customers or expand the base of our customers, the growth of our pay-as-you-go office IT integrated solutions may be slowed down, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, our pay-as-you-go office IT integrated solutions revenue is affected by, among others, changes in the enterprise office IT service industry in China and in particular, the evolution of device remanufacturing technology, customers' perceived value of pay-as-you-go office IT integrated solutions, as well as customers' budget allocation to office IT service and device upgrade. If the size of the Chinese enterprise office IT service industry does not increase, or if we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our pay-as-you-go office IT integrated solutions and our profitability and prospects could be adversely affected.

Our customers are mainly SMEs whose business may be vulnerable to macroeconomic or industry-wide fluctuations and depressions.

Economic volatility in the industries in which our customers operate may lead to fluctuations in our SMEs customers' business development, financial performance and liquidity position. Our customers are from a variety of industries but are mainly SME customers. SMEs, customers may be sensitive and vulnerable to macroeconomic industry-wide fluctuations and depressions because they may lack the necessary risk management capability and resources to compete or even survive in the market. Although some market participants are more resilient than others, due to advantages in technological capabilities and industry positions, we cannot guarantee that all of our customers have those advantages. If a noticeable number of our customers experience severe difficulties within their operations, or if they are unfortunately forced to close as a result of economic depressions, our business operations, results of operations and financial condition could be materially and adversely affected.

We are exposed to credit risk of trade receivables, and our business, financial conditions and operating results may be materially and adversely affected by our customers' abilities to settle their payments in a timely manner.

Even if our customers outlive macroeconomic depressions, our results of operations and financial condition could still be materially and adversely affected. We usually require customers of our pay-as-you-go office IT integrated solutions to pay subscription fees on a monthly basis. Our customers may not be able to settle their payment with us in a timely manner, or at all. Accordingly, we are subject to credit risk in collecting trade receivables. As of December 31, 2020, 2021 and 2022, we recorded trade and other receivables and prepayments of RMB242.4 million, RMB396.9 million and RMB434.6 million respectively. We typically record impairment losses on our trade receivables and other receivables under expected credit loss model when we assess that there is a significant increase in the credit risk relating to the relevant counterparties. We may reverse the impairment loss when the customers eventually pay. For the years ended December 31, 2020, 2021 and 2022, our impairment losses under ECL, net of reversal amounted to RMB32.2 million, RMB30.5million and RMB51.1 million, respectively. See note 8 to the Accountants' Report in Appendix I to this Document. In the event that our customers experience financial distress or are unable to settle their payments due to us in a timely manner, or at all, our results of operations and financial condition may be materially and adversely affected. Our customers may also decide against further business expansion in order to avoid unnecessary risks during difficult times, which reduces their need for office IT integrated solutions, making it harder for us to renew contracts with our existing customers or initiate business relationships with new ones. Our customers' default risks may also increase during macroeconomic depressions, causing potential impairments to our trade receivables and potential liquidity issues. See "– Customers' ability to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our results of operations and financial condition."

Customers' abilities to pay could deteriorate due to reasons beyond our control, which could have a material adverse impact on our cash flow, liquidity position, results of operations and financial condition.

Our customers' abilities to make timely payments to us depend on various microeconomic and macroeconomic factors beyond our control. On a macroeconomic and policy level, unfavorable changes in laws, regulations and governmental economic policies could lead to operational hardship for our customers, negatively impacting their results of operations and liquidity positions. Our customers may experience operational difficulties due to their failure to execute appropriate strategies or to closely follow industry trends. The majority of our customers are SMEs, whose business operations and results of operations may be less predictable and dependent on many internal factors, like the viability of their business strategies. Consequently, the business operations of our customers may deteriorate, or even be suspended, which could cause them to default on their periodic payments to us, triggering impairments to our receivable assets. This could lead to decreased demands for our products and services, prolonged trade receivable turnover days, or a higher number of incidents in damage or loss of our devices. As of December 31, 2020, 2021 and 2022, we recorded total trade receivables before impairment losses under expected credit loss of RMB223.6 million, RMB290.0 million and RMB322.4 million, respectively, while our average trade receivables turnover days were 57 days, 49 days and 45 days for the year ended December 31, 2020, 2021 and 2022, respectively.

Increased customer default on payments also negatively impacts our cash flow and our liquidity positions. Any financial difficulties experienced by our customers may result in a reduction in their engagement of our services, exposing us to higher credit risks, as we might be unable to match our interest payments for our financial funding with cash inflow from our customers, causing shortfall in liquidity and impeding our ability to grow our business. Shortfall in liquidity could also impair our ability to make payments pursuant to our own payment obligations towards our business partners, which could deteriorate the relationships with our business partners and prompt them to decide to accelerate our debt or terminate the business relationships. This in turn could materially and adversely affect our results of operations and financial condition.

We have incurred, and in the future may continue to incur, net losses and negative cash outflow. We also recorded net current liabilities and negative equity, or net deficit, during the Track Record Period, which could expose us to liquidity risks.

We have incurred net losses during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022, we recorded net losses of RMB88.4 million, RMB348.2 million and RMB611.6 million, respectively, primarily due to the fair value changes of financial liabilities measured at fair value through profit or loss ("FVTPL"). We recorded losses on fair value changes of financial liabilities measured at FVTPL of RMB416.4 million and RMB702.2 million in 2021 and 2022, respectively, while in 2020, we recorded a slight gain on fair value changes of financial liabilities measured at FVTPL of RMB18.6 million. This, in turn, was mainly due to significant fair value changes of preferred shares and convertible bonds, driven by our strong business growth and improved business outlook. We cannot assure you that we will be able to generate net profits in the future. Our ability to achieve profitability depends largely on, among other factors, our ability to successfully enhance customer stickiness and grow our customer base, manage our device utilization, maintain industry-leading remanufacturing capability, manage asset security risk, manage costs and increase operational efficiencies. If we are unable to generate adequate revenues or effectively manage our costs and expenses, we may continue to incur losses in the future and may not be able to achieve or subsequently maintain profitability.

For the years ended December 31, 2020 and 2021, we recorded net operating cash outflows of RMB268.5 million, RMB207.1 million, respectively, while for 2022, we recorded net cash inflow of RMB595.5 million. We had operating cash outflow primarily because we proactively spent cash in procurement of devices based on previous results of operations and our development strategies. We cannot guarantee that prospective business activities of our Group will not lead to net operating cash outflows in the future. If we encounter any matter beyond our control (such as market competition and changes to the macroeconomic environment) that leads to 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.

Moreover, we recorded net current liabilities of RMB2,145.1 million, RMB814.7 million and RMB760.0 million as of December 31, 2020, 2021, and 2022, respectively, and negative equity, or net deficit, of RMB975.9 million, RMB1,315.3 million and RMB1,910.3 million, as of December 31, 2020, 2021 and 2022, respectively. We cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks, and our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. In such event, our business, financial condition and results of operations could be materially and adversely affected.

The fair value change of financial liabilities measured at FVTPL would affect our financial performance.

Our financial liabilities at FVTPL are our preferred shares, warrants and convertible bonds issued to investors. For the years ended December 31, 2020, 2021 and 2022, our financial liabilities measured at FVTPL amounted to RMB1,857.5 million, RMB2,282.2 million and RMB2,984.4 million, respectively. Fair values of preferred shares, warrants and convertible bonds are affected by changes in our equity value and various parameters and inputs. Change in fair value presented in RMB include effect of exchange on translation from US dollars balances. For the years ended December 31, 2021 and 2022, our loss on fair value change of financial liabilities at FVTPL amounted to RMB416.4 million and RMB702.2 million, respectively. For the year ended December 31, 2020, our gain on fair value change of financial liabilities at FVTPL amounted to RMB18.6 million. If the fair value of our financial liabilities at FVTPL were to fluctuate, our financial condition could be materially adversely affected.

Our business requires a large amount of capital to finance the expansion of our operations. We have also maintained a relatively high level of indebtedness. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future could have a material adverse impact on our business, results of operations and financial condition.

We are subject to and may continue to maintain a significant level of indebtedness. Our current and non-current borrowings amounted to RMB1.2 billion, RMB1.6 billion and RMB1.4 billion as of December 31, 2020, 2021, and 2022, respectively. We may not be able to satisfy our payment obligations due to several reasons, including: (1) our customers' failure to pay us timely; (2) ineffective cash management; and (3) a general decline in our business volume and operations. Our creditors also have the right to require further security or collateral if the value of the existing collateral declines. A high level of indebtedness could have significant consequences to our business, including, but not limited to: (a) requiring a substantial portion of our cash flow from operations to be used for financing our debt obligations, thereby reducing the availability of the cash flow to fund working capital, capital commitments or other general corporate purposes; (b) limiting our ability to obtain and increasing the cost of additional financing to fund future working capital, capital commitments; and (c) limiting our flexibility in planning for, or reacting to, changes in our business and within our industry. If any of the abovementioned events happens, we may not be able to fully perform our obligations under the agreements, and may incur penalty costs or damages to our liquidity position, which could materially and adversely affect our results of operations and financial condition. Furthermore, failure to repay debts may negatively affect our credit ratings, which will cause our financing costs to increase and weaken our fundraising capabilities, further affecting our liquidity position and financial condition.

