

RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information set out in this document before making an [REDACTED] in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. You should pay particular attention to the fact that we are a company incorporated and registered in the British Virgin Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

Risks Relating to Our Business and Industry

Our limited operating history and evolving business model in a developing market make it difficult to evaluate our business and prospects. We cannot guarantee that we will be able to sustain our historical growth, effectively manage our growth, control our costs and expenses, or implement our business strategies.

We commenced our operations in 2015 and developed the core modules of the Dmall OS system in 2018. As we only have limited historical financial data, it is difficult to predict our future revenues and appropriate budget for our costs and expenses, and our evaluation of our business and prediction about the future performance may not be as accurate as they would be if we had a longer operating history. In the event that actual results differ from our evaluation or we adjust our estimates in future periods, our results of operations and financial position could be materially affected and the investors’ perception of our business and future prospects could differ materially from their expectations.

We have been actively exploring and expanding our services. Our evolving business makes it difficult to evaluate the risks and challenges we may encounter. The risks and uncertainties we may face include challenges to our ability to successfully develop new service features and expand our service offerings to enhance the experience of our customers, to attract new retailers and brand owners in a cost-effective manner, to anticipate and respond to macroeconomic changes and changes in local markets where we operate, to successfully expand our geographic reach and to forecast our revenue and manage capital expenditures for our current and future operations. We cannot be sure that we will be successful in addressing these and other challenges we may face in the future, and our business may be adversely affected if we do not manage these risks successfully. In addition, we may not achieve sufficient revenue or maintain positive cash flows from operations or profitability in any given period, or at all.

We incurred significant net losses and generated net operating cash outflows during the Track Record Period and we may continue to do so in the future.

We have incurred net losses and negative cash flows in the past. We incurred net losses of RMB1.1 billion, RMB1.8 billion, RMB840.5 million and RMB342.1 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. We recorded gross loss of RMB36.6 million in 2020, gross profits of RMB358.0 million, RMB669.1 million and RMB179.2 million in 2021, 2022 and the three months ended March 31, 2023. Our net cash used in operating activities were RMB481.5 million, RMB1.3 billion, RMB205.5 million and RMB133.0 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively.

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Our ability to achieve profitability and generate net operating cash inflows is affected by various factors, many of which are beyond our control, such as the continual development of the industry and markets in which we operate, changes in the macroeconomic and regulatory environment or competitive dynamics and our ability to respond to these changes in a timely and effective manner. We also expect our costs and expenses to increase due to our continued investment in services, technology and development. We cannot assure you that we will be able to achieve or maintain profitability or positive cash flow in the future. Among other expected cost increases, we intend to continue to invest for the foreseeable future in our Dmall OS system and other technology applications to offer additional value-added services and to support an even larger service portfolio. If we cannot successfully offset our increased costs and expenses with a significant increase in total revenues, our financial condition and results of operations may be materially and adversely affected, and we may not be able to achieve profitability or net operating cash inflows in the future.

We currently have a relatively concentrated customer base with a limited number of major customers. The loss of one or more of our major customers, a failure to renew our agreements with one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations and ability to market our services.

We currently derive a substantial portion of our revenue from a limited number of major customers, including Wumei Group, Metro China Entities, Chongqing Department Store Group, Yinchuan Xinhua Group from China and DFI Retail Group in selected Asia markets. Although we plan to expand and diversify our customer base, we still expect to be reliant on our major customers for the foreseeable future. In particular, we expect Wumei Group to continue to account for a substantial portion of our revenues. In 2020, 2021, 2022 and the three months ended March 31, 2023, 69.8%, 70.2%, 76.6% and 83.1%, respectively, of our total revenues were derived from services provided to our top five customers, including Wumei Group. If our business relationships with Wumei Group and other major customers are terminated or curtailed, the revenue we derive from providing services to them may significantly decrease.

The decrease in the amount of business we do with these limited number of major customers, the loss or reduction in magnitude of any commercial arrangements with them, the deterioration of our relationships with any major customers, the failure to renew our agreements with one or more of our major customers, or any material negative trends in markets in which these customers operate, could materially disrupt our operations and our revenue and cash flows from operating activities could be significantly reduced. If we cannot find other potential customers with similar scopes and scales of demand and commercial terms on a timely basis, or at all, the loss of business from any one of such customers could have a material adverse effect on our business and results of operations, as well as our ability to attract and retain other customers. In addition, any of the foregoing risks may strain our managerial, financial, operational and other resources. If we fail to manage such reduction in revenue or deterioration of our relationships with our major customers, our brand and reputation could also be materially harmed.

We heavily rely on the Related Entities, namely Wumei Group, Chongqing Department Store Group, Yinchuan Xinhua Group, Metro China Entities and B&T Entities, and any material changes in our relationships with the Related Entities would have a material adverse impact on our business, financial conditions and operating results.

We have a close business relationship and have engaged in substantial business transactions with the Related Entities for the Track Record Period and expect to continue our business relationship

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with them in the future. During the Track Record Period, a substantial portion of our net revenue was derived from the Related Entities and Wumei Group was also the largest customers of our Group. For the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, (i) our revenue from Wumei Group amounted to RMB265.5 million, RMB473.0 million, RMB661.5 million and RMB198.1 million, respectively, representing 54.5%, 45.3%, 44.1% and 50.9% of our total revenues for the same years/period, (ii) our revenue from Chongqing Department Store Group amounted to RMB36.7 million, RMB98.6 million, RMB117.9 million and RMB19.6 million, respectively, representing 7.5%, 9.4%, 7.9% and 5.0% of our total revenues for the same years/period, (iii) our revenue from Yinchuan Xinhua Group amounted to RMB12.7 million, RMB38.0 million, RMB30.7 million and RMB11.9 million, respectively, representing 2.6%, 3.6%, 2.0% and 3.1% of our total revenues for the same years/period, (iv) our revenue from Metro China Entities amounted to RMB9.9 million, RMB99.8 million, RMB259.2 million and RMB68.8 million, respectively, representing 2.0%, 9.6%, 17.3% and 17.6% of our total revenues for the same years/period, and (v) our revenue from B&T Entities amounted to nil, nil, nil and RMB0.3 million, respectively, representing nil, nil, nil and 0.1% of our total revenues for the same years/period. We expect to increase business transactions with the Related Entities going forward. For further details, please refer to the sections headed “Business—Our Relationship with the Related Entities—Cooperation with the Related Entities” and “Business—Customers” of this document.

During the course of our operations, we have also received loans from Wumei Group. Please refer to “Financial Information—Indebtedness” in this document for the historical amounts of the loans from Wumei Group. As of the Latest Practicable Date, the Group has fully repaid the loans borrowed from Wumei Group. In addition, we expect the business transactions with the Related Entities to continue. We have entered into various framework agreements with the Related Entities, which govern the connected transactions between us and the Related Entities. For details, please refer to the section headed “Connected Transactions” in this document. Although our cooperative relationships with the Related Entities remain stable, there is no assurance that we will be able to maintain such relationships and that these Related Entities will continue to purchase services from us on the same level going forward. In addition, any deterioration in our cooperative relationship with any Related Entities in the future may require us to build new relationships with other retailers, which is subject to uncertainties and could be time-consuming. As a result, our business, financial condition and results of operations could be adversely affected.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions, Dmall mobile app, mini-programs, and other service offerings in a manner that responds to our customers’ evolving needs, our business and results of operations may be adversely affected.

The markets in which we compete are characterized by constant changes and innovation and we expect them to continue to evolve rapidly. Our success has been based on our ability to identify and anticipate the needs of retailers and brand owners and design and upgrade our Dmall OS system, AIoT solutions, Dmall mobile app, mini-programs, and other service offerings that provide them with the tools they need to manage their businesses. Our ability to attract new business customers, retain existing business customers and increase revenue from our customers will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions, Dmall mobile app, mini-programs, and other service offerings.

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We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers months to develop, code and test new products and integrate them into our technology systems. We must also continually update, test and enhance our technology systems. The continual improvement and enhancement of our technology systems requires significant investment and we may not have the resources to make such investment. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security and scalability of our Dmall OS system, AIoT solutions, Dmall mobile app, mini-programs, and other service offerings in a manner that responds to our customers’ evolving needs, our business, operating results and financial condition may be adversely affected.

We are dependent on the performance of our retailers and brand owners as we generate income from their transactions processed through us. Operational and financial failures of our retailers and brand owners may adversely affect our financial condition and results of operation.

The rapidly changing market trends require our retailers and brand owners to optimize their product offerings to meet the constantly evolving consumer preferences and demand, thereby maximizing their sales volume. Our success is dependent on the ability of our retailers and brand owners to anticipate, identify and respond to the latest market trends and consumer preferences and to adjust their merchandise and service offerings in a timely manner to stay competitive. The failure of our customers to anticipate, identify or react swiftly and appropriately to new and changing consumer demands or market trends, and to translate such trends and demands into product and service offerings may lead to lower demand for the customers’ merchandise, which could cause, among other things, declines in the volume of transactions conducted through our platform. Consequently, these operational failures of our customers could harm our financial condition and results of operations as we generate revenue from take rates we charge our customers on transactions conducted through our platform. In addition, if our retailers and brand owners are not able to effectively implement and utilize the services that we provide to improve their operational efficiency and decision-making capabilities as intended, the unsatisfactory performance of these customers may also negatively and materially affect our results of operations. For new customers, it would also take time to implement and train all relevant staff to operate the SaaS system to reach a desirable level of stability.

If the market for retail cloud solutions develops more slowly than we expect or declines, our business could be adversely affected.

