

RISK FACTORS

Potential investors should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the investment in our Shares. You should pay particular attention to the fact that we are an exempted company incorporated in the Cayman Islands and that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that of other countries. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our limited operating history and evolving business make it difficult to evaluate our prospects and the risks and challenges we may encounter.

We have a relatively short operating history and have continued to expand our business since our inception. We began our carpooling marketplace since 2014 and expanded our platform to connect riders with taxi drivers through our smart taxi services since 2017. We launched a cloud-based taxi management platform for taxi companies and associations in 2018 and launched *Taxi Smart Code* and *Taxi Hailing Assistant* in 2019 to further facilitate the digital transformation of China’s taxi industry. Our business may continue to evolve. As our serviceable addressable markets are rapidly evolving, and our business model has not been fully proven given our limited operating history, we may modify our business model and operations. We may launch new solution offerings or discontinue any existing ones for strategic purposes. Any of such modifications or changes may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our relatively limited operating history and evolving business make it difficult to evaluate our prospects and the risks and challenges we may encounter. These risks and challenges include our ability to:

- accurately forecast our revenue and budget for our expenses;
- enlarge our user base in a cost-effective manner;
- comply with existing and new laws and regulations applicable to our business;
- plan for and manage capital expenditures for our current and future product and service offerings;
- anticipate and respond to macroeconomic and industrial changes;
- maintain and enhance the value of our reputation and brand;
- effectively manage our growth;
- increase our market share in existing industries and expand into new industries;
- successfully expand our geographic reach;
- hire, integrate and retain talented people at all levels of our Company;
- ensure that users on our platform will fully comply with our policies and standards;

RISK FACTORS

- successfully develop new platform features, offerings and services to enhance the experience of our users;
- anticipate and adapt to evolving market conditions, including technological developments and changes in the competitive landscape; and
- effectively deal with outbreak of health pandemics, natural disasters and other calamities, such as COVID-19.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this “Risk Factors” section, our business, results of operations and financial condition could be materially and adversely affected. In addition, because we have limited historical financial data and operate in rapidly evolving markets, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or changed, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, results of operations and financial condition could be adversely affected.

The carpooling market is still at a nascent stage in China. If the market does not continue to grow, grows slower than we expect or fails to grow as large as we expect, our business, results of operations, financial condition and prospects could be materially and adversely affected.

China’s carpooling market is still relatively new, and it is uncertain to what extent market acceptance and demand of carpooling will continue to grow, if at all. Our success will largely depend on the public acceptance of carpooling and our services. If the general public do not perceive carpooling as beneficial, or choose to shy away from it due to safety concerns, whether as a result of safety incidents associated with our or our competitors’ services or otherwise, the carpooling market may stagnate, may develop more slowly than we expect or may not achieve the growth potential we expect, any of which could materially and adversely affect our business, results of operations and financial condition. For example, in 2018, certain vicious criminal incidents happened on a major mobility platform in connection with its carpooling services, and as a result, this player was required to temporarily suspend its carpooling services by regulators, accompanied by heightened safety concerns for carpooling among the general public, controversy over the business model and regulatory supervision of carpooling activities. Among other things, the MOT, the Ministry of Public Security of the PRC (中華人民共和國公安部) (the “MPS”), the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the “MIIT”), the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the “NDRC”), and six other ministries established a special safety inspection working group (安全專項檢查工作組) to carry out on-site joint safety inspection of major platforms providing online ride-hailing services or carpooling marketplace services, including our platform on September 13, 2018. After such inspection, the relevant authorities required us to further enhance our safety measures and improve the emergency response mechanism for our carpooling marketplace without providing specific material recommendations. We have since then implemented various heightened security measures, including engaging more third-party vendors for facial recognition, virtual number and real-name authentication services in connection with our heightened background checks and verification for private car owners and their vehicles. We have also established a 24/7 emergency response mechanism to deal with emergency safety issues in a timely manner. See “Business—Our Commitment to Trust and Safety.” We have reported our implementation of these heightened security measures to the relevant authorities and received no follow-up requests relating to the inspection. We did not and were not required by any regulators to cease the operation of our carpooling marketplace services following the abovementioned criminal incidents in 2018. We cannot assure you, however, that there will be no such incidents associated with carpooling activities in the future or that the regulators will not impose stricter scrutiny over, or even

RISK FACTORS

outright suspend, the operation of carpooling services in the aftermath. Should that happen, the prospects of the carpooling market will be materially and adversely affected and, accordingly, we may be required to incur significant operating and compliance costs, or even adjust or suspend our business practices.

In addition, China’s carpooling market may face challenges brought by, among others, alternative mobility options, relevant regulatory requirements and restrictions, and safety and privacy concerns, many of which are beyond our control. As a result, we cannot assure you that China’s carpooling market will not experience decline and retrogression. In addition, we cannot assure you that our carpooling marketplace will continue to result in commercial success in the rapidly evolving industry. For example, relevant laws and regulations may rapidly evolve, which may significantly increase the compliance costs associated with our business operations. Any of the foregoing risks and challenges could materially and adversely affect our business, results of operations, financial condition and prospects.

We face intense competition and could lose market share to our competitors, which could materially and adversely affect our business, results of operations and financial condition.

China’s mobility market is intensely competitive and characterized by rapid changes in technology, shifting user preferences, and frequent introductions of new services and offerings. We expect competition to continue, both from current competitors and new entrants in the market that may be well-established and enjoy greater resources or other strategic advantages. If we are unable to anticipate or react to these competitive challenges, our competitive position could weaken, or fail to improve, and we could experience growth stagnation or even a decline in revenue that could materially and adversely affect our business, results of operations and financial condition.

Certain of our competitors have greater financial, technical, marketing, research and development, manufacturing and other resources, greater name recognition, longer operating histories or a larger user base than we do. They may be able to devote greater resources to the development, promotion and sale of offerings and offer lower prices than we do, which could adversely affect our results of operations. Further, they may have greater resources to deploy towards the research, development and commercialization of new technologies, or they may have other financial, technical or resource advantages. These factors may allow our competitors to derive greater revenue and profits from their existing user bases, enlarge their user base at lower costs, or respond more quickly to new and emerging technologies and trends. Our current and potential competitors may also establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and offerings.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- our ability to scale up user base by attracting and retaining riders, private car owners and taxi drivers;
- our ability to provide superior user experience;
- our ability to maintain and improve our safety mechanism;
- the popularity, price, utility, ease of use, performance and reliability of our offerings compared to those of our competitors;
- our reputation and brand strength relative to our competitors;
- our ability to expand cooperation relationships or strategic partnerships with taxi companies and associations, as well as other business partners;

RISK FACTORS

- our ability, and the ability of our competitors, to develop new offerings;
- our ability to maintain business integrity;
- changes mandated by, or that we elect to make to address, evolving legislation and requirements by regulatory authorities;
- our ability to fully comply with relevant laws, regulations, rules, policies and guidelines, as well as address disputes, proceedings, settlements, judgments, injunctions and consent decrees;
- our ability to attract, retain and motivate talented employees;
- our ability to raise additional capital; and
- acquisitions or consolidation within our industry.

If we are unable to compete successfully, our business, results of operations and financial condition could be materially and adversely affected.

If we are unable to effectively execute our strategy to facilitate the digital transformation of China’s traditional taxi industry, our business growth and prospects may be materially and adversely affected.

We launched our smart taxi services in October 2017 to facilitate the digital transformation of China’s traditional taxi industry through our taxi online-hailing services and a range of digital toolkits. Our initiatives, however, may not be appreciated by stakeholders in the market as an upgrade or a supplement to the conventional taxi services, and our offerings may not achieve broad market acceptance, or at all. For example, riders may prefer competitors’ platforms to ours for a variety of reasons, including prices, availability of services in different regions, and features of the mobile apps and the online platform. We may also fail to promote our *Taxi Smart Code* and *Taxi Hailing Assistant* nationwide or receive the expected user acceptance for our in-app functions, such as *Intelligent Taxi Roaming*. In addition, although we have entered into cooperation arrangement with many municipal taxi associations and taxi companies, we cannot assure you that we will not be subject to any material modification, termination or cancellation of such cooperation arrangements in the future. They may consider our platform not as beneficial as they expect and may elect to cooperate with other service providers.

Uncertainties associated with the execution of our strategy include relevant regulatory requirements, concerns regarding cybersecurity and privacy, and market standards and policies issued by taxi companies and associations. If we fail to cope with these uncertainties and effectively execute our strategy in the traditional taxi industry, we may fail to improve the efficacy and efficiency of China’s traditional taxi industry, and our business growth and prospects may be materially and adversely affected.

We are subject to uncertainties associated with regulations in the carpooling market. Non-compliance with or changes to the regulations or licensing regimes may materially and adversely affect our business, results of operations and financial condition.

China’s carpooling market is still at a nascent stage and is rapidly evolving. The relevant laws and regulations typically apply to ride-hailing services and fail to directly address our business model and our carpooling and smart taxi services. On July 26, 2016, the General Office of the State Council promulgated the Guidelines on Deepening Reform and Promoting the Healthy Development of the Taxi Industry (國務院辦公廳關於深化改革推進出租汽車行業健康發展的指導意見), which acknowledges that carpooling has mutual benefits to the participants and distinguishes it from online ride-hailing. Laws and regulations

RISK FACTORS

governing ride-hailing services do not apply to carpooling services. For example, the Interim Measures for the Management of Online Ride-Hailing Operation and Service (網絡預約出租汽車經營服務管理暫行辦法) as amended on November 30, 2022, which require ride-hailing service platforms and drivers on those platforms to obtain certain licenses and permits, explicitly exclude carpooling from the prescribed licensing regime.

In addition, local authorities in various localities in China have promulgated rules to regulate and monitor platforms operating carpooling services. See “Regulations—Regulations on Carpooling Services.” As the application, interpretation and implementation of these rules and other relevant laws and regulations remain uncertain, we cannot assure you that we are always deemed in full compliance with these local rules and we have been, and may continue to be, subject to claims, lawsuits, arbitrations, administrative actions, government investigations and other legal and regulatory proceedings. During the Track Record Period, we were occasionally subject to administrative penalties imposed by certain local transportation authorities, purportedly citing the lack of the relevant license based on the licensing regime that applies to online ride-hailing services, primarily because (1) the enforcement personnel may have confused carpooling with online ride-hailing, and (2) there is a lack of other rules that authorize the enforcement personnel to impose administrative penalties for reasons unrelated to the nature of our business as a carpooling marketplace service provider. During the Track Record Period, there were 57 accumulative instances of administrative penalties in relation to our carpooling marketplace, 36 of which have been subsequently revoked as of the date of this document. The remaining 21 instances of administrative penalties ranged from RMB5,000 to RMB30,000 each, totaling approximately RMB0.55 million. See “Business—Regulations on Carpooling Services and Administrative Penalties” for details. Based on the nature of our business as a carpooling marketplace service provider, the current licensing regime, and the regulatory assurance obtained from on-site consultations, our PRC legal advisors are of the views (1) that we legally operate our business as a carpooling marketplace operator without being subject to the licensing requirement applicable to ride-hailing service providers, (2) that the abovementioned incidents, individually or in the aggregate, would not constitute material administrative penalties that may result in any material financial loss or cause any rectification or suspension of our operations and would not have a material and adverse effect on our business, results of operations or financial condition, and (3) that such administrative penalties would not affect the nature of our business as a carpooling marketplace service provider or subject us to the licensing requirement applicable to ride-hailing service providers. We cannot assure you, however, that the relevant regulatory authorities would not change their view regarding the current licensing regime or investigate or challenge our operations in the future for any reason, including alleged noncompliance under their enforcement policies, or that new laws and regulations would not be enacted to require licensing for carpooling service providers. If we fail to obtain the relevant approvals, licenses or permits, if and to the extent required, for operating our carpooling marketplace, or if we fail to fully comply with any applicable regulatory requirements, we could be subject to fines, warnings, or even criminal liabilities, and we could also be required to substantially modify the affected portion of our business. In addition, we may incur significant compliance costs due to our efforts to fully comply with laws and regulations in various localities, the provisions and interpretations of which may differ from each other. Any of the foregoing could have a material and adverse effect on our business, results of operations and financial condition.

