

## RISK FACTORS

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

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

### RISKS RELATING TO OUR INDUSTRY AND BUSINESS

**The industries in which we operate are characterized by constant changes. We may not be able to continuously develop and innovate our technologies and provide products and solutions that meet the expectations of customers.**

The AI industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new products and solutions, continual shifts in customer demands and constant emergence of new industry standards, practices and regulatory requirements. Thus, our success depends, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to constantly anticipate the emergence of new technologies and assess their market potential. We also need to invest significant resources in R&D to lead technological advances to keep our solutions competitive. In 2020, 2021 and 2022, our R&D expenses amounted to RMB189.3 million, RMB188.2 million and RMB287.1 million, accounting for 72.6%, 41.3% and 47.8% of our revenue in respective years. However, given the inherent uncertainties of R&D activities, there can be no guarantee that we will continue to succeed in technological innovations and effectively commercialize them. Consequently, any failure in our R&D activities or commercialization endeavors may materially and adversely affect our business, financial condition, results of operations and prospects.

We provide model-based products and solutions supported by UniBrain. New technologies in AI and AGI, machine learning, NLP, knowledge graph, computer vision and IoT technologies could render our technologies or solutions obsolete or unattractive. If we are unable to keep up with the technological developments to maintain the competitiveness of our solutions in an efficient manner, or at all, our business, financial condition and results of operations would be materially and adversely affected.

**We may not be able to compete successfully against current or future competitors.**

The AI industries in which we operate are highly competitive. According to Frost & Sullivan, we are the fourth largest AI solution providers in China, the third largest AI solution providers in China’s smart life market, and the third largest in China’s smart hospital market, in terms of revenue in 2022. See “Industry Overview.” We primarily compete with other AI solution providers, as well as traditional digital solution providers and system integrators. We also compete with existing players in each industry vertical we enter, who may not currently have AI capabilities but may develop AI

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enhancements for current solutions or acquire AI capabilities from other AI companies. We may also in the future face competition from new entrants who may possess substantial financial resources, sophisticated technological capabilities and broad distribution channels and may offer solutions that directly compete with ours. We may face potential competition from global technology companies that seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of, AI companies in China. Increased competition could result in lower sales, price reductions, reduced margins and loss of market share.

To respond to heightened competition, we may be required to increase investments in marketing, sales and most importantly R&D. We cannot assure you that such measures will be effective and yield desired results. Our products and solutions may be replicated by our competitors, requiring us to constantly update and improve the quality of our offerings to remain competitive. If we fail to do so, it will be difficult for us to differentiate ourselves from competitors and we may lose market share. If we are unable to compete successfully in a cost efficient manner, or at all, our business, financial condition and results of operations could be adversely affected.

**We had net losses, net liabilities and net cash outflows in operating activities during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the future.**

We recorded net losses of RMB297.8 million, RMB434.3 million and RMB375.4 million in 2020, 2021 and 2022, respectively. We may continue to record net losses as our business remains in an expanding stage and we are continuously investing in R&D. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, successfully commercialize our AI technologies, enhance customer experience, compete effectively and expand our customer base. In addition, we expect to incur substantial costs and expenses as a result of being a [REDACTED] company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur losses in the future and may not be able to achieve or subsequently maintain profitability.

We recorded net liabilities of RMB1,539.0 million and RMB1,911.2 million in 2021 and 2022, respectively, primarily due to our redemption liabilities recognized as non-current liabilities, relating to certain redemption rights granted to our Pre-[REDACTED] Investors that will cease to be effective when we submit the [REDACTED] application to the Stock Exchange. See “History, Development and Corporate Structure — Pre-[REDACTED] investments.”

In addition, we recorded net operating cash outflows of RMB163.1 million, RMB236.6 million and RMB165.6 million in 2020, 2021 and 2022, respectively. We may continue to have net cash outflow from operating activities in the near future as we plan to continue to invest heavily in R&D efforts. Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and funding our investments in technological innovation and business expansion. If our future operating cash flows fail to improve to a level to sufficiently cover our overall cash needs, we may plan to seek equity or debt financing to fund our operations in the future. Such financing might not be available to us promptly or on terms that are acceptable, or at all, and we may have limited financing channels due to our negative cash flow. If we fail to obtain the required additional financing before we are able to reach levels of revenue to meet our financial needs, our operation may be restricted or suspended. We may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected if we cannot obtain sufficient capital to meet our needs.