The market for retail cloud solutions in and outside China is in a relatively early, fast-evolving and competitive stage. This makes it difficult to evaluate our current business and future prospects. In addition, we have limited insight into emerging trends that may adversely affect our business, financial condition, results of operations and prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including unpredictable and volatile revenues and increased expenses as we continue to grow our business. The viability and demand for our products and services may be affected by many factors outside of our control, such as market acceptance, cost competitiveness, and reliability and performance of our products and services. If the market for retail cloud solutions develops more slowly than we expect or declines, our business and results of operations could be adversely affected.

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If we fail to adopt new technologies or adapt our applications, services, and systems to changing customer preferences or emerging industry standards, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, we may need to substantially increase our research and development expenditure, and our business may be materially and adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our applications, systems and technologies. The retail cloud solution industry is characterized by rapid technological evolution, changes in client and consumer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful to our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. The development of systems, applications and other proprietary technology entails significant technical and business risks. We cannot assure you that we will be able to use new technologies effectively or adapt our applications, proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may incur impairment losses on our intangible assets and goodwill.

Our intangible assets consist of customer relationship, technological know-how and software, that were primarily acquired through the acquisition of Shenzhen Enjoy in November 2021, recognized at fair value at the date of acquisition and are subsequently amortized on a straight-line basis. We recorded intangible assets of RMB2.1 million, RMB105.3 million, RMB93.2 million and RMB90.1 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. Goodwill arising from acquisitions represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer’s previous held equity interest in the acquiree, if any, over the net amount of the identifiable assets acquired and the liabilities assumed as of the acquisition date. As of December 31, 2020, 2021, 2022 and March 31, 2023, we had goodwill of nil, RMB151.9 million, RMB151.9 million and RMB152.0 million, respectively. Intangible assets and goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. No impairment was recognized in respect of the intangible assets and goodwill as of March 31, 2023. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our intangible assets and goodwill. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of these intangible assets and goodwill in the future, which may in turn result in impairment losses. Significant impairment losses on intangible assets and goodwill may have a material adverse effect on our financial condition and results of operations, and may in turn limit our ability to obtain financing in the future.

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Any harm to our brand or reputation may materially and adversely affect our business and results of operations.

We believe that the recognition and reputation of the Dmall (“多点”) brand among our retailers and brand owners, consumers, suppliers and third-party service providers have contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brand are critical to our business and competitiveness. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand and may negatively impact our brand if not properly managed. These factors include our ability to:

- maintain and enhance our technology systems as the needs of retailers and brand owners are constantly evolving;
- maintain and provide stable and reliable technology support to our users;
- provide a superior shopping experience to consumers and ensure their data security;
- maintain and grow our business customers and consumer base and keep them highly engaged;
- maintain the popularity, attractiveness, diversity, quality and authenticity of our product and service offerings;
- maintain the efficiency, reliability and quality of services we provide to our customers;
- maintain or improve consumers’ satisfaction with our after-sale services;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity on service offerings, product quality, price or authenticity, data privacy and security, our industry and other players within the industry or other issues affecting us or our peers.

Public perception that non-authentic, counterfeit or defective goods are sold on our e-commerce platform or that we or our third-party service providers do not provide satisfactory customer service, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new business customers and consumers or retain our current business customers and consumers. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our operating system, platform, products and services, it may be difficult to maintain and grow our business customers and consumer base, and our business and growth prospects may be materially and adversely affected.

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

As of December 31, 2020, 2021, 2022 and March 31, 2023, we had net liabilities of RMB3,223.1 million, RMB4,739.2 million, RMB6,077.4 million and RMB6,330.8 million, respectively. Our net liabilities as of December 31, 2020, 2021, 2022 and March 31, 2023 was primarily in relation to the convertible redeemable preferred shares of RMB3,767.5 million, RMB5,137.2 million, RMB6,378.7 million and RMB6,565.4 million as of the same date, respectively. Although the convertible redeemable preferred shares will automatically convert into ordinary shares upon the [REDACTED], and no further loss or gain on fair value change of convertible redeemable preferred shares is expected to be recognized afterwards, we cannot assure you that we will not record net

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liabilities in the future. If we are unable to maintain adequate working capital or obtain sufficient financings, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position may be adversely affected.

In addition, we also recorded net current liabilities of RMB130.4 million as of December 31, 2021 primarily due to lower cash balance as at December 31, 2021 in connection with a significant increase in our operating cash outflows in 2021. See “Financial Information—Liquidity and Capital Resources—Net Cash Used in Operating Activities” in this document for more information. Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis and on acceptable terms, or at all, may force us to abandon our development and expansion plans, and our businesses, financial positions and results of operations may be materially and adversely affected.

We face increasingly intense competition, and if we fail to compete effectively against current and future competitors, our business and results of operations may be adversely affected.

The markets for retail cloud solutions are competitive and characterized by rapid market changes and technology evolution, giving rise to new market entrants and well-funded competitors and the introduction of new business models disruptive to our business. Market players compete to attract, engage and retain retailers and brand owners. They may be well-established and 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. If we cannot equip us with necessary resources and skills, we may lose market share as competition increases.

Our current and potential competitors may also establish cooperative or strategic relationships among themselves or with third parties that may further enhance their resources and offerings. 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 a decline in growth that could adversely affect our business, financial condition and results of operations.

Our business is subject to the complex and evolving laws and regulations in China. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations that involve matters important to or may otherwise impact our business, including, among others, provision of value-added telecommunications services, internet advertising business, user privacy protection, foreign exchange, taxation, anti-corruption, anti-bribery, sanctions and similar matters. Many of these laws and regulations are subject to change and uncertain interpretation. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. See “Regulations.” The introduction of new services, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign laws and regulations can impose different obligations or be more restrictive than those in the PRC.

The promulgation of new laws or regulations, or the new interpretation of existing laws and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in

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which we provide our products and services could require us to change certain aspects of our business to ensure compliance, which could decrease demand for our products and services, reduce revenues, increase costs, require us to obtain more licenses, permits, approvals or certificates, or subject us to additional liabilities. To the extent any new or more stringent measures are required to be implemented, our business, financial condition and results of operations could be adversely affected.

Due to the uncertainties in the regulatory environment of the industry in which we operate, there can be no assurance that we would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits required for our business, we could be subject to liabilities, fines, penalties and operational disruptions, or we could be required to modify our business model, which could materially and adversely affect our business, financial condition and results of operations. See “—Any lack of requisite approvals, licenses or permits applicable to our business may materially and adversely affect our daily operations and hinder our growth.”

Because we collect, store, process and use data, some of which contain sensitive personal information, we face concerns over the collection, improper use or disclosure of personal information, which could discourage current and potential users from using our services and technology platforms, damage our reputation, face regulatory scrutiny, and in turn materially and adversely affect our business, financial condition and results of operations.

We are subject to laws, regulations, guidelines and industry recommendations relating to personal information protection in various countries and regions where we operate, namely Chinese mainland, Hong Kong SAR, Macau SAR, Cambodia, Singapore and Poland. Concerns or claims about our practices with regard to the collection, storage, processing or use of personal information or other privacy-related matters, even if unfounded, could damage our reputation and results of operations.

We collect, receive, store and process personal information and other data from users of our retail platform, Dmall App and mini-programs. For example, visitors may register for an account on Dmall App and we may collect our online consumers’ personal details such as address for the delivery of products. Our internal control procedure aims to ensure compliance with all applicable laws and regulations at all times in relation to the proper collection, use and storage of the personal data we collected. We expect to continue expending significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our user base.

PRC regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to different interpretations or significant changes from time to time, making the extent of our responsibilities in that regard uncertain. The important PRC laws and regulations on data protection, data privacy, and/or information security currently in effect that we are subject to include, among others, the Cyber Security Law (《中華人民共和國網絡安全法》), which took effect on June 1, 2017; Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, which took effect on November 1, 2021; and Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. These laws impose on the owners and administrators of networks, network service providers, and personal information processors various personal information protection obligations, restrictions on the collection and use of personal information, and requirements to take steps

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to prevent personal data from being divulged, stolen, or tampered with. In particular, PIPL also put forth the requirement of obtaining separate consent from individuals before sharing their personal information with other third parties, but the standards of the “separate consent requirement” remain uncertain currently.

We may also be subject to more stringent personal data protection laws, regulations, and requirements in China in the near future given the recent legislative developments in this field. With the promulgation of 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》) on July 6, 2021 by the General Office of the CPC Central Committee and the General Office of the State Council of the PRC, or the July 6 Opinion, offshore-listed China-based companies (中概股公司) have been experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data transfer and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further changes, which may require increased information responsibilities and stronger cross-border information management mechanism and process from us. The Cybersecurity Review Measures (《網絡安全審查辦法》) that took effect from February 15, 2022 stipulates that an internet platform operator who possesses more than one million users’ personal information must report to the cyber security review office for a cyber security review if it intends to be listed abroad (國外上市). While the Cybersecurity Review Measures do not apply to listings in Hong Kong such as the [REDACTED], we cannot guarantee that we will not be subject to cybersecurity review for our future capital raising activities or if new rules or regulations promulgated in the future will impose additional compliance requirements on us. In addition, on December 31, 2021, the CAC, together with other regulatory authorities, published Administrative Provisions on Algorithm Recommendation for Internet Information Services (《互聯網信息服務算法推薦管理規定》) (the “Administrative Provisions on Algorithm Recommendation”), effective on March 1, 2022. Pursuant to the Administrative Provisions on Algorithm Recommendation, users should be given an option to easily turn off algorithm recommendation services, and service providers shall, among others, establish and improve the management systems and technical measures for algorithm driven recommendation mechanism and regularly review, evaluate and verify the principle, models, data and application results of algorithms. As of the Latest Practicable Date, we have fulfilled the recording-filing obligation under the Administrative Provisions on Algorithm Recommendation. We will closely monitor the regulatory development and adjust its business operation from time to time to comply with the regulations over algorithm.