An evolving market may also bring forth significant changes in the laws and regulations and in the regulatory landscape. The PRC government may increase the level of regulatory scrutiny on all mobility platforms, including carpooling platforms. For example, government departments have initiated, and may continue to initiate, meetings for various new transportation platform companies (交通運輸新業態平台公司), including us, to address public concerns or reiterate regulatory requirements. In addition, new laws and regulations may be enacted to the disadvantage of our business. Regulators may also view matters or interpret current laws and regulations differently than they have in the past or in a manner adverse to our business. We may fail to adapt to such changes timely and effectively, and we may incur significant compliance costs in this process. Any heightened regulatory scrutiny or action may impose conflicting obligations on us, which could impede our ability to continue our operations and, in turn, materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the COVID-19 pandemic, could have a material adverse effect on our business, results of operations and financial condition.

Our business could be materially and adversely affected by natural disasters and extreme weather conditions, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as the COVID-19 pandemic, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of contagious diseases or other adverse public health developments in China or elsewhere could materially disrupt our business and operations.

For example, during the Track Record Period, government efforts to contain the spread of COVID-19, including “stay-at-home” advice, widespread business closures, travel restrictions and emergency quarantines, have caused significant and unprecedented disruptions to the global economy and normal business operations across sectors and countries. Particularly, these restrictive measures, such as workplace closures and travel restrictions, had adversely affected the demand and supply of carpooling and taxi services during the COVID-19 outbreak. As a result, the carpooling and taxi industries in China have been negatively impacted, which in turn materially and adversely affected our business, results of operations and financial condition. We therefore experienced a decrease in the total number of carpooling rides in the nine months ended September 30, 2022, as compared to the same period in 2021, primarily due to the regional resurgence of COVID-19 in multiple localities. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information—COVID-19 Outbreak and Effects on Our Business.”

We cannot assure you that our business volume and growth rate will fully recover in the near future due to the uncertainties associated with the development of the pandemic. Specifically, the PRC governments at all levels have strategically adjusted pandemic prevention policies and significantly lift the restrictive measures aimed at controlling the spread of the COVID-19 virus since December 2022, and there had been a noticeable uptick in infections among people, which could result in enterprises imposing their own alternative working arrangements. If the COVID-19 pandemic persists, or if a significant portion of the population is infected with the virus, which may prompt changes in governmental policies and measures, and our business, results of operations and financial condition could be affected. To the extent that future waves of COVID-19 infections disrupt normal business operations and traveling in China, we may face disrupted market demand and operational challenges with our services. We are closely monitoring the development of the pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, we cannot estimate with any degree of certainty the full impact of the COVID-19 pandemic on our financial condition and future results of operations. The ultimate impact of the COVID-19 pandemic and related mitigation efforts will depend on future developments, including the duration of the COVID-19 pandemic, the acceptance and effectiveness of vaccines, the impact of COVID-19 and related containment and mitigation measures on our users, corporate customers, contractors, and employees, workforce availability, and the timing and extent to which normal economic and operating conditions resume.

We are also vulnerable to natural disasters and other calamities. We cannot assure you that our technological infrastructure will be adequate to protect us from the effects of 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 server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services on our platform.

RISK FACTORS

If we fail to cost-effectively attract and retain users, including riders, private car owners and taxi drivers, or to increase utilization of our platform by existing users, our business, results of operations and financial condition could be materially and adversely affected.

Our success depends in part on our ability to cost-effectively enlarge our rider pool, retain existing riders and increase their utilization of our platform. Our riders have a wide variety of mobility options, including personal vehicles, rental cars, public transit and online ride-hailing services. Rider preferences may also change from time to time. To expand our rider pool, we must appeal to new riders who have historically used other forms of mobility and educate the market of the benefits of carpooling. We believe that our sales and marketing initiatives have effectively promoted awareness of our offerings, which in turn drives the growth of our rider pool and the utilization rate of our marketplace. However, our reputation, brand and ability to build trust with existing and new riders may be materially and adversely affected by complaints and negative publicity about us, our offerings, private car owners or taxi drivers on our platform, or our competitors, even if factually incorrect or based on isolated incidents. Further, if existing and new riders do not perceive our offerings to be reliable, safe and affordable, or if we fail to upgrade features of our platform, we may not be able to attract or retain riders or to increase their utilization of our platform. As we continue to expand into new geographic areas, we will be relying in part on referrals from our existing riders to attract new riders and, therefore, we must take efforts to ensure that our existing riders remain satisfied with our offerings.

Our continued growth also depends in part on our ability to cost-effectively attract and retain qualified private car owners and taxi drivers who satisfy our screening criteria and procedures, and to increase their utilization of our platform. To attract and retain qualified private car owners, we have, among other things, offered sign-up and referral bonuses for private car owners. To attract and retain qualified taxi drivers, we have, among other things, cooperated with certain municipal taxi associations and taxi companies. However, we may fail to retain and attract qualified private car owners and taxi drivers due to a number of reasons, such as our failure to provide subsidies that are comparable or superior to those of our competitors. Other factors beyond of our control, such as increases in the price of gasoline, vehicles or insurance, and the vehicle quantity control of PRC government, may also reduce the number of private car owners and taxi drivers on our platform or their utilization of our platform.

Our failure to continuously attract and retain users and to increase utilization of our platform would impair the network effect of our platform, which would in turn materially and adversely affect our business, results of operations and financial condition.

If our safety mechanism fails to ensure user safety while using our platform, our business, results of operations and financial condition could be materially and adversely affected.

According to the Emergency Notice on Further Strengthening the Safety Management of Online Reservation of Taxis and Carpooling of Private Vehicles (關於進一步加強網絡預約出租汽車和私人小客車合乘安全管理的緊急通知) jointly promulgated by the General Office of the MOT and the General Office of the MPS on September 10, 2018, carpooling platforms shall implement background checks on all private car owners by reference to relevant requirements of taxi driver background check and supervision. Specifically, platforms shall strictly standardize the management of order matching, shall not assign orders to private car owners before completing background checks, and shall apply facial recognition and other technologies to check the consistency between vehicles and private car owners before order matching.

We have a comprehensive safety mechanism in place to build up trust among our users and ensure the safety level, including conducting background checks to screen our existing and potential private car owners and taxi drivers and their vehicles to identify those that are not qualified to utilize our platform pursuant to applicable laws and regulations or our internal standards. In addition, we apply facial recognition technologies to verify the identity of the private car owners and taxi drivers before order

RISK FACTORS

matching, as well as various safety measures through mobile apps, such as one-button emergency calls, to protect riders during the trips. We have also established 24/7 emergency response mechanism to deal with emergency safety issues. See “Business—Our Commitment to Trust and Safety” and “Business—Customer Service.”

We cannot assure you, however, that our safety mechanism will always meet our expectations or the requirements under applicable laws and regulations, and that we will always be able to filter out unqualified private car owners and taxi drivers or timely respond to and deal with emergency matters. We may also fail to effectively control the behaviors of our private car owners and taxi drivers, or cause them to fully comply with our platform policies and standards. See “—Illegal, improper or otherwise inappropriate activities of users while utilizing our platform could expose us to liabilities and harm our reputation, business, results of operations and financial condition.” Any negative publicity resulting from any failures, mistakes or omissions of our safety mechanism, including any safety incidents or data security breaches, could materially and adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure. If our safety mechanism fails to ensure user safety while using our platform, our business, results of operations and financial condition could be materially and adversely affected.

Our failure to offer satisfactory user experience may harm our relationship with users and materially and adversely affect our business, results of operations and financial condition.

Our ability to attract and retain users depends, in part, on the ease and reliability of our offerings, including our ability to offer satisfactory user experience. For example, our carpooling matches riders with private car owners along similar travel itineraries, leveraging our advanced technologies, and allows a private car owner to pick up multiple unrelated riders per trip upon all parties’ consent. Our match algorithm attempts to match a rider with other riders with similar travel itineraries, if they indicate that they may travel with co-riders while requesting a carpooling trip. In each instance, our algorithms review and consider several variables, including location, distance, time, traffic and other real-world factors such as weather or local events. However, if our matching algorithm fails to match carpooling riders and private car owners or co-riders accurately and efficiently, we will impair their user experience with longer wait time or significant detours.

In addition, users on our platform rely on our support team to resolve any issues relating to our offerings, such as being overcharged for a ride, leaving something in a driver’s vehicle or reporting a safety incident. We have dedicated in-house and outsourced customer service staff responsible for dealing with emergency safety issues. They can be reached 24 hours a day and seven days a week to assist our users who encountered any perceived physical threat during a ride, including, among others, abuse, assault, false imprisonment and sexual harassment. However, we cannot assure you that such emergency help performed by our customer service staff will be effective and our users may experience economic loss or physical injury during safety incidents.

As we continue to grow our business and improve our offerings, we will face challenges in providing satisfying user experience at scale. Our failure to do so could harm our relationships with users and make our platform become less attractive compared with our competitors, which may materially and adversely affect our ability to attract and retain users. As a result, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

Illegal, improper or otherwise inappropriate activities of users while utilizing our platform could expose us to liabilities and harm our reputation, business, results of operations and financial condition.

Illegal, improper or otherwise inappropriate activities by users while utilizing our platform could expose us to liabilities and materially and adversely affect our reputation, business, results of operations and financial condition. These activities may include abuse, assault, theft, false imprisonment, drug-trafficking, sexual harassment, identity theft, unauthorized use of credit and debit cards or bank accounts, and other misconduct. Furthermore, if private car owners and taxi drivers on our platform are involved in criminal activities, fraud or misconduct, such as speeding, drowsy driving and other traffic violations, operating beyond licensed scope, using our platform as a conduit for criminal or fraudulent activities, last-minute price hiking, significant detours, or otherwise violating our platform’s terms and conditions in ways which we are unable to detect, we could face negative press coverage or regulatory inquiries, fail to collect accurate transaction information or even incur economic losses, which would adversely affect our brand, reputation, and business. While we have implemented various measures to anticipate, identify and address risks associated with these activities, we may not adequately address or prevent all illegal, improper or otherwise inappropriate activities by our users.

At the same time, if the measures we have taken to guard against these illegal, improper or otherwise inappropriate activities are too restrictive and inadvertently prevent qualified private car owners, riders and taxi drivers otherwise in good standing from using our platform, or if we are unable to implement and communicate these measures fairly and transparently or are perceived to have failed to do so, the growth and retention of our users and their utilization of our platform could be negatively impacted. For example, if we cannot complete background checks of potential private car owners and taxi drivers who apply to utilize our platform on a timely basis, we may not be able to onboard potential private car owners and taxi drivers in time and, as a result, our platform may be less attractive to qualified private car owners and taxi drivers.

Furthermore, any negative publicity related to the foregoing, whether such incident occurred on our platform or on our competitors’ platforms, could materially and adversely affect our reputation and brand and more importantly, public perception of the carpooling and taxi industries as a whole, which could negatively affect the demand for platforms like ours, and potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could harm our business, results of operations and financial condition.

We have been involved, and may continue to be involved, in legal and other disputes from time to time arising out of our operations.

We have been, and may continue to be, involved in legal and other disputes arising from our ordinary course of business. We may also be subject to claims, lawsuits, investigations and other legal proceedings relating to injuries to, or deaths of, users on our platform or third parties that are attributed to us through our offerings. In addition, we may be subject to claims alleging that we are directly or vicariously liable for the acts of private car owners and taxi drivers on our platform. We have entered into a platform service agreement with riders, private car owners and taxi drivers on our platform, pursuant to which we have no liability for any claims arising from trips facilitated through our platform or disputes between riders and private car owners and/or taxi drivers. However, we cannot assure you that we will not be named as a co-defendant in lawsuits filed against our users in the future, or that we will not be subject to joint and several or other liabilities resulting from relevant legal proceedings. For example, riders in the past asserted legal claims against us in connection with inappropriate actions of private car owners who utilized our platform to provide rides. See “Business—Litigation” for details.

RISK FACTORS

Such proceedings or claims, regardless of their outcomes, could harm our reputation, divert our management’s attention and cause us to incur a substantial amount of legal expenses. In particular, any existing or potential investigations of injuries to, or deaths of, any riders, private car owners or taxi drivers could harm the general public’s perception of our offerings. If the outcomes of these legal proceedings are unfavorable to us, we will face significant legal liabilities and suffer financial or reputational damages, which could materially and adversely affect our business, results of operations and financial condition.

We expect that the number of such proceedings and claims, and the corresponding expenses, will continue to increase as our business grows and we face increasing public scrutiny. Meanwhile, our insurance policies and programs may not provide sufficient coverage to adequately mitigate the potential liability we face, and we may have to pay high premiums or deductibles for our coverage and, for certain situations, we may not be able to secure coverage at all. See “—We rely primarily on third-party insurance policies to insure the automobile-related risks relating to our carpooling services. If our insurance coverage is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business, which could adversely affect our business, results of operations and financial condition.”