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**Our recent growth is not necessarily indicative of our future performance, and we may not be able to sustain our revenue growth rate in the future.**

We experienced significant growth in our revenue during the Track Record Period. Our revenue increased by 74.8% from RMB260.8 million in 2020 to RMB455.8 million in 2021, and further by 31.8% to RMB600.6 million in 2022. However, you should not rely on the revenue growth of any prior period as an indication of our future performance. We cannot assure you that we will be able to manage our growth at the same rate as we did in the past or avoid any decline in the future. To maintain our growth, we need to expand our product and solution offerings, broaden our customer base and strengthen our technology capabilities, among others. To effectively manage the expected growth of our operations and personnel, we will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers in a cost-effective manner, respond timely to competitive challenges, or otherwise execute our business strategies. Our growth requires significant financial resources and will continue to place significant demands on our management. There is no guarantee that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all.

**The AI industry is subject to evolving and extensive regulation in China. Future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations.**

The AI industry in China is evolving and we may experience strengthened regulatory environment along with rapid industry evolution. Our business may be subject to extensive regulation governing the industry. Government authorities in the PRC may continue to issue new laws, rules and regulations governing the industry in which we operate in the PRC. For example, on April 11, 2023, the CAC issued the Administrative Measures on Generative Artificial Intelligence Services (Draft for Comments) (《生成式人工智能服務管理辦法(徵求意見稿)》) (the “**Draft Measures on Generative AI Services**”), which imposes compliance requirements for providers of generative AI services. The Draft Measures on Generative AI Services provides that generative artificial intelligence service providers shall be responsible for the legitimacy of sources of pre-training data and optimization training data of generative artificial intelligence products and such data shall comply with laws and regulations in relation to content, cybersecurity and data privacy protection and intellectual property rights. In addition, individuals or organizations that provide generative AI services of text, image or sound shall assume the responsibilities as the producers of such AI-generated content, and shall apply for security assessment and complete the filing formalities of algorithms in accordance with the applicable laws and regulations before providing such services to the public. See “Regulatory Overview — Regulations and Policies on Artificial Intelligence Technologies.” As of the Latest Practicable Date, there is no schedule as to when the Draft Measures on Generative AI Services will be enacted and there remain uncertainties as to its enactment timetable, final content, interpretation and implementation, as well as their ultimate impact on our business and results of operations.

In addition, the government authorities have imposed, and may continue to impose, requirements relating to, among other things, new and additional licenses, permits and approvals on us, which we may not be able to obtain, maintain or comply with. As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all the licenses, certificates and made all the filings with competent governmental authorities in all material aspects that are essential to the

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operation of our business in China. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies, or any of the laws, regulations and policies, currently in effect due to changes in the relevant authorities’ interpretation of these laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses, certificates or approvals or make the necessary filings in any of the jurisdiction where we operate our business, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed activities, imposition of fines, and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

### **We may not be able to retain existing customers, attract new or increase their spending.**

Our abilities to retain existing customers, attract new customers, as well as increase the spending by our customers depend on a number of factors, including our ability to offer more AI solutions that address the needs of our customers at competitive prices, the quality of our customer support, the compatibility of our products and solutions, and our data analytics capabilities. If we fail to retain existing customers or attract new customers, we may not be able to grow our revenue as quickly as we anticipate, or at all.

While we continue to enrich our offerings and expand into new industry verticals, we may be unable to provide customers with products and solutions that meet the specific demand of such customers. From time to time, we may find defects in our products and solutions, and new errors in our existing products and solutions may be detected. Since our customers use our service for important aspects of their business, any errors, defects, disruptions in service or other performance problems with our offerings could hurt our reputation and may damage our customers’ businesses.

Customer support is critical to maintaining customer satisfaction, but we may not be able to continuously deliver high quality customer support. For example, we may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers and end users of our products and solutions, which could result in customer dissatisfaction, decreased overall demand for our solutions and loss of expected revenue. We also may be unable to modify the future scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. In addition, our failure to meet customer service expectations may damage our reputation and could consequently limit our ability to retain existing customers and attract new customers, which would materially and adversely affect our business and results of operations.

Furthermore, the quality of data and user feedback are key to the improvement of our large language model and products and solutions. The quality and availability of such information cannot be assured. Our data labels may be out of date, inaccurate or lacking credible information, which could materially affect the accuracy and validity of our data analytical capability, products and solutions, and in turn adversely affect our reputation, business operations and financial performance.