Pursuant to the Measures for the Security Assessment of Outbound Data (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the CAC, to provide data abroad, a data processor falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply to the CAC for security assessment of outbound data: (i) where a data processor provides critical data abroad, (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad, (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year, and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for outbound data transfers is required. In addition, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, on November 14, 2021, which requires data processors to apply for cyber security review when, among other conditions, their intended listing in

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Hong Kong or other data processing activities affect or may affect national security. However, the Draft Data Security Regulations provide no further explanation or interpretation of what constitutes “affects or may affect national security,” and the PRC government authorities may have wide discretion in interpreting this phrase. As of the Latest Practicable Date, the Draft Data Security Regulations have not been formally adopted. We cannot assure you that relevant governmental authorities will not interpret the laws and regulations in ways that may negatively affect us. At this stage, we are unable to predict the possible consequences of these laws and regulations, if any, and we are monitoring and assessing the rulemaking process closely.

The interpretation and application of the aforementioned data privacy and information security laws and regulations and any new related laws and regulations in the future are generally complex and evolving, with uncertainty as to the interpretation and application, and our practice may become inconsistent with them. For detailed information on these new laws and regulations, see “Regulations—Regulations on Cybersecurity, Information Security, Privacy and Data Protection.” In the case of legal or regulatory noncompliance in this regard, in addition to the possibility of fines, we could face an order or rectification guidance requiring that we change our practices, which could have an adverse effect on our business and results of operations. Complying with data protection laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. We may need to make adjustments to our product and service offerings to comply with data security requirements and other laws and regulations from time to time.

In addition, the PRC regulatory authorities have recently taken steps to strengthen the regulations on data protection and conducted several rounds of relevant inspections. For example, the MIIT, issued a notice on June 1, 2022, or the MIIT notice, requiring 84 named mobile apps, including our mobile app, to rectify the non-compliance with the necessity principle in the collection of personal information. As of the Latest Practicable Date, we have discontinued such practice. As laws and regulations in China on the protection of privacy and data are constantly evolving, complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Moreover, we could be required to disclose certain personal information to PRC governmental authorities for the purpose of, among others, safeguarding the national security, investigating crimes, investigating infringement of information network communication rights, and cooperating with the supervision and inspection of telecommunication regulatory authorities. Disclosing personal information under such circumstances may cause our users to lose trust in our ability to safeguard their privacy.

If our expansion into new geographical areas or new product or service categories is not successful, our business and prospects may be materially and adversely affected.

Our expansion into new geographical areas involves new risks and challenges associated with such new markets, such as our business model may not be acceptable to residents in lower-tier cities and towns in China, there may be a lack of demand for local on-demand retail and delivery, the order density in those smaller, less developed areas may not be sufficient to allow us to operate in a cost-efficient manner, and we may need to adjust our pricing methodologies to adapt to local economic conditions. We cannot assure you that we will be able to execute our business strategy or that our service offerings will be successful in such markets. In addition, our lack of relevant customers or

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familiarity with retailers, brand owners and the market dynamics of these areas may make it more difficult for us to keep pace with local demands and preferences. Any failure in our expansion into new geographical areas could materially and adversely affect our business and prospects.

Our international expansion strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

International expansion is a significant component of our growth strategy and may require significant capital investment, which could strain our resources and adversely impact current performance, while adding complexity to our current operations. Leveraging our successful experience in China, we have expanded into markets outside the Chinese mainland including Hong Kong SAR, Macau SAR, Cambodia, Singapore and Poland. We are also in the initial stage of expansion into the European market through our collaboration with the Metro Group, a leading wholesaler headquartered in Germany. We are therefore subject to the laws and regulations of the foreign countries in which we operate in addition to PRC laws and regulations. We have limited experience operating in overseas markets and may face competition from major, established competitors in these markets. These competitors usually have more experience and resources for their business operations in those markets. In addition, the real estate, employment and labor, transportation and logistics, regulatory, and other operating requirements in these markets differ significantly from those in China. In particular, we face regulatory uncertainties and may incur substantial compliance costs when we enter into a new overseas market. Regulations in different overseas markets could vary significantly. We have to closely monitor changes in local laws and complete all necessary procedures and filings accordingly. Furthermore, we may also from time to time encounter legal disputes with various parties in overseas markets in our ordinary course of business operations. If any of our overseas operations, or our associates or agents, violate such local laws and regulations, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business and operating results.

In addition, we may face operational issues that could have a material adverse effect on our reputation, business and results of operations, if we fail to address certain factors including, but not limited to, the following:

- difficulties in developing, staffing and simultaneously managing a foreign operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- dependence on local platforms in marketing our international products and services overseas;
- challenges in selecting suitable geographical regions for international business;
- longer customer payment cycles;
- compliance with applicable data privacy laws and regulations and unexpected changes or interpretations in such laws and regulations;
- currency exchange rate fluctuations;

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- political or social unrest or economic instability;
- uncertain tax liabilities;
- protectionist or national security policies that restrict our ability to (i) invest in or acquire companies; (ii) develop, import or export certain technologies; or (iii) utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations, including compliance with privacy laws and data security laws, including the European Union General Data Protection Regulation, or GDPR, and compliance costs across different legal systems;
- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through our international and cross-border platforms, related compliance obligations and consequences of non-compliance, and any new developments in these areas; and
- increased costs associated with doing business in foreign jurisdictions.

One or more of these factors could harm our overseas operations and, consequently, could harm our overall results of operations.

If we are unable to continue to improve customer experience and maintain a consistently high level of customer satisfaction and a well-functioning customer service team, our brand, business and results of operations may be materially and adversely affected.

Our success depends upon our ability to continue to improve customer experience. Our ability to constantly improve customer experience depends on our ability to maintain a consistently high level of customer satisfaction and a well-functioning customer service team.

An important way to improve customer experience and attract more customers is to introduce innovative services and features that are useful for our business customers and improve their customer acquisition capabilities and achieve higher sales. To develop, support and maintain such services and features often requires implementation of new technologies, and we intend to continue to devote resources to the development of additional technologies and services. However, implementation of new technologies in our service portfolios may take a long time and may involve technical challenges and large amounts of capital and personnel resources. We may not be able to effectively integrate new technologies on a timely basis, or at all, which may decrease customer satisfaction with our services. Such technologies, even if integrated, may not function as expected or may be unable to attract and retain a substantial number of customers to use our products and services.

In addition, we must also continue to respond promptly to evolving customer preferences, enhance the customer friendliness of our Dmall OS system, optimize our mobile applications, and otherwise continue to improve our technology systems, all of which may require us to incur substantial costs and expenses.

We cannot assure you that our efforts to improve customer experience and increase customer base will always be successful. We also cannot predict whether our new products, services and features will be well received by customers consistently, or whether we will be successful in cost-effectively

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implementing new technologies, enhancing customer friendliness of our technology systems, and otherwise improving our technology systems. If we cannot continue to improve customer experience and maintain a consistently high level of customer satisfaction and a well-functioning customer service team, we may not be able to retain or attract customers, and our brand, business, financial condition and results of operations may be materially and adversely affected.

We may fail to successfully roll out, upgrade, and expand our service offerings to retailers and brand owners, which may materially and adversely affect our business and results of operations.

We have been constantly introducing new services to retailers and brand owners to solidify our relationship with them. For example, we have utilized our big data technology to help retailers and brand owners establish omni-channel membership programs across channels. Together with our advanced internet of things capabilities, we help retailers and brand owners to target and communicate with consumers for devising effective marketing initiatives. We also help brand owners broaden their consumer reach, deepen their consumer insights and run brand promotions on our platform. We have experienced rapid growth in this new business offering. However, our expansion of new service offerings may result in unseen risks, challenges and uncertainties along with our expansion into relatively new business areas.

We may incur additional capital expenditure to support the expansion of our new value-added services to retailers and brand owners. In addition, due to the limited operating history of these new business offerings, it is difficult to predict future revenues, which could be subject to seasonality. Any failure in managing expenditures and evaluating demands could materially and adversely affect the prospects of achieving profitability of and recouping our investments in these value-added services and our overall financial condition.

In addition, the expansion of service offerings may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our growth potential, business and results of operations may be materially and adversely affected.

Content posted or displayed on our Dmall mobile app, mini-programs, and other service access points may be found objectionable by regulatory authorities in China and elsewhere and may subject us to penalties and other severe consequences.

The PRC government has adopted laws and regulations governing internet and wireless access and the distribution of information over the internet and wireless telecommunications networks. Under these laws and regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates the principle of the PRC constitution, laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. We have designed and implemented procedures to monitor content on our Dmall mobile app, mini-programs and other online service access points. However, it may not be possible to determine in all cases the types of content that could result in our liability as a distributor of such content, and we may not be able to capture all violating content in time. If any of the content posted or displayed on Dmall mobile app, mini-programs and other service access points is deemed by the PRC government to violate any content restrictions, we could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which may adversely affect our business, financial condition and results of operations.