Changes to pricing for our carpooling marketplace services could materially and adversely affect our ability to attract or retain riders and qualified private car owners.

Demand for our carpooling marketplace services is sensitive to ride fares, which takes into consideration, among other things, incentives paid to private car owners and our service fees. Our pricing strategies could be affected by a number of factors, including operating costs, legal and regulatory requirements or constraints, our current and future competitors’ pricing and marketing strategies, and the perception of ride fares as a non-compensatory sharing of travel cost by private car owners. Some competitors have, or may in the future develop, different pricing mechanisms. Some competitors may use marketing strategies to attract or retain riders and qualified private car owners at lower costs than us. Certain competitors may also attract and retain riders and qualified private car owners with significant subsidies. As such, we may be forced by competition, regulation or other reasons to reduce our service fees, increase incentives we pay to private car owners on our platform, or to increase our marketing and other expenses. Furthermore, our users’ price sensitivity may vary by geographic locations, and as we expand, our pricing methodologies may not enable us to compete effectively in these locations. We may launch new pricing strategies and initiatives, or modify existing pricing methodologies, any of which may not ultimately be successful in attracting and retaining riders and qualified private car owners.

Termination or deterioration of our strategic partnerships or cooperation with taxi companies and associations and regulators may adversely affect our business.

We have formed strategic partnerships or cooperation with taxi companies and taxi associations in various cities. We maintain good relationship with regulators through regular communications. In cooperation with governmental research institutions, we assist in designing industry standards for carpooling services, and contribute to promote the digital transformation of China’s taxi industry. If our strategic partnerships or cooperation with taxi companies and associations and regulators is terminated or curtailed, or if we are no longer able to benefit from the synergies of such strategic partnerships or cooperation, our business, results of operations and financial condition could be adversely affected.

Our marketing efforts to help grow our business may not be effective.

Promoting public awareness of our offerings is important to grow our business and enlarge our user base, and can be costly. We currently conduct our marketing activities through referrals by existing users, coupons for discounted trips, social media, application stores, search engine optimization and keyword search campaigns. We have also introduced a loyalty program to increase user engagement. Our selling

RISK FACTORS

and marketing expenses were RMB223.4 million, RMB225.9 million, RMB175.9 million and RMB175.4 million in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively, representing 29.6%, 32.8%, 30.1% and 41.0% of our total revenue in the same periods, respectively. At an earlier development stage of our business, we provided various forms of subsidies and incentives, such as coupons and cash awards, to acquire users and improve their stickiness to our platform. Driven by the improved acceptance of our platform and the resulting strategic adjustment to our marketing approach, we have increasingly relied on word-of-mouth referrals to promote our platform and generate rides. Our marketing initiatives may become increasingly costly, and generating a meaningful return on those initiatives may become more difficult. The increase in revenue resulting from our marketing efforts may not offset the additional marketing expenses we incur. We also cannot assure you that our marketing efforts will always be successful in promoting public awareness of our offerings, enlarging our user base and increasing the user engagement level, or that if we are able to cost-effectively manage our marketing expenses. Any of the foregoing risks could materially and adversely affect our business, results of operations and financial condition.

Any significant disruption in service on our platform, malfunctions of our technology systems, errors and quality issues in our software, hardware and systems, or human errors in operating these systems, could materially and adversely affect our business, results of operation and financial condition.

Our business is dependent on the ability of our information technology systems to process massive amounts of information and transactions in a consistently stable and timely manner. Our IT infrastructure in Beijing is hosted by third-party service providers. The satisfactory performance, reliability and availability of our technology and underlying network infrastructure are critical to our operations, service quality, reputation and ability to retain and attract users. We cannot guarantee that access to our platform will be uninterrupted, error-free or secure. Our operations depend on the ability of the host of our system hardware to protect its and our systems in its facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or criminal acts. If our arrangement with the current host is terminated, or there is a lapse of service or damage to the host's facilities, we could experience interruptions in our service as well as delays and incur additional expenses in arranging new facilities. In the event of a partial or complete failure of any of our computer systems, our business activities would be materially disrupted. In addition, a prolonged failure of our information technology system could damage our reputation and materially and adversely affect our prospects and profitability.

We have experienced, and may continue to experience, system failures and other events or conditions from time to time that interrupt the availability or reduce or affect the speed or functionality of our offerings. These events have resulted in, and similar future events could result in, losses of revenue. A prolonged interruption in the availability or reduction in the availability, speed or other functionality of our services could adversely affect our business and reputation and could result in the loss of users. Also, our software, hardware and systems may contain undetected errors, that could have a material adverse impact on our business, particularly where such errors are not timely detected and remedied. In addition, our platform and services use complex software, and may have coding defects or errors that may impair our users' ability to use our platform and services. The models and algorithms that we use for our platform and services may also contain design or performance defects that are not detectable even after extensive internal testing. We cannot assure you that we would be able to detect and resolve all such defects and issues through our quality control measures.

RISK FACTORS

Any errors, defects and disruptions in services, or other performance problems with our platform and services could hurt our reputation, affect user experience or cause economic loss or other types of damage to our users. Software and system errors or human errors could delay or inhibit order dispatching, matching of carpooling users, route calculation, settlement of payments, and reporting of errors, or prevent us from collecting service fees or providing services. Such issues could result in liabilities and losses, which could have a material and adverse effect on our business, results of operations and financial condition. In addition, if we fail to adopt new technologies or adapt our mobile apps, websites and systems to changing user preferences or emerging industry standards, our business and prospects may be materially and adversely affected.

Overall tightening of the labor market or any possible labor unrest may affect our business.

We entered into labor outsourcing agreements with independent labor service providers who designate staff to provide customer services and verification services. We consider that these arrangements afford us a lean and flexible human resources structure, allowing us to focus on our core business and timely respond to industry trends. Under the labor outsourcing agreements, we pay service fees to the labor service providers, who then pay for the salaries, social insurances and housing reserve fund contributions, and other welfare benefits for their designated staff in accordance with relevant PRC laws and regulations.

During the Track Record Period, we did not experience any labor shortage. However, we have observed an overall tightening and increasingly competitive labor market in China. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. We compete with other companies in our industry and other labor-intensive industries for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If we are unable to manage and control our labor costs, our business, results of operations and financial condition may be materially and adversely affected.

During the Track Record Period, we were not subject to any material labor disputes initiated by our employees or our outsourced staff. We cannot assure you that we will not be subject to labor disputes and related legal or administrative proceedings in the ordinary course of business in the future. Any labor unrest directed against us could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, lead to decreases in our revenue. We are not able to predict or control any labor unrest. Further, labor unrest may affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, results of operations and financial condition.

If we fail to obtain and maintain the requisite licenses and approvals, or if we are required to take compliance actions that are time-consuming or costly, our business, results of operations and financial condition may be materially and adversely affected.

As advised by our PRC legal advisors, as of the Latest Practicable Date, we had obtained all licenses and permits and made all necessary filings that are essential to the operation of our business, many of which are generally subject to regular government review or renewal. During the Track Record Period, we did not have incidents of material non-compliance with respect to the aforementioned licenses, permits and filings. However, we cannot assure you that we can successfully update or renew all requisite licenses in a timely manner or that these licenses are sufficient to conduct all of our present or future business. If the relevant authorities determine that our platform has not obtained the requisite licenses or our operations are not in compliance with the relevant regulations, we may be required to suspend our operations, which may cause significant loss of our users and materially and adversely affect our business, results of operations and financial condition. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various activities, including the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

We rely primarily on third-party insurance policies to insure the automobile-related risks relating to our carpooling services. If our insurance coverage is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business, which could adversely affect our business, results of operations and financial condition.

We have been subject to claims arising primarily from our carpooling marketplace services for automobile-related incidents, including bodily injury, property damage and uninsured and underinsured liability. We procure third-party insurance providers for insurance policies which provides the public liability insurance. We do not hold insurance policy for our smart taxi services.

If we were held liable to these automobile-related claims under court orders and the amounts exceed our applicable aggregate coverage limits, we would bear the excess, in addition to amounts already incurred in connection with deductibles or otherwise paid by our insurance provider. Insurance providers have raised premiums and deductibles for many businesses and may do so in the future. As a result, our insurance and claims expenses could increase, or we may decide to raise our deductibles when our policies are renewed or replaced. In addition, our insurance providers might be subject to regulatory actions from time to time. Our business, results of operations and financial condition could be adversely affected if cost per claim, premiums or the number of claims significantly exceeds our historical experience and coverage limits, we experience a claim in excess of our coverage limits, our insurance providers fail to pay on our insurance claims, we experience a claim for which coverage is not provided, or the number of claims under our deductibles differs from historic averages.

Our business involves collection, storage, processing and transmission of a large amount of data and may be subject to complex and evolving regulations and oversight related to cybersecurity, information security, privacy and data security. If we fail to comply with the relevant laws and regulations, our business, results of operations and financial condition may be adversely affected.

Our business involves the collection, storage, processing and transmission of our users’ identification information, transaction information and other sensitive data. We are subject to a variety of laws and regulations regarding cybersecurity, information security, privacy and data security, including restrictions on the collection, storage and use of personal information and requirements to take steps to prevent personal data from being divulged, stolen, or tampered with. See “Regulations—Regulations on Cybersecurity, Data Security and Protection of Personal Information.”

The regulatory framework for data privacy protection in China is rapidly evolving and is likely to remain uncertain for the foreseeable future. For example, on June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法), which took effect on September 1, 2021. The Data Security Law, among other things, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (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 (1) the processing of personal information 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 (2) 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. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities processing personal information shall bear responsibilities for their personal information processing activities and adopt necessary measures to safeguard the security of the personal information they process. Otherwise, the entities processing personal information could be ordered to correct, suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

RISK FACTORS

On December 28, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the “CAC”), the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (網絡安全審查辦法), which became effective on February 15, 2022 and replaced the Measures for Cybersecurity Review published on April 13, 2020. Pursuant to the Cybersecurity Review Measures, the purchase of network products and services by an operator of critical information infrastructure or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, network platform operators with personal information of over one million users shall be subject to cybersecurity review before [REDACTED]. Our PRC legal advisors have advised us that Hong Kong does not fall within the definition of “abroad” in the provision. Therefore, although we possess more than one million users’ personal information, our PRC legal advisors are of the view that the requirement is not applicable to us given that we are seeking a [REDACTED] in Hong Kong instead of abroad. Furthermore, as of Latest Practicable Date, we had not been notified by any PRC government authorities of being classified as a critical information infrastructure operator (關鍵信息基礎設施運營者) (“CIIO”), so we are not required to apply for the cybersecurity review which is applicable for CIIOs that procure internet products and services that affect or may affect national security. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to their interpretation, application and enforcement. In particular, pursuant to the Cybersecurity Review Measures, the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security.

On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (網絡數據安全管理條例(徵求意見稿)) (the “Draft Cyber Data Security Regulations”), which provides that data processors conducting the following activities shall apply for cybersecurity review: (1) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (2) [REDACTED] of data processors processing over one million individuals’ personal information; (3) [REDACTED] which affects or may affect national security; or (4) other data processing activities that affect or may affect national security. As of the Latest Practicable Date, the Draft Cyber Data Security Regulations have not been enacted or taken effect, and there had been no clarifications from the authorities as of the Latest Practicable Date as to the standards for determining the activities that “affects or may affect national security” and there is no timetable as to when it will be enacted. As advised by our PRC legal advisors, the PRC government authorities may have broad discretion in the interpretation of what activities “affect or may affect national security.” As of the Latest Practicable Date, (1) we had not been notified by any PRC government authorities of being classified as a CIIO; (2) we had formulated effective cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data, and there had been no material data leakage during our business operations during the Track Record Period and up to the Latest Practicable Date; (3) we had not received any inquiry, notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or [REDACTED]; and (4) the data we collect and generate within the territory of mainland China was stored within the territory of mainland China, and our daily operations and [REDACTED] had not been involved in cross-border transfer of identified core data, important data or a large amount of personal information. On January 31, 2023, our PRC legal advisors and the PRC legal advisors to the Joint Sponsors conducted a telephonic consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRC”), which is the competent authority according to our PRC legal advisors. The CCRC confirmed that (1) the term of [REDACTED] under the Cybersecurity Review Measures does not apply to [REDACTED], and thus we are not required to proactively submit an application for [REDACTED]; and (2) since the Draft Cyber Data Security Regulations has not become effective or been formally implemented, currently we are not required to apply for [REDACTED].