We may incur additional indebtedness in the future. We pay a portion of interest and principal payments from our operating cash flow, which are therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. In 2020, 2021 and 2022, our interest on borrowings and bond payable were RMB87.0 million, RMB124.3 million and RMB132.4 million, respectively. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by obtaining additional financing facilities from banks or other financial institutions. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects.

We are subject to restrictive covenants under our bank borrowing agreements and finance leasing agreements, with banks and other financial institutions. Such restrictive covenants include, among others, providing notice or obtaining consent for certain significant corporate events and shareholder structure changes. These covenants limit the manner in which we conduct our business and we may be unable to engage in certain business activities or finance future operations or capital needs. Failure to meet these restrictive covenants in the future may entitle lenders to declare all borrowings outstanding and accrued and unpaid interest to be immediately due and payable, and we may be also required to pay accrued and unpaid interest at higher interest rates. Furthermore, any event of default or acceleration of payment in a bank borrowing agreement and finance leasing agreement may trigger cross-default or cross acceleration provisions in other bank borrowing agreements and finance leasing agreements. If lenders accelerate the repayment of our borrowings, we may not have sufficient cash to timely repay the borrowings and repayments may disrupt our cash flow and liquidity plans. Additionally, we have provided collateral under certain borrowings. If we cannot repay these borrowings, lenders may take ownership of collaterals granted to them. As a result, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we were in breach of certain restrictive covenants under some of our bank borrowing, pledge and guarantee agreements. We have adopted internal measures to ensure ongoing compliance with our borrowing agreements. See "Financial Information – Indebtedness – Borrowings." Having considered the above, we are of the view that such breach does not have a material impact on our business and financial performance. These borrowings, including those that will mature after December 31, 2023, are presented as current liabilities at amortized cost, using the effective interest method as of December 31, 2022.

During the Track Record Period, we primarily funded our operations through cash generated from customers' subscription fees and our borrowings from financial institutions. As our business scale continues to grow at a faster pace, we may require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the growth of our new business and the amount of cash flow from our operations. Also, the promptness and adequacy of the funding from banks and financial institutions are subject to many external factors beyond our control, including the financial institutions' prolonged internal procedures. If we cannot obtain sufficient and prompt bank and other borrowings to fund our business, we may be forced to delay or abandon our growth plans, and our liquidity would be negatively affected, adversely affecting our financial condition, results of operations and growth prospects.

We are subject to interest rate risk. Our Group's financial performance may be affected by the interest rates hike, which may increase our finance costs and operating costs as we have leased-in devices and borrow money from financial institutions.

We are subject to interest rate risk. A potential interest rate hike in the future will result in a higher cost of capital. Our finance costs during the Track Record Period mainly included interest on interest-bearing loans from banks and other borrowings, interest on convertible bonds and interest on lease liabilities for the leased-in computer devices, which are incurred for the procurement of devices and acquisition of leased-in devices to support our continuous investment in our business development.

We finance our device acquisition by loans and leases primarily at fixed rates for either subscription services under the pay-as-you-go model or sales of devices in installments, and our finance costs are impacted by interest rates. However, in the event of an increase in interest rates, we may not have sufficient bargaining power to fully shift our finance costs. During the Track Record Period, our interest on borrowings amounted to RMB87.0 million, RMB124.2 million and RMB131.3 million in 2020, 2021 and 2022, respectively. Our interest on lease liabilities amounted to RMB8.3 million, RMB21.9 million and RMB37.2 million for the same periods, respectively. See "Financial Information – Consolidated Statements of Profit or Loss – Finance costs." As of December 31, 2022, the carrying amounts of borrowings that are repayable (i) on demand or within one year, (ii) over one year but not exceeding two years, and (iii) over two years amounted to RMB1,072.7 million, RMB265.1 million and RMB55.5 million, respectively. As of the same date, the present value of our lease liabilities (i) within one year, (ii) over one year but not exceeding two years, and (iii) over two years amounted to RMB185.9 million, RMB71.4 million and RMB32.0 million, respectively. See note 16(b) and 25 to the Accountants' Report in Appendix I to this Document. Meanwhile, as of December 31, 2022, the majority of the remaining subscription terms for our pay-as-you-go office IT integrated solutions and SaaS products ranged over one year, representing RMB1,923.9 million, or 95.5%, and RMB5.7 million, or 85.1%, of the total remaining subscription value, respectively. See "Business – Our Business – Key Operating Data" for details. Further, we typically require monthly payment in fixed amount with payment terms of one to three years for our sales of devices in installments. As such, we have maturity mismatch between our finance lease and borrowing terms, and the pay-as-you-go subscription terms with our customers, and maturity mismatch between our borrowing terms and the payment terms for our sales of devices in installments. As we plan to increase the portion of leased-in devices to manage our cash flow, our finance costs may increase significantly, particularly in the event of interest rate hike. On the other hand, our bargaining power to price new subscription contracts is affected by a number of factors, such as the market selling price of the devices and our competitive position. If we fail to pass on increased finance costs to our customers in a high interest rate environment, we may be faced with increased operating cost in relation to increased interest on our borrowings and lease liabilities, which could pose additional challenges for our business development, and our financial condition, results of operation and growth prospects may be materially and adversely affected.

Our results of operations may be adversely affected given the non-recurring nature of additional VAT input deduction.

We had additional VAT input deduction that was recognized in profit or loss due to the VAT reform, which amounted to RMB34.9 million in the year ended December 31, 2022, representing 71.4% of the other income during the same period. In accordance with Taxation Announcement No. 39 of 2019, we are eligible for additional VAT input deduction by 10% of the current period VAT payable from April 1, 2019 to December 31, 2021 and the implementation period was further extended to December 31, 2022 in accordance with Taxation Announcement No. 11 of 2022. See note 7A to the Accountants' Report in Appendix I to this Document. Given the non-recurring nature of the additional VAT input deduction, we cannot assure you that we will enjoy similar preferential tax treatment in the future.

Our Single Largest Shareholders Group's failures to comply with the terms of guarantees for our borrowings could have a material adverse impact on our business and results of operations.

As of the Latest Practicable Date, we had outstanding borrowings under loans and finance leasing arrangements for which Dr. Ji and Mr. Zhang provided joint responsibility guarantee. The guarantees of such loans and finance leasing arrangements are expected to exist upon or after the [**REDACTED**], but in the event that there is any discharge or replacement of such guarantee, we would need to spend a considerable amount of time, effort and costs to renegotiate, while the terms of new agreements may not be more favorable compared to those of the existing loans and finance leasing arrangements. See "Relationship with our Single Largest Shareholders Group." As of Latest Practicable Date, we had obtained letters from independent third-party commercial banks who confirmed that they were willing to provide our Group with loans in the amount of RMB1.98 billion in aggregate, without any assistance, guarantee or security from our Single Largest Shareholders Group, subject to regulatory requirements, negotiation of the detailed terms and the customary credit policies of such banks. Having considered our financial condition and business development, we believe that we can obtain such loans on comparable terms as the existing loans obtained by us. However, these are still subject to final approval of the relevant banks. If we fail to obtain loans without guarantees from our Single Largest Shareholders Group, our liquidity and business may be materially adversely affected. Additionally, if our founders fail to comply with the terms of the guarantees, our lenders may accelerate the payment schedule of our bank borrowings, which could have a material adverse effect on our liquidity and business.

We may not be able to effectively control devices under service.

We offer subscription packs to our customers under our pay-as-you-go office IT integrated solutions. Under our pay-as-you-go office IT integrated solutions, device usage is a part of our customers' subscription pack and the majority of our devices under subscription are moveable properties. Our devices under service may be detained, damaged or lost by our customers, intentionally or unintentionally, that we may not be able to recover our devices from them at the end of service terms. Also, third parties, such as creditors of our customers, may also detain such devices when they have disputes with our customers. Historically, we were also unable to recover certain devices from customers due to instances of frauds committed by such customers. As of December 31, 2022, we owned devices with a total carrying amount of RMB1.5 billion, and we also obtained the right of use of some devices from third parties, with a carrying amount of RMB0.5 billion. Most of these devices were being used by our customers under their subscription packs. If we are unable to reclaim actual control or possession of the devices under service, we may be forced to write off such assets on our balance sheet and recognize losses. For the years ended December 31, 2020, 2021 and 2022, we recorded loss on written-off of rental computer devices of RMB12.6 million, RMB6.8 million and RMB22.8 million, respectively. We recorded an increased loss on written-off of rental computer devices in 2022 primarily because certain of our customers had operational difficulties with an increased amount of incidents such as lay-offs and closure, leading to an increase in the number of incidents of damage or loss of our devices during the same time. Even if we are able to recover the devices eventually, we might have to undergo extensive and time-consuming negotiations with our customers or such third parties, or even complex litigation processes, to recover our assets, the results of which may be unpredictable and subject to external factors beyond our control.