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In addition, we are responsible for and are obligated to monitor the advertising content shown on our Dmall mobile app and mini-programs to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to drugs, medical devices, healthcare food and food for special medical purposes, we are obligated to confirm that such review has been performed and approval has been obtained. While we have made significant efforts to ensure that the advertisements shown on our Dmall mobile app and mini-programs are in full compliance with applicable PRC laws and regulations, there can be no assurance that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If content found in the advertisements shown on our Dmall mobile app and mini-programs is found to be non-compliant with applicable laws and regulation, we may be ordered to cease dissemination of the advertisements, our advertising income may be confiscated, we may be subject to a fine that greatly exceeds the advertising income, and in severe cases, our business license may be revoked.

Moreover, complying with relevant regulatory requirements may result in limitation to our scope of services, reduction in customer engagement, diversion of our management team’s attention and increased operational costs and expenses. The costs of compliance with these regulations may continue to increase as a result of more content being made available by an increasing number of customers of our Dmall mobile app, mini-programs and other service access points, which may adversely affect our results of operations.

Failures or mishaps in store and product management, supply chain management, marketing, quality control and other activities or any regulatory or other non-compliance of our retailers and brand owners while using our services could harm our brand and reputation, adversely affect our business and prospects, and subject us to potential liability.

Our solutions are designed to help retailers and brand owners in a number of key aspects of their operations, such as store and product management, supply chain management, marketing and other activities. If any retailers or brand owner customers fail to correctly and effectively implement our solutions as intended, or, even if they are correctly and effectively implemented, any retailer or brand owner customers or their employees commit any operational mistakes, have any mishaps or engage in non-compliant conduct while using our solutions, we may be subject to reputational harm and potential liability. For example, concerns or claims regarding the quality or safety of the merchandise offered by our retailers and brand owners through our platform, even if factually incorrect or based on isolated incidents, could reduce consumer confidence in our platform and subject us to reputational harm. Failures or mishaps in store and product management, supply chain management, marketing, quality control and other activities or any regulatory or other non-compliance of our retailers and brand owners while using our services could harm our brand and reputation, adversely affect our business and prospects and subject us to potential liability.

If we fail to attract and retain consumers that use our Dmall mobile app and mini-programs, our business and results of operations could be adversely affected.

The success of our business depends in part on our ability to cost-effectively attract and retain new consumers and increase engagement of existing consumers on our e-commerce platforms underlying the Dmall mobile app and mini-programs. We believe that the selling and marketing

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efficiency, consistent and reliable services and rapid responses to changing consumer preferences have been critical in promoting awareness of our services, which in turn drive new consumer growth and engagement. However, if the promotional activities and marketing strategies offered on our e-commerce platforms do not work efficiently and we cannot continue to lower the consumer acquisition cost, which mainly consists of promotional incentives to retail consumers in the form of discounts and coupons in order to stimulate platform traffic for our Dmall mobile app and mini-programs, if the consumers cannot find products they are looking for on our e-commerce platforms, or if our competitors offer more incentive promotions, or provide better, more convenient or more cost-effective services, consumers may lose interest in us and visit Dmall mobile app or mini-programs less frequently or even stop placing orders with us.

We have been leveraging AI technologies to generate personalized recommendations to consumers for products and incentives in which they may be potentially interested. In addition, we make individually tailored recommendations and incentives to consumers according to a comprehensive database. If our searching results display or tailored recommendations and incentives fail to satisfy individual consumer needs, we may lose potential or existing consumers and may experience a decrease in orders.

Potential decreases in our consumer base will affect our ability to provide the retailers and brand owners on our platform with adequate consumer demands for further operational insights, which may reduce our technology systems’ attractiveness to retailers and brand owners, and the decrease in our business customers base will, in turn, result in further decrease in our consumer base. Therefore, if we fail to cost-effectively retain consumers and increase their utilization of our services, our business and results of operations could be adversely and materially affected.

The wide variety of payment methods that we adopt may subject us to risks related to third-party payment processing.

We do not have our own payment system. Consumers can use various third-party payment platforms such as Weixin pay and Alipay to make payment on the Dmall App or mini programs. During the Track Record Period, we used to collect payments from buyers on behalf of merchants and then settle such payments with merchants (“Past Settlement Practice”). According to the Measures for the Administration of Payment Services of Non-Financial Institutions (《非金融機構支付服務管理辦法》), non-financial institutions are required to obtain the Payment Business Permit to provide payment services, and we may be deemed as engaging in payment and settlement services without the Payment Business Permit for our Past Settlement Practice during the Track Record Period. To rectify such situation, we entered into the third-party payment service agreement with a commercial bank (the “Bank”) which is a licensed third-party payment service provider engaged by us for collecting funds and controlling fund outflows, and from December 2, 2022, the payment is then collected by the Bank. We do not provide money transfer services to retailers and consumers. We have conducted an interview with the Operation Office of the People’s Bank of China (the “PBOC”) (中國人民銀行營業管理部) on December 12, 2021. The PBOC is a competent regulatory authority of payment and settlement activities, and the officer who was interviewed by us is a competent person to give confirmation in the interview. The officer confirmed that if we cooperate with the Bank in accordance with the third-party payment service arrangement entered into by and between the Bank and us, we will not be deemed as engaging in payment business. Based on the above interview and in consideration of the fact that we have already completed the rectification as required in the interview, the possibility of us being ordered to terminate payment activities for engaging in payment activities

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without Payment Business Permit historically is remote. Based on the confirmation from such interview, our PRC Legal Adviser is of the view that the risk of deeming the Company as engaging in payment activities without a license in relation to the Company’s current settlement mechanism cooperating with such Bank by the PBOC is remote. However, as the laws and regulations in this area are still evolving and subject to interpretation, we cannot assure you that the PBOC or other governmental authorities will find our current settlement mechanisms to be in compliance with relevant laws and regulations in the future. If the PBOC or other relevant governmental authorities consider our current settlement mechanisms not fully compliant with the PRC regulations or require us to obtain the Payment Business Permit under the relevant laws and regulations in the future, we may need to adjust our business and cooperation model, and may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operation could be materially and adversely affected.

For certain payment methods, we pay varying service fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer. We may fail to deal effectively with any fictitious transactions or other fraudulent conduct.

In addition, the commercial banks and third-party online payment service providers that we work with are subject to the supervision of the People’s Bank of China, or the PBOC. The PBOC may publish rules, guidelines and interpretations from time to time regulating the operation of financial institutions and payment service providers that may in turn affect the business arrangements between such entities and us.

We do not have control over the security measures of our third-party online payment vendors, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, customers concerned about the security of their online financial transactions may become reluctant to purchase on our website, mobile app or mini-programs, even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, consumers may be discouraged from purchasing on our website, mobile app or mini-programs, which may have an adverse effect on our business.

In addition, there are currently only a limited number of third-party online payment systems in China and globally. If any of these major payment systems decides to significantly increase the percentage fee they charge us for using their payment systems, our results of operations may be materially and adversely affected.

Our business may continue to be materially and adversely affected by the effects of the COVID-19 pandemic in China.

Beginning in 2020, outbreaks of COVID-19 resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Normal economic life

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throughout China was sharply curtailed. New COVID-19 variants have also emerged across the globe, potentially extending the period where COVID-19 will negatively impact the global economy. We took a series of measures to protect our employees, including temporarily closing our offices, facilitating remote working arrangements for our employees, and reducing business meetings and travels. The population in most of the major cities was locked down to a greater or lesser extent at various times and opportunities for discretionary consumption were extremely limited. Our operations have, to a certain extent, been impacted by delays in business activities, commercial transactions and general uncertainties surrounding the duration of the governments’ extended business and travel restrictions. In particular, the travel restrictions resulted in the reduction in size or even cancelation of our offline events, which temporarily adversely affected our marketing activities, as well as disruption and delays in our efforts in installing our operating systems and providing services for our business customers and consumers. These events have adversely affected our business since 2020.

China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were surges of cases in many cities during this time which caused disruption to our and our customers’ operations, and there remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. China may experience lower domestic consumption, higher unemployment, severe disruptions to exporting of goods to other countries and greater economic uncertainty, which may impact our business in a materially negative way as consumers curtail their retail consumption behavior in response to potential economic hardship. Since the modification of the zero-COVID policy, we have resumed our business development activities with our existing and potential customers that were previous stalled by COVID-related restrictions. Nonetheless, our customers will need time to recover from the economic effects of the pandemic even after business conditions begin to return to normal. Consequently, the COVID-19 pandemic may continue to materially and adversely affect our business, financial condition and results of operations in the current and future years.

Our business is sensitive to economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition and results of operations.

COVID-19 had a severe and negative impact on the Chinese and the global economy. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy has gradually slowed in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. The conflict in Ukraine 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 China and the United States with respect to trade policies, treaties, government regulations and tariffs. Any further escalation in trade tensions between China and the U.S. or a trade war, or the perception that such escalation or

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trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. There have been further uncertainties related to the U.S. Federal Reserve’s monetary policies in response to market conditions under the impact of COVID-19. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. 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 and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

If we fail to create, expand, and take advantage of cross-selling opportunities by introducing and selling other services to existing customers using our retail cloud solutions, our business and financial prospects may be adversely affected.

We generate customer leads and promote our brand awareness primarily through word-of-mouth referrals by existing customers, as well as online and offline marketing activities. We also have a dedicated sales team, customer success team, and a business development team that leverage existing customer relationship and industry reputation to convert sales leads into paying customers and to create cross-selling opportunities, which allow us to attract new customers and maintain a high customer retention rate in a cost-efficient manner. For example, we started to provide online-to-offline solutions and AIoT solutions services to Zhongbai Holdings Group Co., Ltd. (“Zhongbai”), a leading retailer in China, in 2017 and further expanded the services to provide Dmall OS system to Zhongbai in 2021. We have established a long-term and stable cooperative relationship with Zhongbai as of the Latest Practicable Date. If we are unable to create, expand, and take advantage of cross-selling opportunities by introducing and selling more services to existing customers, our revenue growth from existing customers may stagnate, and our business, financial performance and prospects may be adversely affected as a result.