RISK FACTORS

If the Draft Cyber Data Security Regulations were implemented in its current form, our Directors believe that our business operations and financial performance will not be materially and adversely affected, and there are currently no substantive obstacles for us to fulfill the obligations that may be applicable to us in all material respects, on the basis that (1) as of the Latest Practicable Date, we had not been subject to any material fine or administrative penalty, mandatory rectifications, or other sanctions by any competent authorities in relation to the infringement of cybersecurity and data protection laws and regulations; and there had been no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which would have material adverse impact on our business operations; (2) we had not been involved in any investigations on cybersecurity review initiated by the CAC nor had we received any inquiry, notice, warning, or sanctions in such respect; (3) we had implemented effective cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data; and (4) we continuously followed the legislative and regulatory development in cybersecurity and data protection, maintained ongoing communication with relevant government authorities and implemented all necessary measures in a timely manner to ensure continuous compliance with the relevant laws and regulations. Based on the aforesaid and the consultation with the CCRC, our PRC legal advisors do not foresee any material legal impediment for our Company to undertake measures to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations should they be adopted in the current form in all material respects. However, our PRC legal advisors have also advised us that, given that (1) there is no clear explanation or interpretations as to how to determine what activities “affect or may affect national security” under the current effective PRC laws and regulations, (2) the identification of critical information infrastructure operators and the scope of network products or services and data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant PRC government authorities, and (3) the PRC government authorities have discretion in interpreting the regulations, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal advisors.

In addition, on July 7, 2022, the CAC promulgated the Data Outbound Transfer Security Assessment Measures (數據出境安全評估辦法) (the “Security Assessment Measures”), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border data transfer during our daily operations. We do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer. However, since the Security Assessment Measures was newly promulgated, there are uncertainties as to its interpretation and application. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

Since many of the PRC laws and regulations on cybersecurity and privacy and data privacy are constantly evolving, there are uncertainties as to the interpretation and application of these regulations and how these will be enforced by relevant regulatory authorities, there also remain uncertainties as to the applicability and requirements of these regulations for our business operations or our presence in China. We cannot assure you that the measures we have taken or will take in the future will be effective or fully satisfy the relevant regulatory requirements, and any failure or perceived failure by us to comply with such laws and regulations may result in regulatory investigations, fines, removal of our app from the relevant application stores and/or other sanctions on us. In light of the fact that (1) we generate and use personal information of our users with their prior consent per requirements under applicable laws; (2) we only generate and use personal information of our users to the extent necessary for the performance of our services; (3) we have implemented certain policies and rules on personal information protection; (4) we have taken necessary measures, including entering into confidentiality agreements with our employees to

RISK FACTORS

prevent leakage of personal information; (5) we have installed anti-virus and firewall software in our office system to prevent data attack, leakage and tampering, and we upgrade such software from time to time and carry out inspection to detect virus intrusion on a regular basis; (6) we have provided training to our employees to ensure that they are aware of our internal policies in relation to personal information protection; (7) we were not challenged by or claimed by any users or been imposed any penalties or fines regarding personal information leakage or dispute during the Track Record Period and up to the Latest Practicable Date; (8) we have adopted effective policies and upgraded our internal systems to satisfy the requirement of obtaining explicit consent from our users for data collection, which was imposed by the relevant regulatory authority arising during the aforementioned investigation; and (9) we have obtained the record filing certificate for the graded protection of cybersecurity (網絡安全等級保護備案證明), which indicates that the regulatory authorities have reviewed our information security management system, and we have passed the test conforming to the security protection level promulgated by the regulatory authorities, our PRC legal advisors have advised us that we are currently not in violation of any applicable PRC laws and regulations on personal information collection and usage in any material respects.

Despite our efforts to protect personal data and other confidential information, our security systems and measures may not detect and prevent all unintended leakages caused by employees’ error, misconduct, mistakes or other malfeasance, or any other unauthorized third parties, or fully comply with regulatory requirements. Our information technology and infrastructure may be vulnerable to cyberattacks or security breaches, and third parties may circumvent our security measures, misappropriate proprietary information and cause interruptions in our information technology systems. Unauthorized third parties may also attempt to fraudulently induce our employees, partners, users or others into disclosing user names, passwords, payment card information or other sensitive information, or use increasingly sophisticated methods to engage in illegal activities involving personal information. In addition, users on our platform could have vulnerabilities on their own mobile devices that are entirely unrelated to our systems and platform, but could mistakenly attribute their own vulnerabilities to us. Furthermore, credential stuffing attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent.

During the Track Record Period, we experienced hacker attacks and technical errors. Although we did not suffer any material losses or negative financial impact on our revenue due to these incidents during the Track Record Period, we cannot assure you that they will not occur in the future. Any actual or perceived security breach that leads to leakage of our confidential information, even though anonymized, could still interrupt our operations, temporarily or permanently disable our platform, result in fraudulent transfer of funds, damage our relationships with users and other business partners, and subject us to legal liabilities, regulatory sanctions, financial exposure and reputational damage, any of which would materially and adversely affect our business, results of operations and financial condition. Any breach of privacy or security impacting any entities with which we share or disclose data could have similar effects. Moreover, any cyberattacks or security and privacy breaches directed at our competitors could reduce confidence in the carpooling and taxi industries in general and, as a result, reduce confidence in our platform.

RISK FACTORS

Additionally, defending against claims or litigation based on any security breach or incident, regardless of their merit, could be costly and divert management’s attention. We cannot assure you that our insurance coverage will be adequate for data handling or data security liabilities incurred, that insurance will continue to be available to us on commercially reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our reputation, brand, business, results of operations and financial condition.

If we fail to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data protection laws, regulations and privacy standards, or if we are challenged by competent regulators, we may be subject to additional costs, liabilities, reputational damage, suspended use of our platform and harm to our business. With the promulgation of new laws and standards concerning data security and information protection in the future, we may incur more expenditure on the upgrading and improvement of our data security mechanisms from both technological and management aspects in order to comply with increasingly stricter requirements. If we fail to comply with these laws and regulations, we may be subject to fines or other penalties, which could materially and adversely affect our business, results of operations and financial condition.

We rely on mobile operating systems, application marketplaces and third-party platforms to make our mobile apps and mini-programs available to the private car owners, riders and taxi drivers on our platform, and if we do not effectively operate with or receive favorable placements within such application marketplaces and maintain high rider reviews, our usage or brand recognition could decline and our business, financial results and results of operations could be adversely affected.

We depend in part on mobile operating systems, such as Android and iOS, and their respective mobile app marketplaces, as well as certain third-party platforms, to make our mobile apps and mini-programs available to the private car owners, riders and taxi drivers on our platform. Any changes in these third parties that degrade the functionality of our apps or give preferential treatment to our competitors’ apps could adversely affect the utility of our platform on mobile devices. If such mobile operating systems or mobile app marketplaces limit or prohibit us from making our apps available to private car owners, riders and taxi drivers, make changes that degrade the functionality of our apps, increase the cost of using our apps, impose terms of use unsatisfactory to us or modify their search or ratings algorithms in ways that are detrimental to us, or if our competitors’ placement in such mobile operating systems’ mobile app marketplace is more prominent than ours, the overall growth in our rider or driver base could slow. Our apps have experienced fluctuations in the number of downloads in the past, and we anticipate similar fluctuations in the future. Any of the foregoing risks could adversely affect our business, results of operations and financial condition.

As new mobile devices and mobile platforms are released, there is no guarantee that certain mobile devices will continue to support our platform or effectively roll out updates to our apps. Additionally, in order to deliver high-quality apps, we need to ensure that our apps are designed to work effectively with a range of mobile technologies, systems, networks and standards. We may not be successful in developing or maintaining relationships with key participants in the mobile industry. If private car owners, riders or taxi drivers on our platform encounter any difficulty accessing or using our apps on their mobile devices or if we are unable to adapt to changes in popular mobile operating systems, our business, results of operations and financial condition could be adversely affected.

RISK FACTORS

We rely on third-party payment processors to process payments made by riders and payments made to private car owners and taxi drivers on our platform, and if we cannot manage our relationships with such third parties and other payment-related risks, our business, results of operations and financial condition could be adversely affected.

We rely on third-party payment processors, such as commercial banks, Alipay and WeChat Pay, to process payments made by our riders and payments made to private car owners and taxi drivers on our platform. If any of our third-party payment processors terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternative payment processor, and may not be able to secure similar terms or replace such payment processor in an acceptable timeframe. Further, the software and services provided by our third-party payment processors may fail to meet our expectations, contain errors or vulnerabilities, encounter disruption or compromise, or experience outages. Our third-party payment processors may also be penalized or suspended if they fail to protect personal information in compliance with relevant laws and regulations. Any of these risks could cause us to lose our ability to accept online payments or other payment transactions or make timely payments to private car owners and taxi drivers on our platform, any of which could make our platform less convenient and attractive to users and adversely affect our ability to attract and retain users.

We may in the future offer new payment options to riders that may be subject to additional regulations and risks. We are also subject to a number of other laws and regulations relating to the payments we accept from our riders, including with respect to money laundering, money transfers, privacy and information security. If we fail to comply with applicable rules and regulations, we may be subject to civil or criminal penalties, fines or higher transaction fees and may lose our ability to accept online payments or other payment card transactions, which could make our services less convenient and attractive to our users. If any of these events were to occur, our business, results of operations and financial condition could be adversely affected.

We depend on the availability and proper functioning of certain third-party services. Should there be any disruption in their supply, or the services provided by our suppliers be defective or fail to meet the required standards, our business and reputation may be adversely affected.

Our success depends in part on our relationships with other third-party service providers. For example, we rely on third-party encryption and authentication technologies licensed from third parties that are designed to securely transmit personal information provided by private car owners, riders and taxi drivers on our platform. Furthermore, from time to time, we may enter into strategic partnerships with third parties in connection with the development of new technologies, the growth of our user base, the provision of new or upgraded services, or the expansion of our business into new markets. If any of our partners terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternative provider, and may not be able to secure similar terms or replace such provider in an acceptable timeframe. We also rely on other software and services supplied by third parties, such as communications and internal software, and our business may be adversely affected to the extent such software and services do not meet our expectations, contain errors or vulnerabilities, encounter disruption or compromise, or experience outages. Any of these risks could increase our costs and adversely affect our business, results of operations and financial condition. Further, any negative publicity related to any of third-party partners, third-party merchants engaging us for our advertising services and our automobile value-added services providers, including any publicity related to quality standards or safety concerns, could adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure. In addition, our third-party service providers may be subject to regulatory actions from time to time. For example, some of our cloud service providers, marketing service providers, communication platform service providers and internet-based communication and advertising service providers were subject to regulatory fines, actions or criticism during the Track Record Period. Any of the foregoing could adversely affect their relationships with us and undermine their ability to deliver satisfactory services to us, which, in turn, could adversely affect our business, results of operations and financial condition.

RISK FACTORS

We incorporate technology from third parties into our platform. We cannot be certain that our licensors are not infringing the intellectual property rights of others or that the suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. If any of our license agreements is terminated by our licensors for any reason, if we are unable to obtain or maintain rights to any technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to develop our platform containing that technology could be severely limited and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, we may be forced to acquire or develop alternative technology, which may require significant time and effort and may be of lower quality or performance standards. This would limit and delay our ability to provide new or competitive services and increase our costs. If we cannot obtain or develop alternative or comparable technology, we may not be able to offer certain functionality on our platform or maintain satisfactory user experience, which could adversely affect our business, results of operations and financial condition.

We depend on the interoperability of our platform across third-party applications and platforms that we do not control.

We have integrations with Baidu Maps, Meituan Dache, AliPay, WeChat Pay and a variety of other payment, travel, data management and security vendors. As our services expand and evolve, we may have an increasing number of integrations with other third-party applications, products and services. Third-party applications, products and services are constantly evolving, and we may not be able to maintain or modify our platform to ensure its compatibility with third-party offerings following development changes. In addition, some of our competitors or technology partners may take actions which disrupt the interoperability of our platform with their own products or services, or exert strong business influence on our ability to, and the terms on which we, operate and distribute our platform. As our services continue to evolve, we expect the types and levels of competition to increase. Should any of our competitors or technology partners modify their products, standards or terms of use in a manner that degrades the functionality or performance of our platform or is otherwise unsatisfactory to us or gives preferential treatment to competitive products or services, our business, results of operations and financial condition could be materially and adversely affected.