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The competitiveness of our products and solutions depends in part on their ability to operate with products and services of third parties. We intend to facilitate the compatibility of our products and solutions with various third-party hardware, software, and infrastructure by maintaining and expanding our business and technical relationships. As we make our products and solutions available across a variety of IT systems and devices, we depend on the compatibility of our offerings with mainstream devices and IT systems that we do not control. Any changes to technologies used in our products and solutions to existing features that we rely on, or to IT systems which make it difficult for our customers or end users to access our products or solutions, may make it more difficult for us to maintain or increase our revenues.

In addition, we may fail to predict the future level of demand for our products and solutions as the demand of our customers may be affected by a combination of factors beyond our control, such as market or economic conditions, government policies and regulatory environment, making it different to predict our future financial performance or increase the spending of our customers. If we fail to respond to constant changes in market and political conditions, or if the major industries we operate in do not develop as we expect, we may lose significant business opportunities, and our business and results of operations may be materially and adversely affected.

### **We are subject to credit risk related to delay in payment and defaults of customers.**

We are exposed to credit risk related to delay in payment and defaults of our customers. There is no guarantee that all our customers will settle payment in full as it falls due. If any of our customers refuses to confirm the summary, becomes insolvent or delays its payment of our fees, our cash flow, as well as our business, financial position and results of operations could be adversely affected. As of December 31, 2020, 2021 and 2022, our trade receivables amounted to RMB114.7 million, RMB265.8 million and RMB368.9 million, respectively, and we had allowance for impairment of trade receivables of RMB16.8 million, RMB64.6 million and RMB137.6 million, respectively. Our trade receivables turnover days were 179 days, 185 days and 254 days in 2020, 2021 and 2022, respectively. We may not be able to collect all such trade receivables due to a variety of factors that are outside of our control, including long payment cycle of certain customers, adverse operating conditions or financial situation of customers, and customers’ inability to pay caused by their end users’ delay in payment. In particular, any financial difficulties experienced by our customers or end users may result in a reduction in their engagement of our products and solutions and expose us to higher credit risks, which could in turn materially and adversely affect our financial condition and results of operations.

### **We may fail to manage our inventory effectively.**

Our inventory primarily includes purchased hardware and software, including AI chips, modules and smart devices, as well as contract fulfillment costs. As of December 31, 2020, 2021 and 2022, the balance of our inventories was RMB19.2 million, RMB46.9 million and RMB33.6 million, respectively. See “Financial Information – Discussion of certain key balance sheet items – Current assets and liabilities – Inventories.” Maintaining an optimal level of inventory is important for the success of our business. We determine our level of inventory based on our experience, number of orders from customers and assessment of customer demand.

Inventories levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. On the other hand, failure to maintain a sufficient inventory level may result in slow



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movement of our inventories and inability to timely utilize or sell our inventories. As we plan to continue expanding our product and solution offerings, we expect to include more materials in our inventories, which will make it more challenging for us to manage our inventories effectively. If we fail to manage our inventories effectively, we may be subject to a heightened risk of inventories obsolescence and any such situation may have a material and adverse effect on our business, financial condition and results of operations.

**Our business depends substantially on the continuing efforts of our management and other key personnel, as well as a competent pool of talents that support our operations and future growth, and we may not be able to retain, attract, recruit and train such personnel.**

Our success depends on our ability to retain existing management and other key personnel including renowned scientists and attract, recruit and train a large number of qualified employees. In particular, we rely on our R&D team to develop advanced algorithms and technologies and experienced sales personnel to attract customers and increase their level of engagement with us. To compete for talent, we may need to offer higher compensation, better training and more attractive career opportunities and other benefits to our employees, which may be costly. We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

**Our strategic partnerships with academic institutions for joint R&D projects and other initiatives may not continue.**

We entered into strategic partnerships with academic institutions for joint R&D projects and other initiatives. See “Business – Research and Development – R&D Collaboration.” There can be no assurance that these institutions will continue to collaborate with us on commercially reasonable terms or at all. We also cannot assure you that we will be able to establish new joint research projects, or extend existing relationships with the academic institutions when our agreements with them expire. Furthermore, certain of our agreements with the institutions may be terminated prior to their specified termination dates, the institutions may alter the contract terms previously agreed between us, and they are under no obligation to continue our collaboration. If we are unable to maintain our relationships with the institutions, or any of our collaboration with the institutions are terminated, our business, results of operations and prospects could be materially and adversely affected.

**Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks.**

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload, and by damages from fires, floods, earthquakes and other natural disasters, telecommunication failures, power loss, human error or other accidents. Our infrastructure and systems may be breached if any vulnerabilities therein are exploited by unauthorized third parties.

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Any such disruption or inadequacy that causes interruptions to our operations or failure to maintain the network and server, could affect the ability of customers to use our products and solutions and reduce our customer satisfaction. An actual or perceived attack or security breach may damage our reputation and brand, expose us to risks of potential litigation and liabilities, and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches. We cannot assure you that any applicable recovery system, security protocol, network protection mechanisms or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our products and solutions. It may be difficult for us to respond to such interruptions in a timely manner, or at all. As a result, our reputation, business and financial condition could be adversely affected.

### **Our business is dependent on our brand recognition.**

Our business and financial performance depends on the strength and the market acceptance of our brands. Our products and solutions may malfunction, become obsolete or otherwise fail to meet customers’ expectation. Any loss of trust in our products and solutions could harm the value of our brands, which could materially reduce our revenue and gross margin.

From time to time, we participate in offline events, such as industry conferences and product launches, and work with media or search engine companies to associate our brands and reputation with technology or to promote our new products and solutions, which may cause us to substantially increase our marketing expenditures. However, we cannot assure you that these activities will be successful or that we will be able to achieve the promotional effect we expect.

### **We depend on third party business partners in our business operations. Such arrangements may reduce our control over supply sufficiency, product quantity and quality, development, enhancement and product delivery schedule.**

We engage suppliers to supply certain hardware of our AI products and solutions. We have also outsourced much of our transportation and logistics management, software development support and certain non-essential R&D tasks to third-party contractors. While these arrangements may lower our operating costs, they may also reduce our direct control over development and delivery. We may experience operational difficulties with our suppliers, and contractors, including supply shortage, reductions in the availability of resources and capacity, failures to comply with our standard, insufficient quality control, longer lead time required and delays in the development process. For example, any supply shortages for semiconductors broadly in the market may have an impact on the supply of semiconductors for our products.

Our suppliers, and contractors may experience disruptions in their operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, environmental non-compliance issues or other similar problems. In addition, we may not be able to renew contracts with our suppliers, or contractors or identify suitable substitute partners.

Although arrangements with these partners may contain provisions for warranty expense reimbursement, we may remain responsible for the customer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. Any failure

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of our suppliers and contractors to perform their responsibilities or to be in compliance with all applicable laws and regulations may have a material negative impact on our operations or compliance.

### **Our use of open source technology could impose limitations on our business operations.**

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

### **AI technologies are in nascent stage of development. We may experience misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by other third parties.**

AI technologies are in the process of rapid development and continue to evolve. Similar to many disruptive innovations, AI technologies present risks and challenges, such as misuse by third parties for inappropriate purposes, for purposes breaching public confidence or even violating applicable laws and regulations in China. Application of AI technologies in illegal, biased, unfair or otherwise inappropriate manners could affect customer perception, public opinions and their adoption. We have adopted a series of internal control measures to prevent the misuse of our technologies and data. See “Business – Risk Management and Internal Control.” However, we cannot assure you that the measures we take to prevent the misuse of our technologies will always be effective, or that our technologies will not be misused or applied in a way that is inconsistent with our intention or public expectation. Any inappropriate, abusive or premature usage of AI technologies, whether actual or perceived, whether intended or inadvertent and whether by us or by third parties, may dissuade prospective customers from adopting AI solutions, may impair the general acceptance of AI solutions by the society, may attract negative publicity and adversely impact our reputation and may even violate applicable laws and regulations in China and subject us to legal or administrative proceedings and/or other organizations and heightened scrutiny by the regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

### **We had concentration of customers during the Track Record Period.**

During the Track Record Period, we relied on a limited number of customers. In 2020, 2021 and 2022, revenue generated from our five largest customers represented 40.1%, 34.4% and 30.8% of our total revenue, respectively, while the percentage of our revenue attributable to our largest customer amounted to 20.6%, 21.6% and 13.1% of our total revenue for the same periods, respectively. See “Business—Customers.” We cannot guarantee that we will be able to continue to maintain our relationships with our major customers, or that we will be able to derive any business from them in the



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future. If our major customers scale back or terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

### **We may default on bank borrowing and guarantee agreements.**

We are subject to restrictive covenants under some of our bank borrowing and guarantee agreements. Such restrictive covenants include, among others, limitations on our ability to license intellectual property rights and repayment in advance. 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. 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. As a result, our business, financial condition and results of operations may be materially and adversely affected.