We have implemented various risk control measures to ensure our asset security. See "Business – Risk Management and Internal Control – Risk Management – Asset Security Risk Management". However, we cannot assure you that these measures will remain effective all the time. If we fail to manage the asset security risk linked to our devices under service by our customers, our business operations, results of operations and financial condition could be materially and adversely affected.

Our customers may terminate the subscription early.

We are subject to the risk of early termination of service packages under the pay-as-you-go subscription method. According to the terms and conditions of service contracts, our customers might terminate the contracts at will, and we generally do not require a notice period. See "Business – Our Business – Pay-as-you-go Subscription" for details. We cannot assure that our customers will not terminate the subscription prior to the end of the subscription term during the course of the service period. A significant number of early termination could harm our business operations, financial results and profitability.

If we fail to compete effectively or adapt to changes swiftly in the industry, we may lose our customers and partners, which could have a material adverse impact on our business, financial condition and results of operations.

The enterprise office IT service industry in the PRC is still at an early stage. New market players may enter into this industry, making the industry increasingly competitive, and there is no guarantee that we will be able to sustain our competitive advantage or to effectively implement our business strategies. Further, the usage-based office IT market in which we operate is also at an early stage of development. According to Frost & Sullivan, in 2021, the market size of the usage-based segment accounted for only 4.5% of China's enterprise office IT service market in terms of revenue. In aggregate, the top five market players accounted for a market share of 25.4% in the usage-based office IT industry in China in 2021 in terms of revenue. See "Industry Overview – Competitive Landscape." We face potential competition primarily from enterprise office IT service providers. Our competitors, upstream suppliers such as PC brands and distributors, or finance leasing companies, who can already provide IT hardware to customers might start to offer similar services. If the competition becomes intensifying, it may result in certain developments in our industry, such as downward competitive pressure on the service fees we charge, expansion by existing competitors, adoption by our competitors of innovative technology solutions or comparatively effective branding efforts, any of which may have a material adverse impact on our financial condition, results of operations and growth prospects. Increased investments made and lower prices or innovative services offered by our competitors may require us to divert significant managerial, financial and human resources in order to remain competitive, and ultimately may place a greater pressure on us to maintain our market share and negatively impact the revenues growth and profitability of our business.

Furthermore, since the enterprise office IT service industry is still developing, our business may be subject to rapid changes in the industry, such as the introduction of new business models, and the entry of new and well-funded competitors or industry disruptors. Change in customer preferences or new IT service format could render our business model, products or services that we are developing, or expect to develop in the future, less attractive, thereby limiting our ability to compete effectively with other market players, to recover related product development costs, outsourcing costs and licensing costs, which could further result in a decline in our revenue and market share. We may face more intensified competition as a result of certain alliances, acquisitions or consolidations within the industries where we operate that result in the emergence of stronger competitors. Existing and new competitors may leverage their established platforms or market positions, or introduce innovative business models, to launch products or services that may attract a large customer base and achieve rapid growth, which may materially and adversely affect our business and results of operations. If we are not able to compete effectively, the number of our customers and partners may decrease and our market share and profitability may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brand.

Our failures to continue to innovate or effectively respond to the rapidly evolving needs of our customers, could have a material adverse impact on our business, financial condition, results of operations and prospects.

Innovation for customer experience is part of our long-term growth strategy and is key to our ability to improve and diversify our solution offerings to meet evolving customer needs. As the advancement of sophistications of our customers in their internal operations, their needs in regard to office IT integrated solutions may evolve and they may require more comprehensive subscription services or different asset portfolio. If we fail to innovate and adapt to the evolving demands and preferences of our customers, our market position could be damaged, which in turn would materially and adversely affect our business, financial condition, results of operations and prospects.

Sustained innovation requires us to invest significant resources in identifying unmet or underserved customer needs, in researching and developing new formats of pay-as-you-go office IT integrated solutions, and in attracting a sufficient number of talented employees, among other things, in order to keep pace with industry advances and in order to make our platform and services competitive. However, prospects of research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. The efforts that we continue to devote to research and development may not generate corresponding benefits as anticipated in the near term, or at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected. For the years ended December 31, 2020, 2021 and 2022, we incurred research and development expenses of RMB57.9 million, RMB62.1 million and RMB84.0 million, respectively.

We rely on a number of key suppliers to supply our devices. Deterioration or termination of one or more of our relationships with any of our major device suppliers, unstable supply or defected device provided by our major device suppliers could have a material adverse impact on our operations, business and results of operations.

We purchase our devices from a few suppliers available in the market, which primarily include electronic devices and components manufacturers and distributors. For the years ended December 31, 2020, 2021 and 2022, our purchases from our five largest suppliers in terms of transaction amounts represented 58.6%, 78.5% and 72.9%, respectively, of our total purchases, and purchases from our largest supplier accounted for 32.4%, 32.9% and 28.2% of our total purchases in the respective periods. We are dependent on the continued supply of devices and parts from these suppliers to maintain and expand our business.

There is no assurance that we can continue and maintain our relationship with our major suppliers. Deterioration or termination of any such relationships could have a significant adverse effect on our business, financial condition and results of operations if we were unable to obtain adequate devices from other sources in a timely manner, on favorable terms, or at all.

In the event that our relationship with major device suppliers deteriorates, or the supply agreement is terminated, we may face the following risks that may have a significant adverse effect on our operations, business and results of operations:

- There may be material interruptions to our operations and business before we can secure device supplies from other suppliers for the large quantity of devices that we may need. It may also take time for us to negotiate for the required purchases with the other suppliers.

- There may also be material interruptions to our operations and business if our suppliers announce major product recalls.

- Even if we are able to purchase devices from other suppliers, they may not supply devices to us on the similar or favorable commercial terms that our major suppliers currently offer, or at all.

- Further, we may not be able to procure devices from other suppliers on an as-needed basis as efficiently as we currently do from our major suppliers. For the years ended December 31, 2020, 2021 and 2022, the gross profit margin of our income from pay-as-you-go office IT integrated solutions was 48.5%, 54.1% and 55.0%, respectively. We believe the gross profit margin was relatively high, partly because we only purchased devices from suppliers on an as-needed basis and did not carry many idle devices. If we are unable to purchase devices from other suppliers as efficiently on an as-needed basis, as we currently do from our major suppliers, we may end up over purchasing, which will mean carrying more idle devices that we will not be able to then pass on to our customers, which will have a material adverse effect on our gross profit margin and our results of operations in general.

- Other suppliers may not commit to ensure that there will be sufficient supply of devices to us. This may affect the number and type of devices available to our customers, which may adversely impact on our strength of having a wide range of devices which can be timely provided to our customers to fulfill their varying needs for devices.

Any delivery delay, improper handling of devices or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations.

We engage logistics service providers to deliver devices to our customers. Interruptions or failures in these third parties' delivery services could jeopardize the timely or successful delivery of our devices, which could in turn result in the loss of customers. Our devices may be lost or damaged during transportation. The logistics services provided by third parties may be suspended or cancelled due to unforeseen events, which could cause interruption to the sales or delivery of our devices. In addition, delivery delays may occur for various reasons beyond our control, including inclement weather, natural disasters, virus outbreaks (such as

COVID-19), transportation disruptions or labor disputes. If our appointed third parties are unable to perform the logistics services as expected and we are unable to find alternative logistics providers in a timely manner, customers may have unsatisfied experience and our business and reputation can be materially and adversely affected. The storage and transportation costs of our logistics service providers are subject to factors beyond our control, such as the fluctuation in gasoline prices, increase in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

Our IT systems play a critical role in our business operations. Failures to maintain the proper functioning of our IT systems could have a material adverse impact on our business operations.

Our business operation is dependent on the ability of our self-developed IT systems, especially our office IT service system and financial reporting system, to process and store large numbers of transactions and information in an accurate, stable and efficient manner. Such IT systems cover all aspects of our business operation, including asset management, management of our remanufacturing process, financial control, risk management, accounting and customer services. The proper functioning of such IT systems is critical to maintaining our business operation and enhance our competitiveness. See "Business – Our Technology and Infrastructure." However, our business operation may be disrupted if any respect of our IT systems partially or completely fail due to, among other things, fire, natural disasters, power loss, software faults, conversion errors due to system upgrades, or security breaches. We may not be able to develop and update our IT systems to timely respond to changes and development in the market and for the needs of our customers, which might adversely affect our results of operations and reputation.