If we fail to effectively manage the behaviors of order skipping, disintermediation and other misconduct and fraud by our users, our business, results of operations and financial condition could be materially and adversely affected.

Private car owners and taxi drivers on our platform may skip orders and fail to pick up riders, or circumvent our platform and complete the transaction offline and in private. Our users may also maliciously misappropriate subsidies provided on our platform, or otherwise attempt to circumvent our background check and verification mechanism with cheating devices. For example, we detected users committing cheating behaviors to maliciously misappropriate subsidies and coupons we offered during the Labor Day holiday in 2020. We disqualified them from using such incentives. We have also implemented various measures to prevent order skipping. For example, we monitor the order completion rate for our private car owners and taxi drivers, and those with low credit scores based on riders’ feedback or points in the behavior score will be less likely to receive orders on our platform. We will impose a warning if order skipping is identified. If we detect a persistent skipping pattern, we will permanently close their user accounts on our platform.

RISK FACTORS

In addition, we may incur losses from various types of fraud by our users, including use of stolen or fraudulent credit card data, attempted payments by riders with insufficient funds and fraud committed by riders in concert with private car owners and/or taxi drivers. Bad actors use increasingly sophisticated methods to engage in illegal activities involving personal information, such as unauthorized use of another person’s identity, account information or payment information and unauthorized acquisition or use of credit or debit card details, bank account information and mobile phone numbers and accounts. Under current credit card practices, we may be liable for rides facilitated on our platform with fraudulent credit card data, even if the associated financial institution approved the credit card transaction. We have taken measures to detect and prevent fraudulent transactions by our users, such as cross-checking a driver’s travel path against the proposed itinerary to verify the authenticity of an order.

Despite our efforts, our measures may not eliminate order skipping, disintermediation, and other user misconducts and fraud. Our failure to adequately detect and prevent such user behaviors could materially and adversely affect our business, results of operations and financial condition.

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

The recognition and image of our brands and the successful maintenance and enhancement of our brands and reputation have contributed, and will continue to contribute, to our success and growth. Any negative perception and publicity about us, our Controlling Shareholders, Directors, senior management, affiliates, employees, business partners and the services we provide, whether or not justified, could tarnish our reputation and reduce the value of our brand. In addition, our competitors may fabricate complaints or negative publicity about us for the purpose of vicious competition. With the increased use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to respond and mitigate effectively. Moreover, we are subject to negative publicity about private car owners and taxi drivers using our platform, whose activities could be beyond of our control. Negative public perception that private car owners and taxi drivers on our platform do not provide satisfactory services, even if factually incorrect or based on isolated incidents, could undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain users.

Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonality in our business. For example, we generally experience less user traffic during the Chinese New Year holidays in the first quarter of each year. We have also experienced spikes in business volumes around other major holidays. Other seasonal trends that affect us or China’s carpooling and taxi industries may develop, and current seasonal trends may become more extreme, all of which would contribute to fluctuations in our results of operations. As a result, historical patterns of our results of operations may not be indicative of our future performance, and period-to-period comparisons of our results of operations may not be meaningful, especially given our limited operating history. Our results of operations in future quarters or years may fluctuate and deviate from the expectations of securities analysts and investors, and any occurrence that disrupts our business during any particular quarters could have a disproportionately material adverse effect on our liquidity and results of operations.

RISK FACTORS

If we fail to prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge. The value of our services, reputation and business operations may be materially and adversely affected.

Our trade secrets, trademarks, copyrights, patents and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality, invention assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademarks, domain names, copyrights, trade secrets and patent rights, to protect our brand and other intellectual property rights. However, various events outside of our control may pose a threat to our intellectual property rights, as well as to our products and services. Effective protection of trademarks, copyrights, domain names, patent rights, and other intellectual property rights is expensive and difficult to maintain, both in terms of application and maintenance costs and in terms of the costs of defending and enforcing those rights. The efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Our intellectual property rights may be infringed, misappropriated or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. For example, we are currently involved in malicious trademark disputes with a third-party company. Although we expect to receive final judgments in our favor, the dispute resolving process could be lengthy and expensive. In addition, in the less likely event that we receive an adverse determination, we may lose enforceable intellectual property rights as to the concerned trademarks, although we may continue to use such trademarks under a first-to-use doctrine under the relevant PRC law, which could adversely affect our business and brand image.

Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on agreements we have in place with employees and third parties that place restrictions on the use and disclosure of the relevant intellectual property. These agreements may be insufficient or may be breached. In either case this could potentially result in the unauthorized use or disclosure of our trade secrets and other intellectual property, including to our competitors. As a result, we could lose the competitive advantage derived from the intellectual property. Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could have a material and adverse effect on our business.

We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, results of operations and financial condition.

We depend on our ability to develop and maintain the intellectual property rights relating to our business. We cannot assure you that third parties will not claim that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights that they hold. We have been, and may continue to be, involved in litigations or administrative proceedings in relation to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties’ rights, some of which may be raised by other market players as a way of malicious competition. See “—If we fail to prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge. The value of our services, reputation and business operations may be materially and adversely affected.” As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

RISK FACTORS

The validity, enforceability and scope of protection of intellectual property rights, particularly in China, are still evolving. Defending against intellectual property claims is time-consuming and costly and can impose a significant burden on our ability to develop our business, and favorable final outcomes may not be obtained in all cases. Such claims, even without merits, may still harm our reputation in the industry. If we are the target of claims by third parties asserting intellectual property infringement, we may be forced to incur substantial expenses or divert substantial managerial resources from our business. An adverse determination in an intellectual property claim to which we may become a party could subject us to liability or expenses, or changes required to our services to reduce the risk of future liability, which may have a material adverse effect on our business, results of operations and financial condition.

Failure to control rental costs, obtain leases at desired locations at reasonable prices or protect our leasehold interests could materially and adversely affect our business.

We do not own any real properties. As of the Latest Practicable Date, we operated our business through 14 leased properties in Beijing, Shanghai, Tianjin, Xi'an, Hangzhou, Jinan, Guangzhou, Chengdu, Nanjing and Shenzhen. Our leased properties in China serve primarily as our offices.

At the end of each lease term, we must negotiate an extension of the lease. If we are not able to negotiate an extension on terms acceptable to us, we will be forced to move to a different location, or the rent may increase significantly given that the real estate prices in China have continued to rise for years. This could disrupt our operations and adversely affect our profitability. In addition, we cannot assure you that the lease agreements will not be terminated before their expiration for reasons beyond our control, such as breaches of agreements by the lessor or the tenant of the premises or invalidation of lease agreements due to the lessors' lack of title to lease the properties. In such event, we will need to relocate to other premises and may incur additional costs due to relocation.

In addition, as of the Latest Practicable Date, 10 of our leased properties had title defects as certain lessors failed to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties, which may adversely affect our ability to continue to use them in the future. See “Business—Real Properties—Title Defects” for details. We may face challenges from the property owners or other third parties regarding our right to occupy the premises. Furthermore, if the landlords fail to perform its obligations under the lease agreements between the landlords and us due to any reason, including but not limited to its own non-compliance with relevant laws and regulations, government demolition or any other unforeseeable events, we may be unable to continue using such properties. As of the date of this document, we are not aware of any challenges being made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Although we do not expect to become subject to any fines or penalties if any of these leases are terminated as a result of challenges by third parties or government authorities for any of these title defects, we may be forced to relocate the affected offices and incur additional expenses accordingly. If we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business operations may be adversely affected.

Moreover, under the applicable PRC laws and regulations, the parties to a lease are required to register and file such lease with the relevant government authorities. As of the Latest Practicable Date, 13 lease agreements of our leased properties had not been registered or filed. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease.

RISK FACTORS

We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading.

PRC laws and regulations prohibit companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of China, involves designs of the PRC national flag, national emblem or national anthem or the music of the national anthem, or content that is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. As advised by our PRC legal advisors, as we provide internet advertising services on our platform to corporate customers, we are required to verify, record and update the identity information of those who choose to place their advertisements with us on a regular basis. We must also review supporting documents provided by our corporate customers and verify the content of the advertisements, and may not publish any advertisement that lacks or is inconsistent with supporting documents. While we have a review procedure prior to publishing, we cannot guarantee that we can eliminate all advertisements with content that would be deemed inappropriate or misleading. If we are deemed violating PRC law or regulations, we may be subject to penalties, including suspension of publishing, confiscation of the related revenues, imposition of fines and suspension or termination of our advertising services, any of which could materially and adversely affect our business. In addition, we may increasingly become subject to public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could materially and adversely affect our reputation and business.

Our business depends substantially on the continuing efforts of our management, other key personnel and a competent workforce to support our existing operations and future growth. If we fail to attract, motivate and retain talents, our operations and growth prospects may be severely disrupted.

Our future success heavily depends upon the continuing services of our management and other key personnel. In particular, we rely on the expertise, experience and vision of our chairman of the Board and chief executive officer, Mr. SONG, as well as other members of our senior management team. We also rely on the technical know-how and skills of other key personnel. If any of our senior management or key personnel becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our results of operations and financial condition may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain key personnel.

Our existing operations and future growth require a competent workforce. For example, the effective operation of our platform, and other back office functions depends in part on our professional employees. We also rely on experienced personnel for our business aspects of technology, service design, operation and others to anticipate and effectively respond to changing customer preferences and market trends. However, our industry is characterized by high demand and intense competition for talents. In order to attract and retain talents, we may need to offer higher compensation, better trainings and more attractive career trajectory and other benefits to our employees, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain qualified workforce necessary to support our future growth. We may fail to manage our relationship with our employees, and any disputes between us and our employees, or any labor-related regulatory or legal proceedings may divert managerial and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, as our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the increasing demands of our business. Any of the above issues related to our workforce may materially and adversely affect our results of operations and future growth.

RISK FACTORS

If we cannot maintain our corporate culture as we grow, our business could be harmed.

We believe that our company culture, which promotes authenticity, empathy and support for others, has been critical to our success. We face a number of challenges that may affect our ability to sustain our corporate culture, including:

- failure to identify, attract, reward and retain people in leadership positions in our organization who share and further our culture, values and mission;
- the increasing size and geographic diversity of our workforce;
- competitive pressures to move in directions that may divert us from our mission, vision and values;
- the continued challenges of a rapidly-evolving industry;
- the increasing need to develop expertise in new areas of business that affect us;
- negative perception of our treatment of employees or our response to employee sentiment related to political or social causes or actions of management; and
- the integration of new personnel and businesses from acquisitions.

If we are not able to maintain our culture, our business, results of operations and financial condition could be adversely affected.

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

During the Track Record Period, we received certain government grants and preferential tax treatments. Beijing Changxing, one of our Consolidated Affiliated Entities, was recognized as a “high and new technology enterprise” (高新技術企業) since 2016, and was entitled to a preferential income tax rate of 15.0% for three consecutive years from 2016 to 2019, from 2019 to 2022 and from 2022 to 2025 upon renewal, compared to the standard rate of 25.0%. Pintu (Beijing) Information Technology Co. Ltd., the WFOE, was recognized as a “high and new technology enterprise” in China since 2021, and also enjoyed a preferential income tax rate of 15.0% for a period of three years from 2021 to 2024.

However, as the “high and new technology enterprise” certificate must be reapplied every three years, we cannot assure you that Beijing Changxing and the WFOE will always be able to renew their status as a “high and new technology enterprise” upon each expiry of the certificates. In addition, such preferential tax rates are non-recurring in nature, and government authorities may decide to reduce or cancel such tax preferences at any time. The discontinuation, reduction or delay of these governmental grants or preferential tax treatment could adversely affect our results of operations and financial condition. In addition, we might not be able to successfully or timely obtain the government grants or preferential tax treatments that may be available to us in the future, which could adversely affect our results of operations and financial condition.

RISK FACTORS

Our limited insurance coverage could expose us to significant costs and business disruption.

We do not maintain property insurance, key employee insurance, business interruption insurance, product liability insurance or insurance to cover the risks relating to the Contractual Arrangements. We do not maintain insurance policies covering damages to our technological infrastructure or litigation insurance. See “Business—Insurance” for details. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations.

The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. As such, we may not be able to ensure certain risks related to our assets or business even if we desire to. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss, and we cannot assure you that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, results of operations and financial condition could be materially and adversely affected.

Future strategic alliances or investments may have a material and adverse effect on our business, results of operations and financial condition.