### **We may experience discontinuation, reduction or delay of any preferential tax treatments or government grants.**

A number of our PRC subsidiaries enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries recognized as high and new technology enterprises are subject to a reduced EIT rate of 15%. Such preferential tax treatments are subject to change and termination. If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations. See “Financial Information—Description of Major Components of our Results of Operations – Income Tax Credit/(Expense)—PRC.”

We also receive grants from local governments, which are discretionary and vary from year to year. In 2020, 2021 and 2022, the government grants we received amounted to RMB8.3 million, RMB5.5 million and RMB13.2 million, respectively. Local governments may decide to reduce or eliminate such grants at any time. We cannot assure you of the continued availability of the government grants currently enjoyed by some of our PRC subsidiaries. Any reduction, cancelation, or repayment of government grants could adversely affect our business, financial condition and results of operations.

### **We face risk associated with our investment, including the exposure of fair value changes for our financial assets at fair value through profit or loss and valuation uncertainty.**

During the Track Record Period, we had invested in wealth management products and unlisted equity investments and may, from time to time, invest in such products in the future. As of December 31, 2020, 2021 and 2022, our financial assets at fair value through profit or loss amounted to RMB48.1 million, RMB103.9 million and RMB21.7 million, representing 11.6%, 16.4% and 3.8% of our total assets. We are exposed to credit risk in relation to such investments, which may adversely affect the net changes in their fair value. Our investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the

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uncertainties in valuation. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded under net other gains/(losses), and therefore directly affect our results of operations. If we record fair value losses, our financial condition, results of operations and prospects may be adversely affected. See Note 23 to the Accountant’s Report in Appendix I to this document.

We use significant unobservable inputs, such as the expected yield of the underlying investment portfolio and discount rate, in valuing such financial assets. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

### **We have share incentive plans and may grant share-based awards in the future, which may result in increased share-based compensation expenses.**

We adopted share incentive plans for the purpose of granting share-based compensation awards to our officers, directors, employees and other eligible persons to incentivize their performance and align their interests with ours. We believe the granting of share-based compensation awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have a material and adverse effect on our financial condition and results of operations. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plans will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees. In case we decide to reserve and issue additional shares under our share incentive plans, your interests in our Company will be further diluted by such issuance.

### **Our performance is subject to seasonality.**

We experience seasonality in our business. Typically, our products and solutions generate higher revenue in the second half of the financial year due to our customers’ preference to conclude projects in accordance with their financial budgets’ approval procedures and usual business plan. See “Financial Information — Major Factors Affecting Our Results of Operations and Financial Condition — Company Specific Factors — Seasonality.” Any comparisons of our operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our financial condition and results of operations for future periods may continue to fluctuate, from time to time, due to seasonality.

### **We may experience any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases.**

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19 pandemic, avian influenza, severe acute respiratory syndrome, H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. During the Track Record Period, the COVID-19 pandemic, its

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recurrence and related travel restrictions temporarily prevented us from engaging with customers through in-person meetings and providing them with deployment and technical support services. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, 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 are also vulnerable to natural disasters and other calamities because our properties and information systems are susceptible to damage or disruption from fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks, or similar events. Any of the foregoing events may give rise to interruptions, damage to our property, breakdowns, system failures, technology platform failures, or internet failures, which could result in disruptions to our business operations and adversely affect our business, financial condition and results of operations.

**We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.**

We are susceptible to claims and various legal and administrative proceedings. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees or governmental entities in investigations and legal proceeding. In particular, we may be subject to product liability claims if our products contain significant defects. Products and solutions within the industry, such as those we develop, may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Given that many of our customers use our products and solutions in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue in our products and solutions could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, our customers may share information about their negative experiences on social media, which could damage our reputation and result in a loss of future sales.

Regardless of the merit of the particular claim, legal and administrative proceedings may be expensive, time-consuming or disruptive to our operations and distracting to management. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations, and our business, financial position, results of operations, prospects and reputation could be materially and adversely affected. In recognition of these considerations, we may enter into agreements to settle litigation and resolve such disputes. There is no assurance that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses. During the Track Record Period and up to the Latest Practicable Date, there was no legal or administrative proceeding pending or threatened against us that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, new legal or administrative proceedings and claims may arise in the future, which may cause us to incur defense costs, and our business and financial conditions could be materially and adversely affected.