Any lack of requisite approvals, licenses or permits applicable to our business may materially and adversely affect our daily operations and hinder our growth.

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including the Ministry of Commerce, or MOFCOM, the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, or the CAC, the SAMR, and other governmental authorities in charge of the relevant categories of products sold by us. Together, these government authorities promulgate and enforce regulations that cover many aspects of the operation of online retail, including entry into the online retail industry, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment. We are required to hold a number of licenses and permits in connection with our business operation, including the internet content provider license, which is a state-issued registration that allows a China-based website to legally provide commercial internet-based information services in the country. According to the Measures for the Administration of Payment Services of Non-Financial Institutions, non-financial institutions are required to obtain the Payment Business Permit to provide payment services. We may be deemed as engaging in payment and settlement services without the Payment Business Permit. See “—The wide variety of payment methods that we adopt may subject us to risks related to third-party payment processing.”

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As of the Latest Practicable Date, we have obtained approvals, licenses and permits that are required for our business operations. See “Regulations—Regulations on Value-added Telecommunications Services and Foreign Investment Restrictions.” In addition, according to the Administrative Regulation of the PRC on the Registration of Market Entities (中華人民共和國市場主體登記管理條例) and Measures on Penalties for Business Operations without Necessary License/Permit (無證無照經營查處辦法), any operation site established in addition to our domicile shall be registered with SAMR as a branch office. Any perceived or actual failure to complete such registration may subject us to fines and penalties, which may adversely affect our business operations. As the industry in which we operate is still evolving in China, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to internet-related businesses. If the PRC government (i) considers us to be in violation of any PRC laws or regulations due to the insufficient scope of our ICP license and EDI license, (ii) deems that we are operating without the proper approvals, licenses or permits, or (iii) promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these and other regulatory actions by the PRC governmental authorities, including issuance of official notices, change of policies, promulgation of regulations and imposition of sanctions, may adversely affect our business and have a material and adverse effect on our results of operations. In addition, if we are to use new or additional domain names to conduct our business, we would have to apply for the same set of government authorizations or amend the current ones.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. In addition, some of the members of our current senior management team have only been working together for a short period of time, which could adversely impact our ability to achieve our goals. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not maintain key person life insurance policies on our employees. The loss of the services of one or more members of our senior management or other key employees for any reason could adversely affect our business, financial condition and operating results and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business, and could affect our corporate culture.

In addition, we will continue to recruit qualified personnel to support our business operations and planned business growth. If we are unable to recruit, train and retain sufficient qualified personnel while controlling our labor costs, our business may be materially and adversely affected.

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We generate a portion of our revenues from e-commerce service cloud, which have not been profitable. If we fail to compete with other industry players providing these services, our revenues and profitability may be adversely affected.

We offer consumers and our customers e-commerce service cloud solutions which support the operation of our customers’ own virtual stores and allow consumers to make purchases through the Dmall App and mini programs and receive on-demand deliveries. We compete with players in industries that specialize in these services, such as the on-demand delivery industry. There are other market participants that provide similar services. For example, many mobile apps and mini programs provide online marketplace for consumers to purchase quality grocery and receive on-demand delivery. In addition, the markets are highly competitive and characterized by rapid market changes and technology evolution, giving rise to a large and increasing number of market entrants and well-funded competitors that may outcompete us on cost and pricing. 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. If we fail to compete with these other industry players, we may not be able to keep up our customer satisfaction, and we may fail to create synergies with our business, which could lead to a decline in our business growth and adversely affect our business, financial condition and results of operations.

We generate a portion of our revenues from advertising services. If we fail to attract more customers for advertising services or if they reduce their spending or become less willing to advertise through us, our revenues may be adversely affected.

We generate a portion of our revenue from marketing and advertising service cloud. In 2020, 2021, 2022 and the three months ended March 31, 2023, we generated RMB43.9 million, RMB196.5 million, RMB173.0 million and RMB39.1 million of revenue from marketing and advertising service cloud, representing 9.0%, 18.8%, 11.5% and 10.0% of our total revenue, respectively. Our ability to generate and maintain our advertising revenue depends on a number of factors, some of which are out of our control, including the maintenance and enhancement of our brand, the scale, engagement and loyalty of our business customers and consumers, the quality of our service offerings, the budget of our advertising customers, and the market competition on advertising prices. We cannot assure you that we will be able to retain existing advertisers or attract new ones. If we fail to retain and enhance our relationships with advertisers, our business, results of operations, and prospects may be adversely affected.

Furthermore, our core and long-term priority of optimizing consumer experience and satisfaction may limit our ability to generate revenue from advertising. For example, in order to provide consumers with an uninterrupted shopping experience, we have limited the amount of advertising placement and aim to collaborate with advertisers that share our brand philosophy. Our commitment of putting consumers first may not be in line with the interest of our advertisers, and may not result in the long-term benefits that we expect, in which case the success of our business and results of operations could be harmed.

We recorded other income from gain on disposal of subsidiaries during the Track Record Period, which was non-recurring in nature.

In 2022, we recorded a gain of RMB100.1 million as a result of the disposal of our equity interest in DFI Digital (Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited. For details, see “History, Reorganization and Corporate Structure—Acquisitions and Disposals—(2) DFI Digital

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(Hong Kong) Limited and DFI Digital (Singapore) PTE. Limited.” We did not record any gain on disposal of subsidiaries in 2020 and 2021 and we cannot assure you that we will record such gains in the future. As such gains contributed to certain portion of our profitability during the Track Record Period, the non-recurring nature of gain on disposal of subsidiaries may affect our profitability. Hence, our business, financial condition and results of operations could be affected as a result of the non-recurring nature of gain on disposal of subsidiaries.

We may incur liability for counterfeit, unauthorized, illegal, or infringing products sold or misleading information on our Dmall mobile app and mini-programs.

We may be subject to allegations and lawsuits claiming that products sold or listed on or through our Dmall mobile app and mini-programs are counterfeit, unauthorized, illegal or otherwise infringe third-party copyrights, trademarks and patents or other intellectual property rights, or that content posted on our consumer interfaces or shared by consumers through their social networks contain misleading or inaccurate information on description of products and comparable prices. We have adopted and implemented the O2O Operations Management Policy, which requires merchants to submit information for their products for the review and inspection by our risk management specialist of the O2O operations. We do not publish the products of merchants until the satisfactory completion of our review. We did not have any material disputes with the customers during the Track Record Period and up to the Latest Practicable Date. Although we have adopted strict measures to protect us against these potential liabilities, these measures may not always be successful or timely.

In the event that counterfeit, unauthorized or infringing products are sold on or through our platform or infringing or misleading content is posted on our platform, we could face claims or be imposed with penalties. We may be subject to claims alleging the sales of defective, counterfeit or unauthorized items on our platform. Irrespective of the validity of such claims, we could incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further sale of the relevant products. Potential liabilities under PRC law for negligence in participating or assisting in infringement activities associated with counterfeit goods include injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity and our reputation could be severely damaged. In addition, in the event that any of our retailer or brand owner customers fail to obtain proper authorization to sell certain products on or through our platform, they may be prevented from selling products on or through our platform, and we may become subject to claims or disputes alleging that some products are sold on or through our platform without proper authorization. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

We operate business in Asia market through joint venture structure, and our operational and financial results will be affected by how the arrangements are managed.

A significant portion of our Asia market business is operated through Retail Technology Asia, one of our subsidiaries whose financial statements has been consolidated into our financial statements since its establishment. Pursuant to the joint venture agreement entered into between Dmall HK and DRGML dated December 3, 2019, Retail Technology Asia was incorporated in Hong Kong on January 14, 2020 to provide retailers outside China with a cloud-based retail platform relating to the digital transformation of customer experiences. The board of Retail Technology Asia is responsible for the

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overall management of the joint venture, which shall consist of seven directors, of which Dmall HK may appoint four directors and DRGML may appoint three directors. In respect of Dmall HK, Dmall HK may appoint the chief executive officer, chief financial officer and the chief technology officer of Retail Technology Asia. As of the Latest Practicable Date, it was held by Dmall HK as to 58.5% and DRGML as to 41.5%, respectively. The success of our joint venture depends on a number of factors, including the knowledge and expertise DFI Retail Group provides with respect to operations, marketing and brand building, both parties’ willingness and ability to honor their commitments under the JV Agreement and the extent to which the parties cooperate in operational and strategic decisions with respect to the target markets. If we become engaged in material disagreements with DFI Retail Group, the operational and financial results of the underlying business may be adversely affected.

We may engage in acquisitions, investments or strategic alliances in the future, which could require significant management attention and materially and adversely affect our business and results of operations.

We may identify strategic partners to form strategic alliances, and invest in or acquire additional assets, technologies or businesses that are complementary to our existing business. These transactions may involve minority investments in other companies, acquisitions of controlling stakes in other companies or acquisitions of selected assets.

Any future strategic alliances, investments or acquisitions and the subsequent integration of the new assets and businesses obtained or developed from such transactions into our own business may divert management from its primary responsibilities and subject us to additional liabilities. In addition, the costs of identifying and consummating investments and acquisitions may be significant. We may also incur costs and experience uncertainties in completing necessary registrations and obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. The costs and duration of integrating newly acquired assets and businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition, results of operations and cash flow.

We are subject to credit risk with respect to trade receivables and prepayments, deposits and other receivables.