Since we incur significant upfront expenses for device procurement, our financial condition and results of operations may be materially and adversely affected if we are unable to generate sufficient cash flows from our operations or obtain additional financing to fund these procurements.

Maintaining our competitiveness and implementing our growth strategies both require us to procure and replenish our devices in advance. To fulfill the anticipated demand for our services, we must make significant investments in device procurement. The build-up of our devices storage in advance of actual subscriptions exposes us to significant up-front expenses. During the Track Record Period, all of our top five suppliers are computer device suppliers. For the years ended December 31, 2020, 2021 and 2022, our total purchases amounted to RMB1,131.5 million, RMB1,441.8 million and RMB618.6 million, respectively.

If market demand for our services does not increase as quickly as we anticipate, or at all, we may not be able to pay our up-front costs, and our operating results may be adversely affected as a result of underutilization of capacity, which will adversely affect our revenue and results of operations. Furthermore, we may be required to raise additional funds to finance the procurement, which may not be available on commercially reasonable terms or at all, especially if there is a recession or other events causing volatility in the capital markets worldwide. If additional financing is not available on acceptable terms or at all, our device procurement plan might be restricted and adversely impact our results of operations and business prospects.

We do not have title to a percentage of devices covered by the finance leasing agreements during the terms of these agreements, and a failure to service these agreements could adversely impact our ability to operate the devices.

As of December 31, 2020, 2021 and 2022, the carrying amounts of leased-in rental computer devices amounted to RMB96.8 million, RMB379.5 million and RMB459.3 million, respectively representing 7.3%, 19.0% and 24.0% of the total carrying amount of our leased in rental computer devices and self-owned rental computer devices as of the same dates, respectively. During the terms of the finance leasing agreements, we do not have title to the leased-in devices. Under these agreements, we may lose access to the devices if we fail to make timely payments or breach other covenants under the agreements, which would make it difficult to maintain normal operations of our services and achieve optimal device utilization, which in turn may adversely affect our results of operations.

We face risks related to the residual value of our devices and may not be able to sell our used devices at desirable prices.

We bear all of the risks related to the residual value of our devices. When we acquire devices, we estimate the period that we will hold these devices and their residual value at the expected time of disposition. We record our depreciation expenses based on such estimates. We adjust depreciation rates of devices annually in response to the latest market conditions and their effect on residual values as well as the estimated time of disposition. Any changes in the market conditions that require us to increase the depreciation rates could have a material adverse effect on our results of operation.

There are also significant uncertainties in whether we will be able to sell our used devices at desirable prices. We sell our used devices primarily through our self-developed online business-to-business bidding platforms, Epaiji (易拍機). A variety of reasons could cause the used device market to experience considerable downward pricing pressure, which could further affect our ability to realize the residual value of our used devices. For example, a decline in new device sales prices may drive down used device sales prices or discourage potential purchasers from buying used devices, and a continued decline in the reputation of a manufacturer of devices included in our device list could reduce the residual values of such devices. Similarly, a large amount of used devices for sale from our competitors may also impose additional pricing pressure on us.

As devices constitute a significant portion of our assets, risks related to the residual value of our devices and failure to sell our used devices at desirable prices may materially and adversely affect our financial condition and business prospects.

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

Since the outbreak of the COVID-19 pandemic in December 2019, it has resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and other countries around the world. The COVID-19 pandemic, as well as the restrictions imposed and actions taken by the governments, and society as a whole, in response to the COVID-19 pandemic, could present significant challenges and uncertainties. To varying degrees, our business operations have been affected by the COVID-19 outbreak. To the extent that the demand for office IT integrated solutions such as distributed workforce has increased due to on-site work restrictions, such increase may be a one-off impact which may not be sustainable. On the other hand, in the long run, the potential change in corporate behavior requiring less physical attendance in office may otherwise reduce the demand for office IT devices and services. With respect to our pay-as-you-go office IT integrated solutions, due to the nationwide lockdowns across China, the businesses of many of our existing customers have been severely interrupted, which has, in turn, impacted the subscription and payment cycles and our turnover rate, causing us to suffer from delays whilst also incurring additional expenses in our sales, marketing and customer service efforts.

The PRC government gradually eased restrictive measures on business and social activities in December 2022, and re-opened the borders in January, 2023. There had been a temporary rapid progression of COVID-19 during this time. We expect that we will experience recovery of economic environment and rebound of market demands considering the increase of offline activities. However, our business operations could be disrupted if any of our employees is suspected of having these or any other epidemic disease, since it may lead to increased sick leave or temporary voluntary office closure for disinfection in consideration of workplace safety and wellbeing.

Our patents may expire and may not be extended, our patent applications may not be granted, and our patent rights may be contested, circumvented, invalidated or limited in scope. As a result, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing and deploying competing technologies, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

In China, invention patent rights are valid for 20 years, design patent rights are valid for 15 years and utility model patent rights are valid for ten years, all of which cannot be extended.

As of the Latest Practicable Date, we had registered 14 patents and 17 pending patent applications in China. We cannot assure you that pending applications will be granted patents. Even if our patent applications succeed, it remains uncertain whether such patents will be contested, circumvented or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with sufficient protection or competitive advantages. The claims under any patents that are issued may not be broad enough to prevent others from developing technologies that are similar to, or achieve results similar to, ours. It is also possible that the intellectual property rights of others will bar us from licensing and exploiting any patents that would have been issued from our pending applications. Numerous foreign-issued patents and pending patent applications owned by others currently exist in the fields in which we have developed, and are continuing to develop, within our technology infrastructure. These patents and patent applications may have priority over our patent applications and could subject our patent applications to be invalidated. We may not be able to prevent others from developing and deploying competing technologies, which could have a material and adverse effect on our business, financial condition, results of operations and prospects. Finally, third parties may challenge the validity or enforceability of our existing or pending patents.

Our brand image is integral to our success. Failure to maintain our reputation and brand image could have a material adverse impact on our business, financial condition, results of operations and prospects.

We believe that maintaining, promoting and enhancing our reputation and brand image is critical to maintaining and expanding our business. The reputation and brand image that we have built up over the years have played a significant role in enabling us to obtain business from referrals and to attract new customers. Maintaining and enhancing our brand depends largely on our ability to continue to provide high-quality, well-designed, convenient, stable, and innovative office IT integrated solutions, which we cannot assure that we will do successfully. If we fail to maintain our reputation, or our customers no longer perceive our services to be of high quality, or if they no longer perceive us as a business partner with high credibility for any reason, our reputation and brand image could be adversely affected, which, in turn, could affect our ability to maintain existing business relationships or to capture future business opportunities. There is also no assurance that our business partners will continue to work with us or will refer new or potential customers to us. In the event that our business partners cease to work with us, stop referring new customers to us or substantially reduce their referrals to us, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Also, we believe the importance of brand recognition will increase as competition in our market grows. In addition to our ability to provide stable and useful pay-as-you-go office IT integrated solutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We market our pay-as-you-go office IT integrated solutions through both online and offline approaches, including media releases, influencer endorsement, short video posts on prominent platforms, and offline promotional activities. We cannot assure you, however, that our sales and marketing expenses will lead to revenue increase, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred, in which case our results of operations and prospects may be materially and adversely affected.

Our success depends on the continuing service of our key employees, including our senior management members, customer managers and other key personnel, who are highly sought after in the market. Our failures to hire, retain and motivate our key personnel, could have a material adverse impact on our business.

Our key executives have substantial experience and have made significant contributions to our business. They are critical to the success and smooth operation of our business, as their business relationships with our customers and other parties, such as device manufacturers and financial institutions, are important to us. The continuance of our success in offering convenient, flexible, high-quality, integrated pay-as-you-go office IT solutions, the capability of us to continuously pinpoint pain points that plague our customers and address customers' poignant needs are all reliant on the retention of our key personnel. For instance, our founder and chairman of the Board of Directors, Dr. Ji, and our chief operating officer Mr. Zhang, are two of our key management executives who have been responsible for our fundamental business matters, such as overall strategy planning, research and development, the advancement of our remanufacturing technology, the establishment, operation and development of the pricing and risk control systems, all of which help shape our unique business model. However, we cannot assure you that we will not lose their services due to reasons within or beyond our control. In addition, our pay-as-you-go office IT integrated solutions include ongoing office IT operations and maintenance services where we value our IT engineers' talents and efforts to provide high-quality services. We also connect and build close relationship with our customers through the talented members within both our sales team and customer success team. The loss of their services could impair our ability to operate and make it difficult to implement our business and growth strategies. Moreover, we may fail to attract suitable candidates within reasonable time to replace the senior management members who left their positions.