We may enter into strategic alliances or investments, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances and investments could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, if appropriate opportunities arise, we may acquire additional assets, technologies, services or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating investments may be significant. If our expansion into new businesses or geographical areas is not successful, our business, prospects and growth momentum may be materially and adversely affected. In addition to the requisite corporate approvals, we may also have to obtain approvals and licenses from relevant government authorities for the investments and comply with applicable PRC laws and regulations, which could result in delays in implementing our investments and increased costs.

RISK FACTORS

We may not be able to obtain additional capital at acceptable terms or at all.

We may require additional cash resources due to evolved business conditions or other future developments. If our current cash resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity, equity-linked or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could result in additional dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and may result in operating and financing covenants that would restrict our operations and liquidity.

In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors’ perception of, and demand for, securities of comparable companies;
- conditions of the capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- the development of PRC laws and regulations on China’s mobility market, in particular the carpooling and the taxi industries;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on commercially reasonable terms could have a material adverse effect on our liquidity and financial condition.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We seek to establish risk management and internal control systems consisting of policies and procedures that we consider appropriate for our business operations. See “Business—Internal Control and Risk Management.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all noncompliance incidents in a timely manner, or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on the effective implementation by our employees. However, we cannot assure you that such implementation will not be subject to any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of services in the future, the diversification of our services will require us to continue to enhance our risk management and internal control capabilities. If we fail to timely adapt our risk management and internal control policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition, results of operations and prospects.

COVID-19 has had a severe and negative impact on the Chinese and the global economy since 2020. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The Chinese economy has shown slower growth compared to the previous decade since 2012 and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including problems that may arise from the unwinding of those policies. The Federal Reserve has signaled its intention to raise interest rates in the United States. Recently, the Russia-Ukraine conflict has caused, and continues to intensify, significant geopolitical tensions in Europe and across the world. This conflict and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations, financial condition and prospects.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

We experienced net losses, net liabilities and net current liabilities during the Track Record Period. We cannot assure you that we will sustain profitability or revert to net assets or net current assets in the future.

We have incurred losses in the past. In 2020, we recognized net loss of RMB2,194.3 million. We remained profitable in terms of adjusted net profit (non-IFRS measure) during the Track Record Period after taking into consideration of adjustments of share-based payment expenses, change in fair value of Preferred Shares and [REDACTED]. Our adjusted net profit (non-IFRS measure) was RMB343.3 million, RMB238.0 million, RMB184.7 million and RMB65.4 million in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively. Our historical net loss was primarily due to the increased loss from the increase in fair value of financial instruments as a result of the increased valuation of our Preferred Shares along with our business growth. We cannot assure you that we will be able to achieve and sustain profitability in the future. We may experience net losses in the future as we further substantiate our long-term strategies, which may negatively influence our short-term financial performance. For example, our expenses will likely increase in the future as we develop and launch new offerings and platform features, enhance our research and development capabilities, expand in existing and new markets, increase our sales and marketing efforts and continue to invest in our platform. These efforts may be more costly than we expect and may not result in increased revenue or growth in our business. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving or maintaining profitability or positive cash flow on a consistent basis.

We recorded net liabilities of RMB5,250.8 million, RMB3,559.3 million and RMB3,462.6 million as of December 31, 2020, 2021 and September 30, 2022, respectively, primarily due to the fair value of our convertible redeemable preferred shares being treated as liabilities under the IFRS. Our net liabilities decreased as a result of the decreased valuation of our Company caused by the equity market downturn during the COVID-19 pandemic. All the Preferred Shares will be automatically converted into our Ordinary Shares at no additional consideration upon the completion of [REDACTED]. We cannot assure you that we will be able to achieve and maintain net assets in the future.

RISK FACTORS

In addition, our net current liabilities increased from RMB1,797.7 million as of December 31, 2021 to RMB3,584.2 million as of September 30, 2022, primarily due to the significant increase in the current portion of the Preferred Shares, as the fair value of the Preferred Shares with the redemption date of less than one year from the balance sheet date were recorded as current liabilities. We had net current assets of RMB306.4 million as of December 31, 2020. We cannot guarantee that we will not remain in net current liabilities, in which case we may be exposed to the liquidity risk, and our working capital for business operations may be constrained. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and obtain external financing.

Our growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Our ability to manage our growth effectively and to integrate new employees, technologies and acquisitions into our existing business will require us to continue to expand our operational and financial infrastructure and to continue to retain, attract, train, motivate and manage employees. Continued growth could strain our ability to develop and improve our operational, financial and management controls, enhance our reporting systems and procedures, recruit, train and retain highly skilled personnel and maintain user satisfaction. Additionally, if we do not effectively manage the growth of our business and operations, the quality of our offerings could suffer, which could materially and adversely affect our business, results of operations and financial condition.

We have granted and may continue to grant share-based awards, which could result in share-based payments that may affect our financial performance and potentially dilute existing shareholders’ ownership.

We have adopted the [REDACTED] Share Incentive Schemes that permits the grant of restricted shares or options as equity-based awards to members of the senior management and employees. We believe the granting of such share options is important to our ability to attract, retain and motivate our management team and qualified employees. We are required to recognize share-based payment expenses based on the fair value of such granted share options, taking into consideration the impact of market performance conditions and non-vesting conditions. We recognized share-based payment expenses of RMB53.6 million, RMB22.7 million, RMB16.1 million and RMB23.4 million in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively. In addition, we have conditionally approved and adopted the [REDACTED] RSU Scheme, which will become effective upon the [REDACTED]. Any additional grant of share-based awards by us will further increase our share-based payments, which may adversely affect on our results of operations and financial condition, and potentially dilute existing shareholders’ ownership.

We are exposed to credit risks of our corporate customers.

Our business operations are subject to the risk of payment deferrals and/or defaults by our corporate customers for our advertising and other services. Revenue generated from our advertising and other services accounted for 6.2%, 6.8%, 5.9% and 5.3% of our total revenue in 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively.

During the Track Record Period, we typically granted to our corporate customers for our advertising and other services a credit period of 30 days to 120 days, depending on the relevant contract terms and our evaluation of their creditworthiness. In determining the actual length of credit terms granted to a specific corporate customer, we consider various factors such as reputation, the length of business relationship and past payment records. Our trade receivables turnover days in 2020, 2021 and the nine months ended September 30, 2022 were 216 days, 224 days and 325 days, respectively. As of December 31, 2020 and 2021 and September 30, 2022, we recorded allowance for credit losses of RMB4.3 million, RMB5.3 million and RMB5.1 million, respectively. As of December 31, 2020 and 2021 and September 30, 2022, our trade receivables balance included debtors with aggregate carrying amount of RMB6.9 million, RMB8.3 million and RMB4.7 million, respectively, which was past due 90 days or more as of the reporting date, representing 22.3%, 23.8% and 23.4% of our trade receivables as of the same dates, respectively. See “Financial Information—Discussion of Major Balance Sheet Items—Trade Receivables” for details.

RISK FACTORS

We are thus exposed to the risk that corporate customers may delay or withhold their payment for any reason, which may put our cash flow and working capital under pressure. We cannot assure you that we will be able to fully recover the outstanding amounts due from our corporate customers in a timely manner pursuant to the agreed-upon payment schedules, or at all. If we fail to collect such outstanding amounts from corporate customers in full amounts or in a timely manner, or at all, our liquidity position could be worsened, and our business, results of operations and financial condition could be materially and adversely affected.

We are exposed to credit risks for amounts due from payment platforms and aggregation platforms.

We had amounts due from payment platforms of RMB32.9 million, RMB29.5 million and RMB37.4 million, as of December 31, 2020 and 2021 and September 30, 2022, respectively. These amounts represented the balance on third-party payment platforms which had been collected from our riders but had not been transferred to us. The amounts due from payment platforms can be withdrawn by us at any time, and is normally transferred to our bank account in the next working day. See “Financial Information—Discussion of Major Balance Sheet Items—Prepayments, Deposits and Other Receivables” and Note 21 to the Accountants’ Report in Appendix I and Note 16 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA. to this document. We had amounts due from aggregation platforms of RMB4.3 million, RMB8.5 million and RMB10.4 million, as of December 31, 2020 and 2021 and September 30, 2022, respectively, which represented the ride fare collected from our partnered navigation or online search mobile applications. We collect amounts due from aggregation platforms on a monthly basis and we typically grant our partnered aggregation platforms a credit period of 30 days, depending on the relevant contract terms and our evaluation of their creditworthiness.

However, we are exposed to the risk that payment platforms and aggregation platforms may delay or withhold their payment for any reason, which may put our cash flow and working capital under pressure. We cannot assure you that we will be able to fully recover the outstanding amounts due from payment platforms or aggregation platforms in a timely manner pursuant to the agreed-upon payment schedules, or at all. If we fail to collect any outstanding amounts from payment platforms or aggregation platforms in full amounts or in a timely manner, or at all, our liquidity position could be jeopardized, and our business, results of operations and financial condition could be materially and adversely affected.

We are exposed to risks associated with the fair value change in financial assets at fair value through profit or loss and valuation uncertainty regarding the use of unobservable inputs.

We had financial assets at fair value through profit or loss of RMB120.8 million, RMB220.3 million and RMB180.4 million as of December 31, 2020 and 2021 and September 30, 2022, respectively, which represented our wealth management products purchased from a reputable licensed commercial bank in China. During the Track Record Period, we purchased open-ended and redeemable wealth management products with expected annual investment return rates ranging from 0.75% to 5.15%, 2.35% to 3.07%, and 1.71% to 3.32% for 2020, 2021 and the nine months ended September 30, 2022, respectively. We have implemented investment and treasury policies during the Track Record Period. See “Financial Information—Discussion of Major Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss.” During the Track Record Period, we measured our financial assets at fair value through profit or loss using unobservable inputs. See “Financial Information—Discussion of Major Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss—Fair Value Measurements” and Notes 4, 5 and 19 to the Accountants’ Report in Appendix I and Note 14 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document for more details. We cannot assure you that we will not have our financial assets at fair value through profit or loss measured using unobservable inputs in the future. We are subject to the risks that any of our counterparties, such as the banks that issued wealth management products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, the wealth management products are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management products.

RISK FACTORS

The fair value measurement of our Preferred Shares is subject to uncertainties and risks, and changes in fair value may affect our financial performance.

We had a loss of RMB2,458.0 million, from the increase in fair value of Preferred Shares in 2020. We issued several series of Preferred Shares to our Shareholders prior to the Track Record Period. We used the discounted cash flow method to determine the underlying share value and adopted equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period based on valuation reports carried out by the third-party qualified valuer. See “Financial Information—Significant Accounting Policies, Estimates and Assumptions—Financial Instruments—Preferred Shares” and Note 25 to the Accountants’ Report in Appendix I and Note 20 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document. During the Track Record Period, we measured our Preferred Shares using unobservable inputs. See “Financial Information—Discussion of Major Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss—Fair Value Measurements” and Notes 4, 5 and 33 to the Accountants’ Report in Appendix I and Note 25 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document for more details. Additionally, to determine the fair value of our Preferred Shares, we have adopted assumptions of discount rate, risk-free interest rate, discounts for lack of marketability, volatility and our projections of future performance. The fair value change of financial assets at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such redeemable preferred shares and therefore may cause our estimates to vary from actual results, which could adversely affect our results of operation and financial condition.

We may not fully recover our deferred tax assets, which may affect our financial positions in the future.

We had deferred tax assets of RMB166.9 million, RMB106.6 million and RMB103.7 million as of December 31, 2020 and 2021 and September 30, 2022, respectively, as we recognized deferred tax assets for the eligible losses we carried forward from previous years in 2020, 2021 and the nine months ended September 30, 2022. See Note 27 to the Accountants’ Report in Appendix I and Note 22 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document for the movements of our deferred tax assets during the Track Record Period.

Our deferred tax assets relate to deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts to the extent that the utilization of such differences and losses against future taxable profits is probable. This requires significant judgment on the tax treatments of transactions and an assessment of the probability that adequate future taxable profits will be available for the deferred tax assets to be utilized. The carrying amount of deferred tax assets is reviewed at the end of each period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. We cannot guarantee we can recover or predict the movement of our deferred tax assets. Failure to recover deferred tax assets may adversely affect our financial position in the future.