During the Track Record Period, our trade receivables primarily represent outstanding receivables associated with our retail core cloud service cloud solutions and marketing and advertising service cloud solutions; and our prepayments, deposits and other receivables primarily consist of receivable from a supplier, deductible input value-added tax, receivable from third party payment platform, receivables from retailers and advertisers, lease and security deposits and others. As of December 31, 2020, 2021, 2022 and March 31, 2023, we recorded trade receivables of RMB22.4 million, RMB93.2 million, RMB140.6 million and RMB168.6 million, respectively, and the current and non-current prepayments, deposits and other receivables of RMB126.6 million, RMB117.4 million, RMB86.0 million and RMB119.9 million, respectively. Although we have initiated proactive and periodic communication with our customers for payments, there can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time, substantial impairment is incurred or if any of these customers goes bankruptcy or undergoes credit deterioration.

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Fair value changes in our Convertible Bond issued to the Convertible Bond investor and related valuation uncertainty due to unobservable inputs of our Convertible Bond may affect our financial condition and results of operations.

In June 2022, our Company issued Convertible Bond to the Convertible Bond Investor. For more details, please see the section headed “History, Reorganization and Corporate Structure—Pre-[REDACTED] Investments—Issuance of Convertible Bond” of this document.

The Convertible Bond was initially bifurcated into liabilities and derivative components upon issuance. At initial recognition the derivative component of the Convertible Bond is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. The derivative component is subsequently remeasured at fair value in profit or loss. The liability component is subsequently carried at amortized cost. The Group applied the discounted cash flow valuation approach to determine the underlying equity value of the Group while the binomial pricing model was adopted to determine the fair value of the derivative components of the Convertible Bond, and the key valuation assumptions used included exercise price, expected volatility, dividend yield, maturity period and bond yield. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investor. The risk factors that influence bond yield include, but are not limited to, parameters such as the yield from comparable bonds, as well as premiums such as liquidity premium, country premium and specific premium. Due to the use of unobservable inputs to determine the discount rate in the valuation of our Convertible Bond, there is inherent uncertainty in the valuation. Upon conversion the Convertible Bond will be reclassified and re-designated to ordinary shares of the Company and the conversion is a non-cash transaction. On or after 180 days upon the completion of the Qualified [REDACTED], the holder of the Convertible Bond shall have the right to convert the outstanding principal amount of the Convertible Bond into such number of Shares at any time before the maturity date pursuant to the terms of the Convertible Bond. For details about our Shares expected to be allotted and issued upon conversion of the Convertible Bond, please see “History, Reorganization and Corporate Structure—Pre-[REDACTED] Investments—Issuance of Convertible Bond.” To the extent we need to revalue the Convertible Bond prior to their conversion, any change in fair value of Convertible Bond and related valuation uncertainty could materially affect our financial position and performance.

Further, before the maturity date of the Convertible Bond, the holder of the Convertible Bond may require the early redemption of the Convertible Bond by depositing a notice of redemption at its principal amount plus accrued interest on June 14, 2025 or June 14, 2026. If the Convertible Bond is to be redeemed, the redemption amount shall be the principal amounting to RMB190,000,000 plus total accrued and unpaid interest calculated at 5.8% per annum on the principal. The redemption of the Convertible Bond, if triggered, would reduce the Group’s cash position.

In addition, during the Track Record Period, we issued convertible redeemable preferred shares, all of which are designated as financial liabilities at fair value through profit or loss. During the Track Record Period, our fair value change of convertible redeemable preferred shares were RMB73.1 million, RMB732.3 million, RMB493.2 million and RMB270.8 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the [REDACTED], which will result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future.

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Our results of operations, financial condition and prospects may be adversely affected by fair value changes of our financial assets and valuation uncertainty due to the use of unobservable inputs.

We made investments in certain financial assets during the Track Record Period and recorded current financial assets at fair value measured through profit or loss of nil, RMB15.1 million, RMB9.0 million and RMB14.1 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively, and non-current financial assets at fair value through profit or loss of nil, RMB140.7 million, RMB153.2 million and RMB154.0 million, respectively. Our financial assets at fair value through profit or loss mainly consist of (i) wealth management products purchased from banks in the PRC and (ii) unlisted equity investment in Guoquan Food (Shanghai) Co., Ltd., formerly known as Guoquan Supply Chain (Shanghai) Co., Ltd. (“**Guoquan**”). The fair value of wealth management products is calculated by discounting the expected future cash flows. The key input used by the Group for wealth management products is the expected rate of return. As of December 31, 2020, 2021 and 2022, the Group determines the fair value of investment in Guoquan by reference to its recent transaction prices or using a backsolve method based on assumptions that are not supported by observable market prices or rates. As of March 31, 2023, the Group determines the fair value of investment in Guoquan using the market comparison approach by changes in business value of comparable listed companies adjusted for lack of marketability discount. Going forward, we may continue to invest in financial assets. We plan to make investment decisions related to the purchase of financial assets on a case-by-case basis. We cannot assure you that market conditions and regulatory environment will result in fair value gains on the financial assets we invest in or we will not incur any fair value losses on our investments in the financial assets in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may not be able to fulfil our obligation in respect of the contract liabilities, which may impact our cash position.

We recognize a contract liability when we receive or have an unconditional right to receive non-refundable consideration from a customer prior to us rendering related products and services to them. Contract liabilities are then reclassified as revenue when we perform our services under the contracts, which means transferring control of the related products or services to the customer. We recorded contract liabilities of RMB1.1 million, RMB44.5 million, RMB49.5 million and RMB60.2 million as of December 31, 2020, 2021, 2022 and March 31, 2023, respectively. If we fail to fulfill our obligations or if our customers dispute the services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue, and we will have to refund all or a portion of the payments made by our customers, which will adversely affect our results of operations, liquidity and financial position.

The proper functioning of our technologies and operation systems is essential to our business. Any failure to maintain the satisfactory performance of our applications and operation systems could materially and adversely affect our business and reputation.

The proper functioning of our information technology (IT) systems is essential to our business. The satisfactory performance, reliability and availability of our IT systems are critical to our success, ability to attract and retain retailers, brand owners and consumers and ability to maintain and deliver consistent services on our technology systems. However, our technology infrastructure may fail to keep pace with increased operations on our operating system and frequent transactions on our platform, in particular with respect to our new service offerings or in association with traffic and order surges

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during promotional events and holiday seasons, and therefore our users may experience delays as we seek to source additional capacity, which would adversely affect our results of operations as well as our reputation.

We may be unable to monitor and ensure high-quality maintenance and upgrade of our IT systems and infrastructure on a real-time basis, and users may experience service outages and delays in accessing and using our technology systems. In addition, we may experience surges in online traffic and orders associated with promotional activities and generally as the platform grows, which can put additional demand on our e-commerce platform at specific times. Our technology or infrastructure may not function properly at all times. Any system interruptions caused by telecommunications failures, computer viruses, physical or electronic break-ins or other attempts to harm our systems could result in the unavailability or slowdown of our technology systems or reduced order fulfillment performance, which in turn could reduce the volume of products sold and the attractiveness of product offerings on our platform. Any of such occurrences could cause severe disruption to our daily operations. As a result, our reputation may be materially and adversely affected, market share could decline and we could be subject to liability claims. In addition, in order to ensure that our technology infrastructure can be comprehensively and rapidly upgraded, we need to constantly enhance our technology. Otherwise, we face the risk of our technology infrastructure becoming unstable and susceptible to security breaches, which we may be unable to identify or rectify rapidly and effectively. Such instability or susceptibility could create serious challenges to the security and uninterrupted operation of our operating system, platform and other services, which could materially and adversely affect our business and reputation.

If the software used in our Dmall OS system, Dmall mobile app and mini-programs, and other internal technology systems contains undetected programming errors or vulnerabilities, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our retailers and brand owners.

The software used in our Dmall OS system, Dmall mobile app and mini-programs, and other internal technology systems may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when new versions or enhancements are released. Despite internal testing, our Dmall OS system, Dmall mobile app and mini-programs, and other internal technology systems may still contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. We operate mini-programs on third-party apps and platforms, such as Weixin, which could suspend or terminate users’ access to our mini-programs, and operation of our mini-programs may be adversely affected if such platforms contain undetected programming errors or vulnerabilities. Furthermore, our Dmall OS system is a multi-tenant cloud based system that allows us to deploy new versions and enhancements to all of our retailers and brand owners simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our business customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our business customers.

Since retailers and brand owners use our services for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our

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operating system or platform could result in losses to our business customers. They may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Any errors, defects, security vulnerabilities or software bugs contained in our Dmall OS system, Dmall mobile app or mini-programs may also deteriorate user experience, which may discourage consumers from using our services. Further, business customers and consumers using our Dmall OS system, Dmall mobile app and mini-programs could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. A claim brought against us by any of our users would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our products and services.

We rely on the effective interoperation of our systems with mobile operating systems, hardware, networks, standards, and particularly the internet infrastructure and telecommunications networks in China and countries and regions where we operate, none of which we control. We also rely on proper operation and maintenance of our technology systems and infrastructure. Any malfunction, capacity constraint, or operation interruption may have an adverse impact on our business.

Our Dmall mobile app and mini-programs must remain interoperable with popular mobile operating systems, such as iOS and Android, and related hardware. We have no control over these operating systems or hardware, and any changes to these systems or hardware that degrade the functionality of our services, or give preferential treatment to competitive platform or services, could seriously harm usage of our Dmall mobile app and mini-programs. We plan to continue to introduce new services regularly and have experienced that it takes time to optimize such services to function with these operating systems and hardware, impacting the popularity of such services, and we expect this trend to continue. In addition, the adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet could decrease the demand for our services and increase our cost of doing business.