If we lose the services of one or more of such key personnel or other employees and do not find suitable or qualified replacements in a timely manner, we may not be able to continue provide high-quality services. Our reputation may in turn be harmed and our customers may lose confidence in us. We may not be able to find suitable or qualified replacements easily, or at all, and may incur additional expenses in the process of recruiting and training new personnel. If any such key personnel joins a competitor or forms a competing business, we may lose crucial know-how, business secrets, customers and other valuable resources. The loss of such key personnel could have a material adverse effect on our business. Growth in our business is dependent, to a large degree, on our ability to retain and attract such employees.

Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. Competition for well-qualified employees in all aspects of our business can be intense in the industry. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. We may not be able to successfully attract or retain all the personnel we need with the required industry expertise. We may also need to offer higher compensation and other benefits to attract and retain key personnel and therefore cannot assure you that our compensation and benefits payments will not increase unpredictably or at a greater rate than our revenue. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business, and may also have a material adverse effect on our financial condition, results of operations and growth prospects.

Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. We have historically generated lower revenue around January and February mainly due to slower and postponed spending or subscriptions by our customers as a result of holidays such as Chinese New Year. In contrast, we have historically experienced accelerated business expansion around March and July, mainly due to increasing spending or purchases by our customers for our office IT integrated solutions as a result of active employee recruitment which generates higher office IT service demands.

As a result, our revenues may vary from quarter to quarter, while our revenues and cash flows may vary within a fiscal year. While we believe that this seasonality will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date on an annualized basis. As such, historical patterns in our business may not be a reliable indicator of our future performance, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations.

Undetected programming errors or flaws or failure to maintain effective operations could harm our reputation or decrease market acceptance of our products and services, which could have a material adverse impact on our results of operations.

Our operating systems may contain programming errors that only become apparent after their release. Generally, we have been able to resolve any such flaws and errors. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any programming error which had a material impact on our operations. However, we cannot assure you that we can always detect and resolve all such programming errors effectively and timely. Undetected programming errors could adversely affect our operations, user experience and market acceptance. Any errors, bugs or vulnerabilities discovered in our code after release, or furthermore any willful misconduct of employees sabotaging our operating systems or data, could result in interruption of our operations, and damage to our reputation, loss of users, loss of revenues or liability for damages, any of which could adversely affect our business and operating results.

Some of our products and services contain open-source software/code, which may pose a particular risk to our proprietary software products and services and could have a material adverse impact on our business.

We use open-source software/codes in some of our products and services and will continue to use open-source software/codes in the future. There is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open-source software or derivative works that we have developed using such software. These claims could result in litigation and could require us to make our software source codes freely available, purchase a costly license, or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incident regarding open-source software/code. However, we cannot assure you that we will not be subject to risks regarding open-source software/code in the future.

We may not be able to adequately protect our intellectual property or proprietary know-how, including our remanufacturing technology, which, in turn, could harm the value of our brand and could have a material adverse impact on our business.

We cannot assure you that we can prevent third parties from infringing upon our intellectual property rights. Unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights by our users, employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome, materially and adversely affecting our business, financial conditions and results of operations.

It is often difficult to register, maintain and enforce intellectual property rights in the PRC. Laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to lack of clear guidance on statutory interpretation. Preventing any unauthorized use of our intellectual properties is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual properties. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We have been and may be in the future subject to intellectual property infringement claims or other allegations by third parties, which could have a material adverse impact on our business, financial condition and prospects.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-hows or other intellectual property rights held by third parties. Historically, we have been involved in intellectual property litigations with third parties. We may also, from time to time in the future, be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed upon by our solutions, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in the PRC or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert our management's time and other resources from our business and operations to defend these claims, regardless of their merits. During the Track Record Period and up to the Latest Practicable Date, we had not experienced material incidents of infringement on our intellectual property rights or been subject to third-party claims of intellectual property rights infringement.

Additionally, the application and interpretation of the PRC laws relating to intellectual property, the procedures and the standards for granting trademarks, patents, copyrights, know-hows or other intellectual property rights in the PRC are still evolving and are uncertain, and we cannot assure you that the PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual properties, and we may incur licensing fees or be forced to develop alternatives on our own. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have been and may be in the future involved in disputes arising from our operations, and the resulting customer and employee complaints, regulatory actions and legal proceedings against us or our management and Directors may harm our reputation and have a material adverse impact on our business, financial condition, results of operations and prospects.

We have been involved in disputes with our employees, outsourced workers and customers, and, from time to time, we may be involved in legal and other disputes in our ordinary course of business with our customers, outsourced workers, suppliers, employees and other parties. These may concern issues relating to, among others, breach of contract, employment or labor disputes and infringement of intellectual property rights. These disputes may lead to complaints from our customers or suppliers, regulatory actions and legal proceedings. Such litigations and disputes may result in claims for economic compensation, actual damages, freezing of our assets and diversion of our management's attention, as well as legal proceedings against our Directors, officers or employees.

Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. As a result, any unfavorable final resolution of disputes, including substantial liabilities arising from lawsuit judgments, may cause us to incur additional costs and interrupt our operations; and they may also adversely affect our reputation and brand name, which, in turn, could harm our existing relationship with the stakeholders of our pay-as-you-go office IT integrated solution ecosystem and reduce new business opportunities. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners, retain current stakeholders of our supply chain finance ecosystem, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents.

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us that may have a material and adverse effect on our business, financial condition, results of operations and prospects as a whole. However, we cannot assure you that we will not be a party to any regulatory action, litigation, arbitration or other disputes in the future. If such proceedings are commenced by or against us, our reputation, business, financial condition, results of operations and prospects may be materially and adversely affected, and our resources and management's attention may be diverted from our core business operations.

In addition, Mr. Wang Jingbo, our independent non-executive Director, was named as one of the defendants in an ongoing securities class action lawsuit against Qutoutiao Inc., or Qutoutiao, originally filed on August 20, 2020 in the United States District Court for the Southern District of New York. Mr. Wang was named as one of the defendants in his capacity as its then chief financial officer and director. This class action lawsuit alleged materially false or misleading statements or omissions in offering documents in connection with Qutoutiao's initial public offering in September 2018 and follow-on equity offering in April 2019. As of the Latest Practicable Date, no conclusive judicial decision had been made with respect to this lawsuit. See "Directors and Senior Management" for details.

In addition, where we assess and discover an imminent risk of potential loss relating to such legal or other disputes, we will make provisions for the loss in accordance with our internal provision policies. Our view on provisions may also change according to our risk assessment. We cannot guarantee that the outcome in any of the litigation in which we are involved would be favorable to us, or that our litigation provisions are adequate to cover our losses arising from legal proceedings or other disputes.

Misconduct by our directors, senior management, employees and suppliers could expose us to significant legal liability and reputational harm.

The integrity of our directors, senior management, employees and the confidence of our audience members and business customers are of critical importance to our reputation. During our daily operations, we are subject to the risks of errors and misconduct by our directors, senior management and employees, which include inappropriate conducts or speech, act of bribery, money laundering, corrupt practice, misappropriation of funds, misappropriation of customer information, unauthorized business transactions and any other misconduct prescribed by laws and regulations. If any of our directors, senior management or employees engage in illegal or suspicious activities or other misconduct, we could suffer serious harm to our reputation, financial condition, customer relationships and business customers, and we could even be subject to regulatory sanctions and significant legal liability. Misconduct by our directors, senior management, employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Our risk management systems and internal control procedures are designated to monitor our operations and overall compliance. However, we cannot assure you that we will be able to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is difficult to prevent, detect or deter all instances of fraud or other misconduct, and the precautions we take to prevent and detect such activities may not be effective, and hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Any future occurrence of force majeure events, acts of war, terrorism, natural disasters or outbreaks of epidemics and contagious diseases, including, among others, avian influenza, severe acute respiratory syndrome, H1N1 influenza and Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. An outbreak of an epidemic or contagious disease or any other adverse public health development in China, or elsewhere in the world, could result in a widespread health crisis, which may restrict the level of business activities in those affected areas, and which could, in turn, materially and adversely affect our business.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations. Any of these factors, as well as any other factors beyond our control, could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

We have limited insurance to cover potential losses and claims arising from certain events.