RISK FACTORS

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions on foreign ownership of companies that engage in a number of business activities, including value-added telecommunications services and other related services. We are a company incorporated under the laws of the Cayman Islands, and the WFOE, our wholly-owned PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct our business in China through our Consolidated Affiliated Entities. Because of the Contractual Arrangements, we are the primary beneficiary of the Consolidated Affiliated Entities and consolidate their results of operations into ours. Our Consolidated Affiliated Entities hold the licenses, approvals and key assets that are essential for our business operations.

If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or our Consolidated Affiliated Entities are in violation of PRC laws or regulations, or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the Ministry of Commerce of the PRC (中華人民共和國商務部) (“MOFCOM”) and the MIIT, would have broad discretion in dealing with such violations or failures, including, without limitation:

- requiring the nullification of the Contractual Arrangements;
- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income which is deemed to have been obtained through illegal operations;
- imposing conditions or requirements with which we or the WFOE and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or the WFOE and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations, or to re-apply for the necessary licenses, or to relocate our business, staff and assets;
- restricting or prohibiting our [REDACTED] from [REDACTED] or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

RISK FACTORS

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, results of operations and financial condition. In addition, it is unclear whether PRC government actions would have any impact on us, and our ability to consolidate the financial results of any of our Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and Contractual Arrangements to be in violation of PRC laws, rules and regulations.

On February 17, 2023, the China Securities Regulatory Commission (中國證券監督管理委員會) (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) (the “Trial Measures”) and five supporting guidelines, which will come into effect on March 31, 2023. At the press conference held for the Trial Measures on the same day, officials from the CSRC clarified that, as for companies seeking [REDACTED] with contractual arrangements, the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the [REDACTED] of such companies if they duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources. If we fail to complete the filing with the CSRC in a timely manner or at all, for any future [REDACTED], [REDACTED] or any other capital raising activities, which are subject to the filings under the Trial Measures, due to our Contractual Arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our Contractual Arrangements or restructure our business operations to rectify the failure to complete the filings. However, given that the Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

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

On March 15, 2019, the National People’s Congress approved the PRC Foreign Investment Law (中華人民共和國外商投資法) (the “FIL”), which came into effect on January 1, 2020. On December 26, 2019, the State Council of the People’s Republic of China published Implementation Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例). Since these rules are relatively new, substantial uncertainties exist in relation to its interpretation and implementation.

Under the FIL, “foreign investment” refers to the investment activities directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations (the “Foreign Investor(s)”). The FIL specifically stipulates three forms of foreign investment, namely, (1) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (2) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; and (3) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and does not explicitly stipulate contractual arrangements as a form of foreign investment. However, there is a catch-all provision under the definition of “foreign investment” to include investments made by Foreign Investors in China, through means stipulated by laws or administrative regulations, or other methods prescribed by the State Council of the PRC (中華人民共和國國務院) (the “State Council”). Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, which would render it uncertain as to whether foreign investment via contractual arrangements would be deemed violation of the foreign investment access requirements, and how the above-mentioned Contractual Arrangements would be regulated.

The FIL grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “Negative List”) published by certain departments of the State Council on December 27, 2021. The FIL provides that foreign-invested entities shall not invest in “prohibited” industries and shall meet the investment conditions stipulated under the negative list for

RISK FACTORS

any “restricted” industries. If our control over our Consolidated Affiliated Entities through the Contractual Arrangements are deemed as foreign investment in the future, and any business of our Consolidated Affiliated Entities is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the FIL, the contractual arrangements that allow us to have control over our Consolidated Affiliated Entities may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material and adverse effect on our business operation.

Furthermore, if foreign investment related laws, administrative regulations or rules change in the future, we may need to take further actions with respect to our Consolidated Affiliated Entities for the purpose of having better operational control on our Consolidated Affiliated Entities or continuously satisfying applicable requirements of [REDACTED] where we [REDACTED]. For example, the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) were recently amended by the State Council and took effect on May 1, 2022 (the “2022 FITE Regulations”). The 2022 FITE Regulations canceled the qualification requirement on the primary foreign investor in a foreign invested value-added telecommunications enterprise for having a good track record and operational experience in the value-added telecommunications industry as stipulated in the previous version. Given this new regulatory development and any further detailed implementing rules that the PRC governmental authority may formulate in the future, there is no guarantee that the Contractual Arrangements and our business will not be materially and adversely affected in the future as a result of changes in PRC laws and regulations. If future laws, administrative regulations or provisions mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to whether such actions can be timely completed, or at all. Failure to take timely and appropriate measures to cope with any of these, or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

In the extreme scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our Consolidated Affiliated Entities, which could have a material and adverse effect on our business, results of operations and financial condition. In the event that we no longer have a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal of our Consolidated Affiliated Entities or such measures are not complied with the relevant laws and regulations, [REDACTED] may take enforcement actions against us, which may have a material adverse effect on the [REDACTED] of our Shares or even result in [REDACTED] of our Company. For details of the FIL and the Negative List, and its potential impact on us, see “Contractual Arrangements—Development in the PRC Legislation on Foreign Investment.”

Therefore, there is no guarantee that our Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our Consolidated Affiliated Entities may fail to perform its obligations under our Contractual Arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of value-added telecommunications services in China, we operate our business in China through our Consolidated Affiliated Entities, in which we have no direct ownership interest. We rely on a series of Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders to control and operate their business. These Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities, and allow us to obtain economic benefits from them.

The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our Consolidated Affiliated Entities, which, in turn, could effect changes, subject to any applicable

RISK FACTORS

fiduciary obligations, at the management level. However, under the Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or their shareholders fail to perform its, his or her respective obligations under the Contractual Arrangements, we may have to (1) incur substantial costs, (2) expend resources to enforce those arrangements, and (3) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our results of operations and financial condition. See “—Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

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

Our Consolidated Affiliated Entities hold assets that are material to our business operations. The Contractual Arrangements with our Consolidated Affiliated Entities contain terms that specifically obligate their shareholders to ensure the valid existence of our Consolidated Affiliated Entities. They also provide that our Consolidated Affiliated Entities may not be voluntarily liquidated. However, if the shareholders breach this obligation and voluntarily liquidate our Consolidated Affiliated Entities, or if our Consolidated Affiliated Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, results of operations and financial condition.

The registered shareholders of Beijing Changxing may have conflicts of interest with us, which may materially and adversely affect our business.

Mr. SONG, Mr. LI Jinlong, Mr. ZHU Min, Mr. DUAN Jianbo and Mr. LI Yuejun are the registered shareholders of Beijing Changxing. In particular, Mr. SONG directly holds a 60.5755% equity interest in Beijing Changxing and is the chairman of the board of directors and legal representative of each of WFOE and Beijing Changxing. Conflicts of interest between their dual roles in our Company and in Beijing Changxing may arise. WFOE, Beijing Changxing and the shareholders of Beijing Changxing entered into the Exclusive Option Agreement, pursuant to which the shareholders of Beijing Changxing jointly and severally granted irrevocably to WFOE the rights to require the shareholders to transfer any or all their equity interests and/or assets in Beijing Changxing to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations or at the appraised value of the acquired equity interests if required by PRC laws and regulations. WFOE and Beijing Changxing entered into the Exclusive Option Agreement and Exclusive Asset Acquisition Agreement, pursuant to which Beijing Changxing irrevocably granted to WFOE the rights to require Beijing Changxing to transfer any or all of its assets to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations or at the appraised value of the acquired assets if required by PRC laws and regulations. WFOE, Beijing Changxing and each of the shareholders of Beijing Changxing entered into the Powers of Attorney, pursuant to which each shareholder of Beijing Changxing irrevocably appoints WFOE or its designee(s) and their successors (including a liquidator) but excluding those non-independent or who may give rise to conflict of interests, as his attorney-in-fact to exercise such shareholder’s rights in Beijing Changxing. In addition, each of our Directors owes a duty of loyalty and a duty of care to our Company and shareholders as a whole under Cayman Islands law.

We cannot assure you, however, that when conflicts of interest arise, these individuals and entities will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. We also cannot assure you that these individuals will ensure the Consolidated Affiliated Entities not to breach

RISK FACTORS

the existing Contractual Arrangements. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Beijing Changxing should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with Beijing Changxing and their shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in the China International Economic and Trade Arbitration Commission (the “CIETAC”), in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Consolidated Affiliated Entities, injunctive relief and/or order the winding up of Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interests in Consolidated Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures.

Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our Consolidated Affiliated Entities as interim remedies for the purpose of protecting assets or equity interests in favor of any aggrieved party. In case the Contractual Arrangements provide that courts in competent jurisdictions may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if granted by courts in competent jurisdictions in favor of an aggrieved party) may still not be recognized or enforced by PRC courts. As a result, in the event that our Consolidated Affiliated Entities or the shareholders of Beijing Changxing breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected.

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

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries or Consolidated Affiliated Entities or their equity holders owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under PRC laws and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our Consolidated Affiliated Entities, may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among the WFOE and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities income in the form of a

RISK FACTORS

transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our Consolidated Affiliated Entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

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

We may incur substantial cost in the exercise of the option to acquire the equity interests in or assets of our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, the WFOE has the exclusive right to purchase all or any part of the equity interests in each of our Consolidated Affiliated Entities from their shareholders at the lowest price permitted by PRC law, and where PRC laws and regulations require appraisal of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the appraised value to comply with the requirements of PRC laws and regulations. The WFOE also has the exclusive right to purchase all or any part of the assets in each of our Consolidated Affiliated Entities from their shareholders at the lowest price permitted by PRC law. Where PRC laws and regulations require appraisal of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the appraised value to comply with the requirements of PRC laws and regulations. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than the aforesaid actual capital contributions in case of purchasing the equity interests, or the net book value of relevant assets, or the competent tax authority may require the WFOE to pay enterprise income tax, value-added tax and other applicable taxes with reference to the fair value of such assets instead of the price as stipulated under the Contractual Arrangements, in which case the WFOE may be subject to a substantial amount of tax and our financial condition may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

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) (the “Trial Measures”) and five supporting guidelines, which will come into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to [REDACTED] overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Regulations—Regulations on M&A Rules and Overseas Listings.” However, since the Trial Measures was newly promulgated, the interpretation, application and enforcement of Trial Measures remain unclear. If the filing procedure with the CSRC under the Trial Measures is required for any future [REDACTED] or any other capital raising activities, it is uncertain [REDACTED].

RISK FACTORS

Furthermore, on April 2, 2022, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (Drafts for Comments) (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定(徵求意見稿)) (the “Confidentiality and Archives Administration Provisions”), which were open for public comments until April 17, 2022. The Confidentiality and Archives Administration Provisions require, among others, that PRC domestic enterprises seeking to [REDACTED] securities in overseas markets, either directly or indirectly, shall establish the confidentiality and archives system, and shall complete approval and filing procedures with competent authorities, if such PRC domestic enterprises or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of PRC government agencies to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. It further stipulates that providing or publicly disclosing documents and materials which may adversely affect national security or public interests, and accounting files or copies of important preservation value to the state and society shall be subject to corresponding procedures in accordance with relevant laws and regulations. As of the Latest Practicable Date, the Confidentiality and Archives Administration Provisions had been released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty.

If it is determined that we are subject to [REDACTED] for [REDACTED], we may fail to obtain such approval, filing or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such approval, filing or completing such procedures for [REDACTED], or a rescission of any such approval or filing obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of [REDACTED] or future capital raising activities into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations and prospects, as well as [REDACTED] of our Shares.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [REDACTED] or future capital raising activities before settlement and delivery of the Shares [REDACTED] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and [REDACTED] of the Shares.

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

We conduct all of our business operations in China. Accordingly, our business, results of operations and financial condition are influenced by economic, political and legal developments in China. Economic reforms have resulted in significant economic growth in China in the past few decades. However, any economic reform policies or measures in China may from time to time be modified or revised. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange

RISK FACTORS

and allocation of resources. While China’s economy has experienced significant growth in the past few decades, the rate of growth has slowed down since 2012, and growth has been uneven across different regions and among various economic sectors.

The PRC government exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although China’s economy has grown significantly in the past decade, that growth may not continue and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.