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**We may not be able to obtain, maintain and protect our intellectual properties and prevent unauthorized use of our intellectual properties by third parties.**

We regard our trademarks, copyrights, patents, know-how, trade secrets and other intellectual properties as critical to our success and rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with our business partners prohibit the unauthorized use of our brands, images, characters, and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

In addition, our competitors and other third parties may register trademarks or purchase Internet search engine keywords or domain names that are similar to ours to cause confusion to our customers and drive potential customers from our business to theirs. Preventing such unfair competitive activity is inherently difficult. If we are unable to prevent such unauthorized use, our business, financial condition and results of operations could be adversely affected.

The application of PRC intellectual property laws, regulations and rules is continuously evolving, and enforcement of these laws, regulations and rules involves uncertainties. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive. Monitoring unauthorized use of our intellectual property and unfair competitive activity is difficult and costly, and we cannot assure you we will detect all such actions in a timely manner and that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

**We may need to defend ourselves against claims for intellectual property infringement, which may be time-consuming and would cause us to incur substantial costs.**

Our operations or any aspects of our business may infringe upon or otherwise violate trademarks, copyrights, patents, know-how, trade secrets or other intellectual property rights held by third parties. Holders of patents or other intellectual property rights purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, may seek to enforce patents or other intellectual property rights against us in PRC or any other jurisdictions. Furthermore, the application and interpretation of PRC laws relating to patents and other intellectual property rights and the procedures and standards for granting such patents or other intellectual property rights in PRC are still evolving and uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. As we face increasing competition from other competitors in China, there may be a higher risk for us to be subject to intellectual property infringement claims or other legal proceedings. We may incur additional costs in monitoring and detecting potential infringement. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own.

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### **Misconduct, non-compliance and omissions by our employees or third parties could harm our business and reputation.**

Misconduct and omissions by our employees could subject us to liability or negative publicity. Although we have implemented strict human resources risk management policies, and we have in place an employee handbook approved by our management and distributed to all our employees, which contains broad internal rules and guidelines and cover areas such as best commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations.

Misconduct and omissions by our business partners, including our various suppliers, service providers and customers, as well as other third parties who have entered business relationships with our business partners, could subject us to liability or negative publicity. Although we have strict standards to choose our service providers, they may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third party has infringed or will infringe any other parties’ legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

### **We are subject to anti-corruption, anti-bribery and other relevant laws and regulations, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses.**

We are subject to anti-corruption, anti-bribery and other relevant laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

### **We might be subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, results of operations, financial conditions and prospects could be adversely affected.**

Our operations may be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. For example, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to



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frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. Such potential restrictions, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology, products and solutions, hinder the stability of our supply chain, and may result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders that we cease or modify our existing business practices, any of which may have a material and adverse effect on our business, financial condition and results of operations.

**Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers which would affect our business, results of operations and financial condition.**

We have maintained insurance coverage which includes mandatory social insurance and director liability insurance. While our Directors are of the view that the amount of our insurance coverage is in line with the industry practice and is adequate for our operations, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. For example, we do not maintain keyman insurance, insurance policies covering damages to our network infrastructures or information technology systems, nor any insurance policies for our properties. In addition, our insurers will review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, results of operations, financial condition and prospects.

**Our shareholding structure is relatively dispersed and may subject us to uncertainties relating to changes in our shareholders or their corporate structures.**

Our shareholding structure is relatively dispersed and may be less stable than those of companies with controlling shareholders, and may subject us to uncertainties relating to changes in our Shareholders or their corporate structures. For example, if any of our current or future Shareholders are viewed as being ultimately controlled by non-PRC holding companies, it may impact whether we are viewed as having a sufficient level of our equity controlled by PRC shareholders for regulatory purposes. Furthermore, the corporate structures of our Shareholders may need to be changed in the future due to potential changes in applicable laws and regulations, which may lead to uncertainties in our shareholding structure.

**As some of our leased properties have title defects and did not complete registration procedures at relevant authorities, we may be required to cease occupation and the use of such leased properties.**

As of the Latest Practicable Date, we did not own any property, and operated our businesses mainly through leased properties. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be adversely affected. As of the Latest Practicable Date, lessors of four of our leased properties had not provided us with their property ownership certificates or any other documentation proving their rights

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to lease those properties to us, and the leases may be invalidated as a result. Furthermore, as of the Latest Practicable Date, we had not yet completed the registration of seven property lease contracts we entered into in the PRC. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each unregistered lease if we fail to complete the registration of any of the lease agreements within due time as required by the competent PRC government authorities. The estimated aggregate maximum penalty is RMB70,000 with respect to the unregistered leases of properties leased by us.