Due to the nature of flexibility of our pay-as-you-go office IT integrated solutions, we do not require our customers to maintain sufficient insurance policies on the devices provided throughout the subscription terms. We have implemented various risk control measures to ensure our asset security. See "Business – Risk Management and Internal Control – Risk Management – Asset security risk management." However, we cannot assure you that these policies will turn out to be successful all the time. Historically, we had incurred loss on written-off of rental computer devices due to fraud and device lost. Our loss on written-off of rental computer devices was RMB12.6 million, RMB6.8 million and RMB22.8 million, for the years ended December 31, 2020, 2021 and 2022, respectively. If the devices under service is damaged or lost due to fraud, or theft, force majeure or no fault of parties, which results in termination of the relevant subscription agreement, we may be forced to assume losses to the extent that our insurance coverage is inadequate. See also "– Risks relating to our Business and Industry – We may not be able to effectively control devices under service." Any uninsured loss could materially and adversely affect our results of operations and financial condition.

We also maintain standard insurance for our employees, including life and medical insurance. Our insurance coverage is provided by reputable companies in accordance with commercially reasonable standards. Consistent with the industry practice in the PRC, we have limited insurance covering potential liabilities, and do not maintain any business interruption insurance or product liability insurance. There is no assurance that the insurance policies that we maintain are sufficient to prevent us from incurring any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies or the compensated amount is significantly less than our actual loss, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

Our contract liabilities mainly arise from our customers' upfront payment for our services or sales of devices. As of December 31, 2020, 2021 and 2022, our contract liabilities amounted to RMB4.1 million, RMB7.7 million and RMB12.4 million, respectively. See "Financial Information – Description of Certain Items in the Consolidated Statements of Financial Position – Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the upfront payments we have received, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operation and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operation in the future.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses that potentially dilute the shareholding and negatively impact our financial performance.

We adopted an employee share option plan in 2016 to provide additional incentives to our employees. For the years ended December 31, 2020, 2021 and 2022, we incurred share-based compensation expenses of RMB62.5 million, RMB7.7 million and RMB16.5 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may potentially dilute the shareholding and have an adverse effect on our financial performance.

Impairment losses charged against our rental computer devices could adversely affect us.

From time to time, we may need to provide impairment losses for our rental computer device and prepayments and other receivables. Rental computer devices are depreciated over the estimated useful life on a straight-line basis. For brand-new computer devices, the estimated useful life is generally seven years, for used computer devices the estimated useful life is three years. We also estimate the residual value of the rental computer devices at the expected time of disposal. We make use of currently available market information, and the estimated residual values for rental computer devices are based on factors including model and age. We did not have impairment losses on rental computer devices for the years ended December 31, 2020, 2021 and 2022. We plan to continuously procure or rent new devices to support our business expansion, which will result in further increase in depreciation cost, and could adversely affect our financial condition and results of operations.

We may be exposed to risks associated with our prepayments and other receivables.

A large portion of our other receivables and prepayments are rental deposits, which were required by the lessors of our finance leasing arrangements to acquire some of our leased-in computer devices. We did not make impairment losses on our prepayments. For the years ended December 31, 2020, 2021 and 2022, our other receivables and prepayments amounted to RMB99.9 million, RMB218.4 million and RMB271.7 million, respectively. We cannot guarantee that we can collect our rental and other deposits from lessors on time. If we fail to collect rental and other deposits, we may be exposed to the risk of impairment losses related to prepayments and other receivables. This could, in turn, have a material adverse effect on our business and financial condition, and we cannot assure you that we will not incur any material impairment losses in the future. Moreover, Any material adverse change in the business, results of operations or financial condition of these suppliers could expose us to the risk of impairment losses and adversely affect us.

We may not continue to enjoy certain government grants in the future.

We currently enjoy certain government grants, which may be discontinued in the future. The government grants we recognized as other income in the years ended December 31, 2020, 2021 and 2022, amounted to RMB0.6 million, RMB0.2 million and RMB1.8 million, respectively. See note 7A to the Accountants' Report included in Appendix I to this document. We cannot assure you that we will be able to continue to receive any such fiscal support funds or refund of value-added tax, and if we are unable to do so, our business, results of operations and financial condition may be adversely affected.

We require various approvals, licenses, permits and certifications to operate our business, and any failure to obtain or renew any of these approvals, licenses, permits or certifications could have a material adverse impact on our business and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. Complying with such laws and regulations may require substantial expense and may impose a significant burden, while any non-compliance may expose us to liability. We have designed and adopted strict internal procedures to ensure compliance of our business operations with all relevant laws and regulations, and to ensure that we obtain necessary approvals, licenses, permits and certifications for our business operations. However, we cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications. Regulatory authorities who have extensive authority to supervise and regulate the industry we operate in may not interpret relevant laws and regulations the way we do. In addition, as the regulatory regime for enterprise office IT service industry in China continues to evolve, new laws, regulations and regulatory requirements are promulgated and implemented from time to time, and the interpretation and application of existing laws, regulations and regulatory requirements are subject to changes.

We may be required to obtain approvals, licenses, permits and certifications that we are not currently required to have for our existing business or for new scope of business that we may expand into in the future. In the future, if we fail to obtain all the necessary approvals, licenses, permits and certifications required by relevant laws and regulations or if we are deemed to have conducted business operations requesting certain approvals, licenses, permits and certifications without having one, we may be subject to fines or the suspension of operations of the relevant business segments or facilities that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations.

Furthermore, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or that the relevant government authorities will always, if ever, exercise their discretion in our favor. There may also be delays on the part of government authorities in reviewing our applications and granting approvals, whether due to the lack of human resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

We face certain risks related to our leased properties, as some of our leased properties have title defects and did not complete registration procedures at relevant authorities.

As of the Latest Practicable Date, with respect to two out of 16 of our leased properties in the PRC, the lessor has not provided valid title certificates or relevant authorization documents evidencing their rights to lease the properties. For details, see "Business – Properties." As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties and may be forced to cease these activities in the event we face challenges in relation to our properties. In addition, one of our leased properties was subject to mortgage when we entered our lease agreement while another three of our leased properties were associated with risks of prior mortgage as it cannot be ascertained whether or not there were mortgages prior to our lease agreements due to the lack of valid title certificates and multiple occasions of subleases before our lease agreements. If the ownership of such properties changes as a result of the foreclosure of the mortgage, we may not be able to enforce our rights to the leased properties under the respective lease agreements against the mortgagee. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid titles, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, the lease agreements with respect to 15 of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide the necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business – Properties."

Our current employment practices may be adversely impacted under the Labor Contract Law.

The Labor Contract Law provides stronger protection for employees and imposes more obligations on employers compared to previous labor laws. According to the Labor Contract Law, employers have the obligation to enter into written labor contracts with employees to specify the key terms of the employment relationship. The law also stipulates, among other things: (i) that all written labor contracts shall contain certain requisite terms; (ii) that the length of trial employment periods must be in proportion to the terms of the relevant labor contracts, which in any event shall be no longer than six months; (iii) that in certain circumstances, a labor contract shall be deemed to be without a fixed term and thus an employee can only be terminated with cause; and (iv) that there shall be certain restrictions on the circumstances under which employers may terminate labor contracts as well as the economic compensations to employees upon termination of the employee's employment. In addition, in the event we decide to significantly change or downsize our workforce, the Labor Contract Law could restrict our ability to terminate employee contracts and adversely affect our ability to make such changes to our workforce in a manner that is most favorable to our business or in a timely and cost-effective manner, which in turn may materially and adversely affect our financial condition and results of operations. We cannot assure you that our employment practices do not, or will not, violate the Labor Contract Law. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make contributions to social insurance and housing provident funds for our employees. We have failed to make full contribution to the social insurance and housing provident funds for certain employees. For the years ended December 31, 2020, 2021 and 2022, the shortfall amounts of such social insurance contributions were RMB2.1 million, RMB3.5 million and RMB0.7 million, respectively. As advised by our PRC Legal Advisor, according to relevant PRC laws and regulations, we may be requested by relevant PRC authorities to pay the outstanding social insurance contribution within a prescribed period and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we still fail to pay the underpaid amount within the prescribed period, we may be subject to imposed fines in an aggregate amount ranging from one to three times of the underpaid social insurance contribution. Our PRC Legal Advisor is of the view that the likelihood of us being subject to material penalties due to the insufficiency of contribution to social insurance and housing provident funds is remote. During the Track Record Period, the potential maximum overdue charge for the underpaid social insurance would be RMB3.5 million and the potential maximum fine for the underpaid social insurance would be RMB24.1 million. During the Track

Record Period and up to the Latest Practicable Date, we are not aware of any administrative penalties against us and we had not received any notification from the PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds. See "Business – Employees."