Our Dmall mobile app and mini-programs must also remain interoperable with app stores and related hardware, including mobile-device cameras, in addition to popular mobile operating systems. The owners and operators of such operating systems and major app stores have approval authority over our Dmall mobile app and mini-programs and provide users with other platform or services that compete with ours. Additionally, mobile devices are manufactured by a wide array of companies. Those companies have no obligation to test the interoperability of new mobile devices with our Dmall mobile app and mini-programs, and may produce new mobile devices that are incompatible with or not optimal for our Dmall mobile app and mini-programs. We have no control over these operating systems, app stores, or hardware, and any changes to these systems, app stores, or hardware that diminish the performance of our Dmall mobile app and mini-programs, or give preferential treatment to competitive platform or services, could seriously lessen the use of our Dmall mobile app and mini-programs on mobile devices.

We may fail to successfully cultivate relationships with key industry participants or develop new features and functionalities of our Dmall mobile app and mini-programs that operate effectively with these technologies, systems, networks, regulations, or standards. If it becomes more difficult for our users to access and use our Dmall mobile app and mini-programs on their devices, if our users choose not to access or use our Dmall mobile app and mini-programs on their devices, or if our users choose to use platform or services from our competitors, our user growth, retention, and engagement could be seriously harmed.

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Our business and the continuing performance, reliability and availability of our technology systems, Dmall mobile app and mini-programs also depend on the performance and reliability of China’s internet, mobile, and other infrastructures that are not under our control. Disruptions in internet infrastructure or the failure of telecommunications network operators to provide us with the bandwidth needed to provide our services may interfere with the speed and availability of our services on our Dmall mobile app and mini-programs. If our Dmall mobile app and mini-programs are unavailable when users attempt to access them, or if our Dmall mobile app and mini-programs do not respond as quickly as our users expect, users may not return to use our Dmall mobile app and mini-programs as often in the future, or at all, and may use our competitors’ platform or services instead. In addition, we have no control over the costs of the services provided by China’s telecommunications operators. If mobile internet access fees or other charges to internet users increase, user traffic may decrease, which may in turn cause our revenues to significantly decrease.

We rely on computer hardware, purchased or leased, and software licensed from and services rendered by third parties in order to provide our solutions and run our business, sometimes by a single-source supplier.

We rely on computer hardware, purchased or leased, and software licensed from and services rendered by third-parties in order to provide our solutions and run our business, sometimes by a single-source supplier. Third-party hardware, software and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use or any failures of third-party hardware, software or services could result in delays in our ability to provide our solutions or run our business until equivalent hardware, software or services are developed by us or, if available, identified, obtained and integrated, which could be costly and time-consuming and may not result in an equivalent solution, any of which could cause an adverse effect on our business and operating results. Further, retailers and brand owners could assert claims against us in connection with such service disruption or cease conducting business with us altogether. Even if not successful, a claim brought against us by any of our business customers would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

We depend on data centers and cloud computing services provided by third parties and any disruption in the operation of these facilities could adversely affect our business.

We currently manage our services and serves our business customers leveraging data centers and cloud computing facilities rented from third-party vendors. We may experience failures at the third-party data centers where our hardware is deployed from time to time. Data centers are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Any of these events could result in lengthy interruptions in our services. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. We also collaborate with or receive open source software services from online map providers, social media access portal providers for embedding our mini-program and payment processing providers.

Any interruption or delay, most of which are beyond our control, in the functionality of these third-party services may lead to system interruptions, website or mobile app slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill orders. Interruptions in our services would reduce our revenue, subject us to potential liability

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and adversely affect our ability to retain our business customers and consumers or attract new business customers and consumers. The performance, reliability and availability of our platform is critical to our reputation and ability to attract and retain business customers and consumers. Retailers, brand owners and consumers could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. If we are unable to maintain our arrangements with third-party service providers and vendors on commercially reasonable terms, we may be required to transfer to new data centers and cloud-computing facilities and we may incur costs and possible service interruption in connection with doing so.

Computer and mobile malware, viruses, hacking and phishing attacks, spamming and improper or illegal use of our Dmall OS system, Dmall mobile app, mini-programs, and other technology systems may affect customer experience, which could reduce our ability to attract customers and materially and adversely affect our business, financial condition and results of operations.

Computer and mobile malware, viruses, hacking and phishing attacks have become more prevalent in our industry. Although there have been no such incidents in the past, it is difficult to determine what, if any, harm may result from a future interruption or attack, any failure to maintain performance, reliability, security and availability of our Dmall OS system, Dmall mobile app, mini-programs, and other technology systems to the satisfaction of our business customers and consumers may affect customer experience, which could reduce our ability to attract business customers and advertisers and materially and adversely affect our business, financial condition and results of operations.

The performance of our technology systems depends on a variety of third-party service providers. Service interruptions, failures, or constraints of these service providers could severely harm our business and prospects.

The stability, reliability and competitiveness of our technology systems depend on a variety of third-party service providers, such as IT service providers, IoT device vendors, and logistics service providers in connection with online-to-offline e-commerce services. If we are to experience failures, breakdowns, substandard performance or other adverse events affecting third-party service providers, it could incur significant losses due to disruptions in our technology systems and business. These risks may be further exacerbated by the deployment and continued refinement of cloud-based retail solutions. In a cloud computing environment, we may be subject to outages by third-party IT and cloud service providers and security breaches to our technology systems. Unauthorized parties may obtain access to our technology systems by circumventing the systems used by our third-party service providers. The merchandise on our e-commerce platform are supplied and shipped directly from retailers to our buyers. We and our retail partners may use third-party logistics service providers to fulfill and deliver orders placed with us. Interruptions to or failures in third-party logistics services could prevent timely and successful delivery of the ordered products to our buyers. As we do not directly control or manage the operations of these third-party logistics service providers, we may not be able to guarantee their performance. Any failure to provide satisfactory services to our buyers, such as delays in delivery, product damage or product loss during transit, may damage our reputation and cause us to lose buyers, and may ultimately adversely affect our results of operations and market acceptance of our services.

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Our Dmall OS system, Dmall mobile app, mini-programs, and other internal technology systems contain open source software, which may pose particular risk to our proprietary software and mobile app features and functionalities in a manner that negatively affects our business.

We use open source software in our Dmall OS system, Dmall mobile app, mini-programs, and other internal technology systems and will continue to use open source software in the future. The licenses applicable to our use of open source software may require the source code that is developed using open source software be made available to the public and that any modifications or derivative works to certain open source software continue to be licensed under open source licenses. From time to time, we may face claims from external parties claiming infringement of their intellectual property rights, or demanding the release or license of the open source software or derivative works that we developed using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open source license. Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other parties to determine how to breach our website and technology systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be obligated to disclose our proprietary source code to our subsidiary.

Pursuant to our joint venture agreement with DRGML, one of our subsidiaries may become a beneficiary of a source code escrow agreement under which we may place the proprietary source code for certain of our solutions in escrow with a third party and our source code may be released to our joint venture upon the occurrence of specified events, such as in situations of our bankruptcy or insolvency or our failure to support or maintain our solutions. Disclosing the content of our source code may limit the intellectual property protection we can obtain or maintain for our source code or our solutions containing that source code and may facilitate intellectual property infringement, misappropriation or other violation claims against us. Each of these could have a material adverse effect on our business, financial condition and results of operations. See “Business—Joint venture agreement of Retail Technology Asia.”

We are dependent on app stores to disseminate our Dmall mobile app.

We offer our Dmall mobile app via smartphone and tablet apps stores operated by third parties, such as the Apple App Store and various Android app stores, which could suspend or terminate users’ access to our Dmall mobile app, increase access costs or change the terms of access in a way that makes our Dmall mobile app less desirable or harder to access. As such, the promotion, distribution and operation of our Dmall mobile app are subject to such distribution platforms’ standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If the Apple App Store or any Android app stores interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected. It is possible that compliance requirements of app stores may cause us to suspend our Dmall mobile app from such stores. As a result, our ability to expand our user base may be hindered if potential users experience difficulties in or are barred from accessing our Dmall mobile app. Any such incident may adversely affect our brand and reputation, business, financial condition and results of operations.

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We have been and may again, from time to time, be subject to legal proceedings during the course of our business operations. Our directors, management, shareholders and employees may also again from time to time be subject to legal proceedings, which could adversely affect our reputation and results of operations.

We have been and may continue to be, subject to litigations, regulatory actions, disputes or claims of various types brought by relevant regulatory authorities or our competitors, business customers, consumers, suppliers, content creators, employees, or other third parties against us during our business operations. During the Track Record Period, a subsidiary of our Company were involved in a contractual dispute lawsuit with a mobile phone supplier of our Company’s legacy commodity business, and certain disputed assets of RMB55.7 million were frozen by the court from the subsidiary’s bank account. In September 2022, the court dismissed the case based on the findings of a court-commissioned forensic appraisal that the seal used in the evidentiary documents presented in the lawsuit did not match with our subsidiary’s authentic company seal, and disputed assets were unfrozen in October 2022. None of our shareholders, directors or senior management or any of their associates were involved in the seal’s forgery leading up to the lawsuit. We incurred approximately RMB1.4 million in legal fees and RMB0.1 million in forensic appraisal fees as a result of this lawsuit. There is no assurance whether or not we will be subject to further legal proceedings in the future. Subsequently, we have adopted rectification measures and established standardized supplies procurement management policies, including but not limited to background and authorization verification for our suppliers, inspections for goods delivered, and adoption of policies for employees to safeguard company information. See “Financial Information—Liquidity and Capital Resources.”