**If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or effectively manage our business and may experience errors or information lapses affecting our business.**

Our success depends on our ability to effectively implement our standardized management system, information systems, resources and internal controls. See “Business – Risk Management and Internal Control.” As we continue to expand, we will need to maintain, modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

### RISKS RELATING TO DOING BUSINESS IN CHINA

**Changes in China’s economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.**

During the Track Record Period, we generated substantially all of our revenue in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in China. In particular, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation could affect the business and economic environment, the growth of the industries we operate in and ultimately, the profitability of our business. The PRC economy differs from the economies of developed countries in many respects, including, among other things, level of economic development, growth rate, foreign exchange controls and resources allocation.

In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively refined or adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

**The PRC legal system is evolving, which leads to uncertainties that could adversely affect us.**

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce,

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taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People’s Court otherwise provides. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to investors and us.

### **The PRC government’s control over foreign currency conversion may limit our foreign exchange transactions.**

Currently, Renminbi still cannot be freely converted into any foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A portion of our revenue must be converted into other currencies to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. The value of Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in political and economic conditions in China and internationally and the fiscal and foreign exchange policies prescribed by the PRC government. Any devaluation of Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies.

### **Payment of dividends is subject to restrictions under PRC law.**

Under PRC law, dividends may be paid only out of distributable profit. Our distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to distribute dividend to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

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**We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.**

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the supporting guidance documents (collectively the “**Overseas Listing Regulations**”), which came into effect on March 31, 2023. See “Regulatory Overview — Regulations on Overseas Listing.”

As advised by our PRC Legal Advisor, we are required to go through the filing procedures with the CSRC under the Overseas Listing Regulations for the [REDACTED]. We will file with the CSRC within the specific time limit as required by the Overseas Listing Regulations and seek guidance from the relevant regulator and/or our legal advisors to ensure our compliance in all respects. Given that the Overseas Listing Regulations were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. In addition, it is uncertain whether we can or how long it will take us to complete such filings. If we could not complete such filing procedure, we will suspend or terminate our [REDACTED].

In addition, according to the Overseas Listing Regulations, any future issuance or listing after our [REDACTED] may also be subject to filing procedure of CSRC and we are also required to report certain material matters to CSRC after our [REDACTED]. Any failure to perform such filing or reporting procedure would subject us to administrative penalties by CSRC which could harm our reputation and may adversely affect our results of financial condition.

**We are subject to complex and evolving laws, regulations and governmental policies regarding data security, privacy and personal information. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and solutions and could subject us to significant legal, financial and operational consequences.**

In recent years, data security and privacy protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws and regulations on privacy protection and data security in the past few years. When conducting our business, we may have access to certain data of our users and therefore are subject to the privacy and data protection laws and regulations, including without limitation, the PRC Civil Code Law (《中華人民共和國民法典》), and the PRC Cybersecurity Law (《中華人民共和國網絡安全法》). Moreover, different regulatory bodies in PRC, including the MIIT, the CAC, the Ministry of Public Security, and the SAMR have enforced data security and privacy protections laws and regulations with various standards and applications. The various standards in enforcement of data privacy and protection laws have resulted in difficulties in ensuring full compliance and increase our operating cost, as we need to spend time and resources to comply with various such standards. Furthermore, the PRC regulatory and enforcement regime with regard to cybersecurity and data protection is still evolving. PRC regulators have been increasingly focused on regulation in the areas of cybersecurity and data protection. The following are examples of recent PRC regulatory activities in this area.

On August 20, 2021, the State Council promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information

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should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to rectify, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law 《中華人民共和國數據安全法》. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. See “Regulatory Overview – Regulations on Cyber Security and Data Protection.” Our legal advisor as to PRC data security law is of the view that the term of “listing on a foreign stock exchange (國外上市)” under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review. In the meantime, the Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. The exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear and the identification of critical information infrastructure operators is subject to specific identification rules stipulated by relevant industry regulators and the notice from the relevant regulators pursuant to the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》).