As the laws and policies related to social insurance and housing provident fund may continue to evolve, we cannot assure you that our employment policies and practices will always be regarded as fully complying with the relevant laws and regulations in China, and we may face labor disputes or government investigations. The PRC government may strengthen its measures and requirements on social insurance and housing provident fund collection, which may lead to stricter law enforcement. Compliance with stricter regulatory requirements may increase our operating expenses, especially our staff costs. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfall or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

Compliance with the rapidly evolving landscape of data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could have a material adverse impact on our reputation and deter current and potential users from using our services.

Concerns about collection, use or disclosure of personal information or other privacy-related and data security matters, even if unfounded, could damage our reputation and business operations. We are subject to governmental regulation and other legal obligations related to the protection of personal data, privacy and information security in the regions where we do business, and there has been and may continue to be a significant increase in such laws.

The PRC Cybersecurity Law (《網絡安全法》), 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 networks. The Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective in February 2022, includes a requirement for a "critical information infrastructure operator" or a "internet platform operator" to apply for cybersecurity review. For more details, see "Regulatory Overview – Laws and Regulations Relating to Cybersecurity." In addition, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) on November 14, 2021, or the Draft Measures for Network Data Security, which specified that data processor who seeks to list in Hong Kong, which affects or may affect the national security, shall apply for cybersecurity review. However, the criteria for determining "affect or may affect the national security" as stipulated therein remain unclear and is still subject to further explanation and elaboration, and substantial uncertainties exist with respect to the enactment date, final content, interpretation and implementation of the Draft Measures for Network Data Security. If our proposed [**REDACTED**] was deemed to "affect or may affect national security," we may be required to apply for cybersecurity review, but there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results.

In addition, the Personal Information Security Specification (《個人信息安全規範》), or China Specification, came into force on October 1, 2020. Although the China Specification is not a mandatory regulation, it nonetheless has a key implementing role in relation to the PRC Cybersecurity Law in respect to protecting personal information in China. On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021, integrates the scattered rules with respect to personal information rights and privacy protection. Although we may be subject to requirements on protection of personal data, privacy and information security under laws and regulations, we cannot assure you that the measures we have taken or will take in the future will be effective or fully satisfy the relevant regulatory authorities' requirements, and any failure or perceived failure by us to comply with such laws and regulations may result in governmental investigations, fines and/or other sanctions on us.

Furthermore, the PRC Data Security Law(《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect in September 2021, provides for data security and privacy obligations on entities and individuals carrying out data activities. See "Regulatory Overview – Laws and Regulations Relating to Data Security and Privacy Protection." Complying with new laws and regulations could substantially increase the costs or require us to change our business practices in a manner materially adverse to our business. Additionally, to the extent we are found by the PRC regulators to be not in compliance with these laws and requirements, we may be subject to fines, regulatory orders to suspend our operations, or other regulatory and disciplinary sanctions, and our websites may be shut down and our mobile App may be removed from App stores or we could be ordered to stop taking on new users.

We strictly protect information provided by users and, under our privacy policy, we will not provide any of our users' personal information to any unrelated third party without our users' prior consent. While we strive to comply with our data and privacy policies as well as all applicable data protection laws and regulations in the PRC and overseas, we may not be able to successfully protect our users' privacy and data for reasons beyond our control. Any failure or perceived failure to do so may result in proceedings or actions against us by government entities, users or others, which could damage our reputation.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in the PRC economic, political and social conditions, as well as laws, regulations and policies, may have a material adverse impact on our business, financial condition, results of operations and prospects.

Substantially, all of our revenue was derived from our businesses in the PRC during the Track Record Period. Accordingly, our business, financial condition and results of operations are, to a significant degree, subject to the economic, political, social and legal conditions in the PRC. Generally, PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC's macro-economy through fiscal and monetary policies. During the past decades, PRC Government has taken various actions to promote market economy and the establishment of sound corporate governance in business entities. In addition, our financial condition, results of operations and prospects are, to a material extent, subject to political and social conditions and government policy developments in China. The PRC government also exerts significant influence over China's economic growth through strategically allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, the growth rate of the Chinese economy has gradually slowed, and China has undergone the impact of COVID-19 pandemic on the Chinese economy in 2020 and 2021 and such impact may continue to be felt in many industries. It may be difficult for us to predict all the risks and uncertainties that we may encounter as a result of the current economic, political, social and regulatory development, any prolonged slowdown in the Chinese economy may reduce our clients' demand for our products and services and materially and adversely affect our business and results of operations.

The PRC legal system is evolving, and has potential uncertainties that could limit the legal protections available to us and adversely impact our business.

Our business and operations are conducted in the PRC and are governed by PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited weight as precedents.

As the legislation in China and the PRC legal system has continued to evolve rapidly over the past decades and the PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters, for example, such laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published court decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties. In particular, there exist substantial uncertainties surrounding the evolvement, interpretation and enforcement of regulatory requirements of cybersecurity, data security, privacy protection as well as anti-monopoly, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and negatively impact our business. Furthermore, the legal protection available to us and our investors under these laws, rules and regulations may be limited as there are uncertainties involved in their implementation and interpretation, and it may be difficult to evaluate the outcome of administrative and court proceedings. 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.

Chinese regulations of direct investment and loans by offshore holding companies to Chinese entities may delay or limit us from using the net [REDACTED] from the [REDACTED] to make additional capital contribution or loans to our major Chinese subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our Chinese subsidiaries, including the net [**REDACTED**] from the [**REDACTED**], are subject to Chinese regulations. For example, our loans to our Chinese subsidiaries may not exceed the difference between the total amount of investment that our Chinese subsidiaries are approved to make under relevant Chinese laws and the registered capital of our major Chinese subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major Chinese subsidiaries are subject to filing and registration with certain PRC government authorities, including MOFCOM or its local counterparts and the SAMR and the local counterpart of SAFE. 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, or at all.

If we fail to complete such registrations or obtain such approvals, our ability to make equity contributions or provide loans to our Chinese subsidiaries or to fund their operations may be negatively affected, which may adversely affect our Chinese subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and, this may have a material adverse effect on our business, financial condition and results of operations.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under 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.

However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body". As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide 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 (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would 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.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares, which could have a material adverse impact on our ability to conduct our business.

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 movements. 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.

Uncertainties and changes relating to the PRC tax system may complicate our tax planning and business decisions and could have a material adverse impact on our financial condition and our ability to enjoy preferential tax treatments.

We enjoy certain preferential tax treatment and government subsidies which are offered by relevant governmental authorities in the PRC. For example, Beijing Ediantao was accredited as a "New and High Technical Enterprise" by the Science and Technology Bureau of Beijing and relevant authorities in October 2019 for a term of three years. According to the Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) (Announcement of the State Administration of Taxation [2017] No. 24), New and High Technical Enterprise is subject to income tax at a tax rate of 15%. Certain subsidiaries have been approved as Small Low-profit Enterprises and are entitled to a preferential income tax rate 15% or 10% before December 31, 2022. See "Financial Information – Consolidated Statement of Profit or Loss – Income Tax Expenses – PRC."

It is in the sole discretion of the government, subject to applicable PRC laws and regulations, to decide whether and when to provide government subsidies or preferential tax treatment to us. There can be no assurance that we will be able to obtain similar government subsidies or preferential tax treatment on a recurring basis, or at all, in the future. Furthermore, we face uncertainty relating to the availability of government subsidies or preferential tax treatment due to potential unexpected changes in the PRC laws and regulations. If we are unable to obtain or maintain government subsidies or grants or any favorable tax treatment in the future, our business, financial condition and results of operations could be adversely affected.

Fluctuations in exchange rates may affect the value of your investment and limit our ability to utilize our cash effectively.

The exchange rate of the Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, 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. In July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Between May 2007 and March 2014, the PRC government further widened the daily band to as high as 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. In addition, the PBOC has introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, and the relaxation on Renminbi trading by non-financial institutions. The PRC government has since made, and in the future may make, adjustments to the exchange rate system. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against the Hong Kong dollar, the U.S. dollar or other foreign currencies. Accordingly, it is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government's controls on currency conversion. For the year ended December 31, 2020, we recorded net exchange loss of RMB33.6 million. For the years ended December 31, 2021 and 2022, we recorded a net exchange gain of RMB14.9 million and RMB6.2 million, respectively. See note 7B to the Accountants' Report in Appendix I to this Document.

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.

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.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of the [**REDACTED**]. Failure to complete SAFE registrations may subject them to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

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.

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

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會), the SAT, the CSRC, SAIC, and the SAFE on August 8, 2006, effective on September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it: (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise to purchase the assets of a domestic enterprise and operate those assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Further, as advised by our PRC Legal Advisor, both Huaqing Edian and Beijing Ediantao were sino-foreign joint venture at the time of the acquisition of their 100% equity interest by Edianzu HK, thus, the aforementioned acquisitions were not subject to the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

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

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**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 enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the "**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprise: (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. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on material events (the "**Material Events**"), such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. For more details, please refer to "Regulatory Overview – Laws and Regulations Relating to Overseas Offering and Listing".