Pursuant to the Circular on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “Circular 37”), which was promulgated by the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局) (“SAFE”) and became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (an “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV’s PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Pursuant to Notice of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “Circular 13”), which was promulgated on February 13, 2015 and amended on December 30, 2019, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Each of Mr. SONG, Mr. LI Jinlong, Mr. ZHU Min, Mr. DUAN Jianbo and Mr. LI Yuejun, the ultimate individual shareholders of our Company subject to the registration requirements under Circular 37 and Circular 13, has completed the initial and amended foreign exchange registrations on September 9, 2020 respectively pursuant to Circular 37 and Circular 13 in relation to their offshore investments as PRC residents. To our best knowledge, all of Mr. SONG, Mr. LI Jinlong, Mr. ZHU Min, Mr. DUAN Jianbo and Mr. LI Yuejun have registered with SAFE for their respective investment in us. However, we cannot assure you that all of our Shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular 37, Circular 13 or other related rules. Any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under the regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on WFOE’s abilities to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiaries, which could adversely affect our business and prospects.

RISK FACTORS

Uncertainties and changes in the Chinese legal system could materially and adversely affect our business.

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

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

Our operations depend on the performance of the internet and mobile internet infrastructure, and telecommunications networks in China, which may not be able to support the demands associated with our continued growth.

Our business depends on users’ access to our platform via a mobile device and the internet. Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the internet infrastructure or the telecommunications networks in China. We cannot assure you that these infrastructures will be able to support the demands associated with our continued growth in usage.

Our platform is mobile-based. There is an increasing trend of accessing the internet through smart phones, tablets and other mobile devices. As new devices, new mobile platforms and updates to such devices and platforms are continually being released, we may encounter problems in developing our mobile app for use on these devices, and we may need to devote significant resources to creating, supporting and maintaining our mobile app on such devices.

Moreover, we are subject to a number of laws and regulations specifically governing the internet and mobile devices that are constantly evolving. Existing and future laws and regulations, or changes thereto, may impede the growth and availability of the internet and online offerings, require us to change our business practices or raise compliance costs or other costs of doing business. Any failure, or perceived failure, by us to comply with any of the relevant laws or regulations could result in damage to our reputation and brand a loss in business and proceedings or actions against us by governmental entities or others, which could adversely impact our results of operations.

RISK FACTORS

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management.

We are incorporated in the Cayman Islands. All our assets and operations are located in Mainland China, and all of our Directors and senior management are located in Mainland China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or these individuals. Moreover, China does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards.

On July 14, 2006, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (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 “2006 Arrangement”), which became effective on August 1, 2008. Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”), the commencement date of which shall be announced after the Supreme People’s Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2019 Arrangement taking effect. However, there remains uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Furthermore, an original action may only be brought in China against us or our Directors and senior management if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether investors will be able to bring an original action in China in this manner.

Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse impact on our results of operations and financial condition, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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

RISK FACTORS

condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations, such as the overseas investment registration by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

The PRC government may at its discretion further restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to change resulting from the PRC government’s policies, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [REDACTED] from [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our [REDACTED] from [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, the Shares in foreign currency terms. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, results of operations and financial condition, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes under the EIT Law, and our income may be subject to PRC withholding tax under the EIT Law.

Under the People’s Republic of China on Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “EIT Law”), an enterprise established outside of the PRC with a “de facto management body” within China is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules (the “EIT Rules”) define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of, the business, production, personnel, accounts and properties of an enterprise. On April 22, 2009, the State Administration of Taxation (國家稅務總局) (“SAT”) issued a circular, known as Circular 82, which was last amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (1) the primary location of the day-to-day operational management is in China; (2) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seal, and board and shareholder resolutions, are located or maintained in China; and (4) at least 50% of voting board members or senior executives habitually reside in China.

RISK FACTORS

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body.” As all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net profit. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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

On August 8, 2006, MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) (“SASAC”), SAT, the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局) (“SAIC”), the CSRC and SAFE jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which was effective on September 8, 2006 and amended in June 2009. The M&A Rules and other regulations and rules concerning mergers and acquisitions, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress of China and effective in 2008, as most recently amended on June 24, 2022 and effective from August 1, 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. It also requires business operators not to abuse data, algorithms, technology, capital advantages and platform rules to exclude or limit competition.

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

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

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and our Consolidated Affiliated Entities. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entities, subject to the administrative procedures and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries in China.

RISK FACTORS

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to reporting with or approval by or registration with the relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings or reports in the Foreign Investment Comprehensive Management Information System, and registration with a local bank authorized by SAFE. Any medium or long-term loan to be provided by us to our Consolidated Affiliated Entities must be filed with the NDRC and recorded by SAFE or its local branches through the online filing system of SAFE pursuant to applicable PRC regulations. We may not be able to complete such recording, filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording, filing or registrations, our ability to use [REDACTED] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

SAFE issued the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “Circular 19”) which took effect on June 1, 2015 and amended on December 30, 2019. The Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, provided that such usage shall fall into the scope of business of the foreign invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) (“SAFE Circular 28”) on October 23, 2019, which took effect on the same day. SAFE Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China. As of the Latest Practicable Date, its interpretation and implementation in practice remained subject to substantial uncertainties. As the relevant government authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in practice. The Circular 19 and SAFE Circular 28 may significantly limit our ability to transfer to and use in China [REDACTED], which may adversely affect our business, results of operations and financial condition.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and the EIT Rules, its implementation regulations, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, we may be deemed as a PRC resident enterprise by the PRC tax authorities for tax purpose. PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (i.e., those enterprises that do not have an establishment or place of business in China, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within China. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. If the dividends we pay to our shareholders are regarded as income derived from sources within China, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders.

Under PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents and gains from PRC sources realized by such investors on the transfer of share are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

RISK FACTORS

If we are treated as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. See “—We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes under the EIT Law, and our income may be subject to PRC withholding tax under the EIT Law.” However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告), which was issued on October 14, 2019 and took effect on January 1, 2020. If determined to be ineligible for the applicable tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would be subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

The heightened scrutiny over indirect transfers of PRC assets by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the “SAT Circular 698”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate of less than 12.5% or (2) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “SAT Public Notice 7”). SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698. SAT Public Notice 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable asset indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

RISK FACTORS

On October 17, 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (關於非居民企業所得稅源泉扣繳有關問題的公告) (the “SAT Public Notice 37”), which, among others, repeals the Circular 698 on December 1, 2017. SAT Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698. And certain rules stipulated in SAT Public Notice 7 are replaced by SAT Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of SAT Public Notice 7 and SAT Public Notice 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Public Notice 7 and SAT Public Notice 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Public Notice 7 and SAT Public Notice 37 and may be required to expend valuable resources to comply with SAT Public Notice 7 and SAT Public Notice 37 or to establish that we should not be taxed under SAT Public Notice 7 and SAT Public Notice 37, which may have a material adverse effect on our results of operations and financial condition or such non-resident investors’ investments in us. We may conduct acquisitions involving changes in corporate structures, and historically we surrendered Shares and reissued to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the participants or us to fines and other legal or administrative sanctions.

After our Company becomes an overseas [REDACTED] company upon the completion of [REDACTED], we, along with our Directors, executive officers and other employees who may be granted options, may be subject to the Notice on Foreign Exchange Administration PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012. According to the foregoing Notice, employees, directors, supervisors and other management members who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year participating in any stock incentive plan of an overseas publicly listed company, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete SAFE registrations may subject them to fines and other legal sanctions and may also limit their ability to make payment under the equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute dividends to us. This notice issued by SAFE only covers two categories of equity incentive plans, i.e. employee stock ownership plans and stock option plans. As a result, we also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our Directors and employees under PRC laws and regulations.

RISK FACTORS

In addition, SAT and MOFCOM have issued certain circulars with respect to employee share option. Under these circulars, our employees working in China will be subject to PRC individual income tax if they exercise share options. Our PRC subsidiaries have the obligation to file documents relating to the employee share options with the relevant tax authorities and may be required to withhold individual income tax for those employees. If our employees fail to pay income tax, or if we fail to make the filing according to the relevant laws and regulations or withhold income tax in any case as required, we may face sanctions imposed by the relevant tax authorities.

Our Shareholders may not have the same protection of their shareholder rights under Cayman Islands law comparing to what they would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Act, and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, the rights of minority Shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent of other jurisdictions.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation, including imposing various corrective measures designed to restrict the availability of credit or regulate growth. High inflation in the future may cause the PRC government to once again impose controls on credit and/or price of commodities, or to take other actions, which could inhibit economic activities in China. Any action on the part of the PRC government that seeks to control credit and/or price of commodities may adversely affect our business operations, causing negative impact on our profitability and growth.

RISKS RELATING TO [REDACTED]

[REDACTED], and the liquidity and market price of our [REDACTED] following [REDACTED] may be volatile, which could result in rapid and substantial losses for our Shareholders.

Prior to [REDACTED], there has been no public market for our [REDACTED]. The [REDACTED] disclosed to the public for our [REDACTED] was the result of negotiations among us and [REDACTED], and the [REDACTED] may differ significantly from the market price for the [REDACTED] following [REDACTED]. We have applied to [REDACTED] and [REDACTED] in the [REDACTED] on [REDACTED]. We cannot assure you that [REDACTED] will result in the development of an active, liquid public [REDACTED] market for the [REDACTED]. In addition, the [REDACTED] and [REDACTED] of [REDACTED] may be volatile. The following factors may affect [REDACTED] and [REDACTED] of our Shares:

- actual or anticipated fluctuations in our operating performance and financial results;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- our failure to execute our strategies;
- an unexpected business interruptions resulting from operational breakdowns, natural disasters, or major changes in our key personnel or senior management;

RISK FACTORS

- adverse market reaction to any indebtedness that we may incur or securities that we may issue in the future;
- changes in market valuations of similar companies;
- changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our ability to obtain or maintain regulatory approval for our services;
- inadequate protection of our intellectual property rights or legal proceedings brought against us for infringement of third parties’ intellectual property rights;
- unexpected costs of litigations and unfavorable outcomes of claims arising out of our services and governmental investigations and actions; and
- general political, financial, social and economic conditions.

Moreover, the capital market has from time to time experienced significant [REDACTED] and [REDACTED] fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the [REDACTED] and [REDACTED] of our Shares.

Furthermore, our Directors and employees may face additional exposure to claims and lawsuits, including class action lawsuits, as a result of their position in other public companies. The existence of litigation, claims, investigations and proceedings against our Directors and employees, even if they do not involve our Company, may harm our reputation and adversely affect the trading price of our Shares.

Since there will be a gap of several days between pricing and [REDACTED], holders of our Shares are subject to the risk that the price of our Shares could fall during the period before [REDACTED] begins.

The [REDACTED] of our Shares is expected to be determined on [REDACTED]. However, our Shares will not [REDACTED] until they are delivered, which is expected to be five business days after [REDACTED]. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse development that could occur between the time of sale and the time [REDACTED] begins.

As the [REDACTED] is substantially higher than the consolidated net tangible book value per Share, purchasers of our Shares in [REDACTED] may experience immediate dilution upon such purchases.

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

RISK FACTORS

Our Controlling Shareholders may exert substantial influence over our operations and may not act in the best interests of the independent Shareholders.

Immediately following the completion of [REDACTED] (assuming [REDACTED] is not exercised and without taking into account of any Shares that may be issued under the Share Incentive Schemes), our Controlling Shareholders will control a majority of the voting power of Shares in issue. See “History and Corporate Structure” for details. Therefore, our Controlling Shareholders will be able to exercise significant influence over matters requiring Shareholders’ approval, including the election of Directors and the approval of certain significant corporate transactions. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Group that would otherwise benefit the Shareholders. The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of our Controlling Shareholders conflict with our interests or those of the other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with our interests or those of the other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

We have significant discretion as to how we will use [REDACTED] of [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend [REDACTED] from [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended [REDACTED], see “Future Plans and [REDACTED].” However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of [REDACTED] from this [REDACTED].

Any future sales, or perceived sales, of a substantial amount of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future.

Future sales of a substantial amount of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares from time to time. Although our Controlling Shareholders are subject to restrictions on the sales of Shares held by them as described in “[REDACTED],” future sales of a significant number of our Shares by our Controlling Shareholders in the public market after [REDACTED], or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our Shares. Future sales of Shares by our existing Shareholders, or the issuance of Shares by our Company, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of our Shares.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. For details, see “Financial Information—Dividend Policy.”

RISK FACTORS

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

The trading market for our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our 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 [REDACTED] or [REDACTED] of our Shares to decline.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters.

The words “anticipate,” “believe,” “could,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this document. Accordingly, such statements are not a guarantee of future performance and 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.

Certain facts, forecasts and statistics contained in this document are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.

We have derived certain facts and other statistics in this document, particularly the section headed “Industry Overview,” from information provided by the PRC government, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the [REDACTED] or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

RISK FACTORS

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

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