As of the Latest Practicable Date, no detailed rules or guidance with respect to the implementation of such regulations has been issued by any government authorities, and the Company and its PRC Subsidiary have not received any notification determining the Company or its PRC Subsidiary as “critical infrastructure information operator” from the relevant supervisory authorities. However, the exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws, and there can be no assurance that the relevant PRC government authorities would not determine us as “critical infrastructure information operator” in the future. In addition, it is possible that we may become subject to additional or new laws and regulations in this regard, particularly to cybersecurity and protection laws in other jurisdiction if we extend our business outside of the PRC in the future, which may result in additional expenses to us and subject us to potential liability and negative publicity.

Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Data Security Regulations”), which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing in a foreign country (國外上市); and (ii) the data processors’ listing in Hong Kong affects or may possibly affect national security. The Draft Data



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Security Regulations provide no further explanation or interpretation as to how to determine what constitutes “affecting national security.” As such, there remain uncertainties of interpretation, application and enforcement of the evolving relevant laws and regulations, and future regulatory changes may impose additional restrictions. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted.

As of the Latest Practicable Date, we had not received any investigation, notice, warning, or sanctions from applicable government authorities in relation to national security, including but not limited to cybersecurity review initiated by governmental authorities. In addition, we cannot predict the impact of the draft regulations, if any, at this stage, and we will pay close attention to and assess any development in the rule-making process. If the enacted version of the draft regulations mandate clearance of cybersecurity review and other specific actions to be completed by companies like us for the [REDACTED] or our future capital raising activities, or if we are subject to such ex officio cybersecurity reviews initiated by the government authorities, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, and revoking relevant business permits or business licenses, among other sanctions. See “Regulatory Overview – Regulations on Cyber Security and Data Protection.”

We have adopted various measures, including Board and management supervision and information access control, to ensure legal compliance. See “Business – Risk Management and Internal Control.” As confirmed by our legal advisor as to PRC data security law, during the Track Record Period and up to the Latest Practicable Date, we are in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects. However, the laws and regulations regarding data security and privacy protection in China, as well as other countries, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data security and privacy protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

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

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, almost all of our directors, supervisors and officers reside in China and substantially all of their assets are located in China. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

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On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement had not become effective, and no specific date had been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [REDACTED] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, supervisors, senior officers or holders of non-listed shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our H Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or in China. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in China by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

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### **Holders of H Shares may be subject to PRC taxation.**

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from China and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the PRC Enterprise Income Tax Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to personal income tax or enterprise income tax on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

See “Appendix III — Taxation and Foreign Exchange.”

### **RISKS RELATING TO THE [REDACTED]**

**There has been no prior public market for our H Shares, and their liquidity and market price may be volatile.**

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and [REDACTED] volume will develop and be sustained following the completion of [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] and us, and may not be an indication of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing

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policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

**Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before [REDACTED] of our H Shares begins.**

The [REDACTED] of our H Shares is expected to be determined on the [REDACTED]. However, our H Shares will not commence [REDACTED] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and [REDACTED] volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products and solutions or fluctuations in market prices for other companies operating in our industries could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time [REDACTED] begins.

**Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future.**

The market price of our H Shares could decline as a result of substantial future sales of our H Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing market price of our H Shares and our ability to raise future capital at a favorable time and price. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

**We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.**

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

## RISK FACTORS

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**If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price and [REDACTED] volume for our H Shares could decline.**

The [REDACTED] market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publishes negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or [REDACTED] volume of our H Shares to decline.

**We cannot assure you whether and when we will declare and pay dividends in the future.**

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information – Dividend.”

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

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates subject to changes resulting from the PRC government’s policies and depends on a large extent regarding domestic and international economic and political developments as well as supply and demand in the local market. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. 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.

Any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE’s approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.



## RISK FACTORS

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Should the [REDACTED] be higher than the net tangible book value per Share, subject to [REDACTED], you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] may be higher than the net tangible book value per Share immediately prior to the [REDACTED]. As a result, you and other purchasers of the [REDACTED] in the [REDACTED] may experience an immediate dilution, and our existing Shareholders will receive an increase in the net tangible assets per Share. To expand our business, we may consider offering and issuing additional H Shares in the future. Purchasers in the [REDACTED] may experience dilution further in the net tangible asset value per share if we issue additional H Shares in the future.

**We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.**

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from various official government publications. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], 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 included in this document 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 similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

**Forward-looking statements contained in this document are subject to risks and uncertainties.**

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

## RISK FACTORS

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**Investors should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.**

Prior to the publication of this document, there has been coverage in the media regarding us and the [REDACTED], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, prospective investors are cautioned to make their [REDACTED] decisions on the basis of the information contained in this document only and should not rely on any other information.