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and the relevant replies to questions by the CSRC officials which are both promulgated with the Overseas Listing Trial Measures simultaneously, (i) where, before March 31, 2023 (i.e. the effective date of the Overseas Listing Trial Measures), the PRC domestic enterprise's application for its indirect Overseas Offering and Listing has been approved by the overseas regulatory authorities or overseas stock exchanges (for example, a listing hearing has been passed by the Stock Exchange) but has not completed indirect Overseas Offering and Listing, a six-month transition period from March 31, 2023 (the "**Transition Period**") shall be allowed: if the PRC domestic enterprise does not need to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges and the PRC domestic enterprise completes the Overseas Offering and Listing within the Transition Period, it can be deemed as an existing issuer and is not required to file with CSRC for this Overseas Offering and Listing; if the PRC domestic enterprise needs to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new listing hearing is required by the Stock Exchange) or fail to complete Overseas Offering and Listing within the Transition Period, they shall file with the CSRC for this Overseas Offering and Listing; (ii) the PRC domestic enterprise which has submitted a valid application for Overseas Offering and Listing but has not yet obtained the consent of the overseas regulatory authorities or the overseas stock exchange before March 31, 2023 may make a reasonable time for submitting the filing application to the CSRC and shall complete the filing prior to its Overseas Offering and Listing.

Our PRC Legal Advisor is of the view that this [**REDACTED**] and [**REDACTED**] shall be deemed as indirect [**REDACTED**] and [**REDACTED**] by PRC domestic enterprise. If there is no re-hearing required by the Stock Exchange after March 31, 2023 and this [**REDACTED**] and [**REDACTED**] can be completed within the Transition Period, we will not be required to file with the CSRC with respect to this [**REDACTED**] and [**REDACTED**]. If a re-hearing is required afterwards or we fail to complete the [**REDACTED**] and [**REDACTED**] within the Transition Period, we will make the filing with the CSRC with respect to this [**REDACTED**] and [**REDACTED**]. In any event, we will perform the reporting obligations to the CSRC in the event of occurrence of Material Events after listed as required.

If it is determined that we are subject to any CSRC filing, other governmental authorization or requirements for this [**REDACTED**] and [**REDACTED**] and future offering activities and reporting obligations, we cannot assure you that we could complete such filing or meet such requirements in a timely manner or at all. Under such circumstance, we, and our personnel directly in charge and other personnel with direct responsibility may be warned, fined or subject to other disciplinary measures as set forth in the Overseas Listing Trial Measures.

Furthermore, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

We are subject to uncertainties associated with evolving legal and regulatory requirements that are applicable to our businesses. Our failures to comply with these requirements could have a material adverse impact on our business and prospects.

Our business operations, including, among others, the provision of pay-as-you-go office IT integrated solutions, are subject to supervision and regulation by various governmental authorities in China and in other jurisdictions where we operate. See "Regulatory Overview" for a detailed discussion of the laws and regulations applicable to our business operations. In addition, as we continue to expand our offerings, we may be subject to new and more complex regulatory requirements that we have limited knowledge of. We face challenges brought by existing and new laws, regulations and regulatory requirements, as well as significant uncertainties in the interpretation and application thereof. Legal and regulatory restrictions may delay, or possibly prevent, some of our solutions from being offered, which may have a material adverse effect on our business, financial condition and results of operations. Violation of laws and regulations may also result in severe penalties, confiscation of illegal income, revocation of licenses and, under certain circumstances, criminal prosecution.

The PRC regulatory requirements applicable to participants in China's enterprise office IT service industry have been continually evolving. New laws or regulations may be promulgated, imposing new requirements or prohibitions that render certain aspects of our business model and operations non-compliant. In particular, there might be changes in the PRC regulatory regime for enterprise office IT service industry that inhibit us from carrying out our current business. In addition, due to uncertainties and complexities of the regulatory environment, we cannot assure you that regulators will interpret laws and regulations the same way we do, or that we will always be in full compliance with applicable laws and regulations.

It may be difficult to effect service of process upon us, our Directors or any executive officers who reside in China, or to enforce any judgments obtained from non-PRC courts against them in China.

The majority of our Directors and members of our senior management reside in the PRC. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within the PRC. Therefore, it may not be possible for investors to effect service of process within the United States or elsewhere outside China upon our Directors, Supervisors and executive officers, including with respect to matters arising under the US federal securities laws or applicable state securities laws.

China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions including Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible. In regard to Hong Kong, on July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "2006 Arrangement"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Consequently, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a bilateral legal mechanism with further clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

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

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

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

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, all of our ultimate beneficial owners who are PRC citizens, 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.

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

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

According to Bulletin 7, "PRC taxable properties" include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income tax. When determining if there is a "reasonable commercial purpose" for the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have a real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such Indirect Transfer outside China and its applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which are not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest.

Currently, Bulletin 7 does not apply to the sale of shares by investors through a public stock exchange where such shares were acquired in a transaction on a public stock exchange. The PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations and associated penalties with respect to any internal restructuring, and our PRC subsidiary may be requested to assist in the filing. Any PRC tax imposed on a transfer of our Shares not through a public stock exchange, or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your share in our Company.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

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

Prior to the [**REDACTED**], there has been no public market for our Shares. The initial [**REDACTED**] range for our Shares was the result of negotiations among us, the [**REDACTED**] and the [**REDACTED**] and the [**REDACTED**], and the [**REDACTED**] may differ significantly from the market price for our Shares following the [**REDACTED**]. We have applied for the [**REDACTED**] of, and the permission to deal in, our Shares on the Stock Exchange. There is no assurance that the [**REDACTED**] will result in the development of an active, liquid public trading market for our Shares. Factors, such as variations in our revenue, earnings and cash flows or any other developments of our Company, may affect the volume and price at which our Shares will be traded.

Our Single Largest Shareholders Group is able to exercise significant influence over us.

Following the completion of the [**REDACTED**] and the Share Subdivision, our Single Largest Shareholders Group will be interested in and will control voting rights of 134,875,360 Shares of our Company, which represents approximately [**REDACTED**]% of our issued share capital and will have the ability to exercise significant influence over us, including, among others, matters relating to determination of business strategies and investment plans and reviewing any plans related to major corporate activities, including mergers, acquisitions or investments.

The interests of the Single Largest Shareholders Group may differ from the interests of other Shareholders, and the Single Largest Shareholders Group are free to exercise their votes right according to their interests. To the extent that the interests of the Single Largest Shareholders Group conflict with the interests of other Shareholders, the interests of the other Shareholders may be disadvantaged and harmed.

Subscribers and purchasers of our Shares under the [REDACTED] will experience immediate dilution, and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our Shares is higher than our net tangible assets value per Share immediately prior to the [**REDACTED**]. Therefore, subscribers and purchasers of our Shares under the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future or raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then: (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share; (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders; and/or (iii) subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

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

Factors, such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and, as a result, investors in our Shares may incur substantial losses.

Substantial future sales of our Shares in the public market could cause the price of our Shares to decline.

While we are not aware of any intentions of our current Shareholder(s) to dispose of substantial amounts of their Shares upon [**REDACTED**], we are not in a position to give any assurance that such disposal will not occur. Sales of substantial amounts of ours Shares in the public market after the completion of the [**REDACTED**], or the perception or anticipation of such sales, could adversely affect the market price of our Shares.

The market price of the Shares when trading begins could be lower than the [REDACTED].

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

We may not declare dividends on the Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the [**REDACTED**]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Certain facts and other statistics in this document, with respect to the markets in which we operate and the enterprise office IT service industry, are derived from various official or third-party sources and may not be accurate, stable, complete or up-to-date.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the enterprise office IT service industry in China. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any other party involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should, therefore, not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up to date. In any event, you should consider carefully the importance placed on such information or statistics.

Investors should read the entire document carefully before making an investment decision concerning the Shares. Also, they should not rely on information from other sources, such as press articles, media or research coverage without carefully considering the risks and the other information in this document.

There may have been, prior to the publication of this document, and 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**], such as the profit estimate information. You should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong when making your investment decision regarding the [**REDACTED**]. 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 estimates, views or opinions expressed by the press or other media regarding the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the [**REDACTED**]. Prospective investors in the [**REDACTED**] are reminded that, in deciding whether to purchase our Shares, they should rely only on the financial, operational and other information included in this document. 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.

We have significant discretion as to how we will use the net [**REDACTED**] of the [**REDACTED**], and you may not necessarily agree with how we use them. If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline. Forward-looking statements contained in this document are subject to risks and uncertainties.