Our directors, management, shareholders and employees may also again from time to time be subject to legal proceedings. Such regulatory actions, disputes, allegations, complaints, or legal proceedings may divert our management team’s attention, and may damage our reputation, evolve into litigation or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, may subject us to the risk of significant damages, requires significant managerial resources and attention, and could materially and adversely affect our business, financial condition and results of operations. The outcomes of actions we institutes may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base.

We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious reports, all of which could severely damage our reputation and materially and adversely affect our business and prospects.

The rapid growth of our service platform as well as increased publicity about our business create the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over consumer protection, consumer safety and data privacy and security issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the large number of transactions that take place on our platform and the increasing scope of our overall business operations. We may become the target of detrimental conduct by third parties, which include complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Moreover, as our business expands and grows,

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we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects. Any illegal or immoral conduct by our management or employees could also result in negative publicity and thus harm our public image and reputation.

In addition, allegations made, directly or indirectly, against us, may be posted in social media or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Consumers value readily available information concerning retailers, brand owners, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

Our operating results are subject to seasonality, which may affect our business and operating results.

We have historically experienced mild seasonality in our business, mainly correlating to the seasonality patterns associated with the retail industry in China. The seasonality may become less predictable and more volatile as we enter into additional international markets. Seasonality makes it challenging to accurately and timely estimate customer demands and manage our capacity accordingly. We make planning and spending decisions, including capacity management and other resource requirements, based on our estimates of customer demand. Failure to meet demand associated with seasonality in a timely manner may adversely affect our financial condition and results of operations. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, our results of operations may fluctuate from time to time due to seasonality.

Our operating metrics are subject to inherent challenges in different methods of measurement, and real or perceived inaccuracies in those metrics may materially and adversely affect our business and operating results.

We rely on certain key operating metrics, such as GMV and number of customers, among others, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data. There are inherent challenges in measuring such key metrics and company data, and measurement of such metrics and data may be susceptible to delays and technical errors. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If investors make investment decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

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We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that has a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our shares.

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

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and invention assignment with our employees and others, to protect our proprietary rights. Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that (i) our application for registration of trademarks, patents, and other intellectual property rights will be approved, (ii) any intellectual property rights will be adequately protected, or (iii) such intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in the relevant industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of intellectual property is difficult and costly and the steps we may take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our management and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

There is no assurance that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. Although we have not been subject to legal proceedings or claims relating to the intellectual property rights of others in the past, there is no assurance that we will not be subject to such legal disputes in the future. In addition, there may be other third-party intellectual property that is infringed by products offered by our retailers and brand owners and their services or other aspects of their business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us. Further, the application and interpretation of China’s patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management’s time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question.

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

We have limited control over the behavior of our employees, third-party service providers and our customers. To the extent any improper behavior is associated with our services, platform, technology systems, or programs embedded in third-party websites or online channels, our ability to protect our brand image and reputation may be limited. In addition, if any consumers suffer or allege to have suffered physical, financial or emotional harm following contact initiated through our platform by intentional or negligent misconduct or other improper activities conducted by our employees, third-party service providers or business customers, we may face civil lawsuits or other liabilities initiated by the affected individual or governmental or regulatory actions against us. In response to allegations of illegal or inappropriate activities conducted on our applications or websites or any negative media coverage about us, PRC governmental authorities may intervene and hold us liable for non-compliance with PRC laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as fines and penalties on our operations in China, requiring us to restrict or discontinue some of the content, features and services provided through our platforms or websites or removal of our mobile app from the relevant application stores. As a result, our business may suffer and our brand image, business customer base, consumer base, results of operations and financial condition may be materially and adversely affected.

We are exposed to the risk of other types of fraud or other misconduct by employees, third-party service providers, and our business customers. Other types of misconduct include, but are not limited to, intentionally failing to comply with government regulations, engaging in unauthorized

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activities, such as mishandling consumer records and data, and making misrepresentations on our service platform, all of which could harm our business and reputation. It is not always possible to deter misconduct by employees, third-party service providers, and our business customers, and such risks are greater with respect to misconduct, improper activities and misuse of our services and data by our third-party service providers and business customers, over whom we have less control as they are not our own employees. Although we set out confidentiality and conduct requirements for third-party service providers and our business customers in our agreements with third-party service providers and our service agreements with business customers, such efforts may not be effective in controlling and deterring misconduct and improper activities. The precautions we take to prevent and detect misconduct by employees, third-party service providers, and our business customers may not be effective in controlling unknown or unmanaged risks or losses, which could harm our business, financial condition and results of operations.

We received government grants during the Track Record Period, and we may not receive such grants in the future.

In 2020, 2021, 2022 and the three months ended March 31, 2023, we recognized government grants of RMB3.8 million, RMB15.9 million, RMB52.8 million and RMB1.7 million, respectively, primarily representing unconditional cash awards granted by the local authorities in the PRC. During the year ended December 31, 2021 and 2022, government grants mainly represented subsidies received from government for encouraging foreign investment and technology research activities. Our eligibility for government grants is dependent on a variety of factors, including relevant government policies and availability of funding at different granting authorities. In addition, the policies according to which we received government grants may be halted by the relevant government authorities at their sole discretion. We cannot assure you that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future. Any loss of or reduction in government grants may have an adverse effect on our results of operations and financial condition.

We have granted, and may continue to grant options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses and dilute shareholdings.

In order to attract and retain qualified employees, provide incentives to our directors, officers, employees and consultants, and promote the success of our business, we adopted our 2016 Share Incentive Plan and the 2020 Share Incentive Plan. As of November 29, 2022, 63,740,500 Shares underlying the outstanding options to purchase our ordinary shares and 15,708,859 Shares underlying outstanding restricted shares units have been granted and outstanding, excluding options that were forfeited or canceled after the relevant grant dates. For the years ended December 31, 2020, 2021 and 2022, we recorded RMB32.0 million, RMB134.1 million and RMB12.5 million in share-based payment expenses, respectively.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards to employees in the future. As a result, our expenses associated with share-based payment expenses may increase, which may have an adverse effect on our results of operations and potential dilution effect on the Shareholders' interest in our Company.

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While we endeavor to maintain an effective system of internal control, our efforts to improve it may not entirely eliminate all associated risks.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. Our efforts in improving our internal control system may not result in elimination of all risks. For example, we received a contractual dispute lawsuit in March 2021 against one of our subsidiaries claiming for alleged promised payments under a purchase order with a maximum claim amount of RMB56.7 million based on the pleading claim. We believe the plaintiff was deceived by imposters with forged seals without verifying the authenticity and validity of the purchase order, and we reported the incident to the local police authority. The lawsuit has been dismissed in September 2022 and we incurred approximately RMB1.4 million in legal fees and RMB0.1 million in forensic appraisal fees as a result of this lawsuit. While we successfully defended ourselves in this case, we cannot guarantee that similar incidents would not happen again in the future.

Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks.

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Any ESG concern or issue could increase our regulatory compliance costs.

Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations.

Certain lessors of our leased properties have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. We may not be able to find alternative properties to lease in a timely and reliable manner, or at all. As of the Latest Practicable Date, four of our leased properties in the Chinese mainland with an aggregate gross floor area of approximately 3,369.1 square meters were subject to potential title defects, representing approximately 23.0% of the total gross floor area of our leased properties in the Chinese mainland. The lessors of such leased properties had not provided us with the relevant real estate registration certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties. In addition, some of our leased

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properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. As of the Latest Practicable Date, seven out of our 17 leased properties in the PRC have not been registered or filed with the relevant land and real estate administration bureaus in the PRC. These properties are used for office space and have an aggregate gross floor area of approximately 6,879.9 square meters, accounting for approximately 47.1% of the total gross floor area of our leased properties in the PRC. While the lack of registration will not affect the validity of the lease agreements or result in us being required to vacate the leased properties, 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 unregistered lease. The aggregate amount of maximum potential fine will be approximately RMB70,000.

As of the Latest Practicable Date, we were not aware of any claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to liability resulting from third parties’ challenges on our use of such properties. As a result, our business, financial condition and results of operations may be adversely affected.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting China and other parts of the world. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures, internet failures or other operation interruptions for us and our service providers, which could cause the loss or corruption of data or malfunction of software or hardware as well as adversely affect our ability and the ability of our service providers to conduct daily operations and to deliver our products and service offerings. Our business could also be adversely affected if our employees or the employees of our service providers are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese or global economy in general.

Most of our system hardware and the back-up systems supplied by third-party cloud service providers are hosted in facilities located in China. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect China and Beijing in particular, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We provide social insurance for our employees as required by PRC law, and we also provide supplemental commercial medical insurance for our employees. We do not maintain business

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interruption insurance or key-man insurance. We consider this practice to be reasonable in light of the nature of our business, which is in line with the practices of other companies of similar size in the same industry in China. In addition, insurance companies in China currently offer limited business-related insurance products. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could disrupt our business operations, requiring us to incur substantial costs and divert our resources, which could have an adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC laws and regulations relating to the relevant industries, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of internet-based businesses, such as provision of commercial internet information services is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication enterprise (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) issued on December 27, 2021 and effective on January 1, 2022, by the National Development and Reform Commission, or the NDRC, and the PRC Ministry of Commerce, and other applicable laws and regulations. We are a company incorporated under the laws of the British Virgin Islands. To comply with PRC laws and regulations, we conduct our internet-related business in China through our VIE incorporated in China. The contractual arrangements give us effective control over our VIE and enable us to obtain substantially all of the economic benefits arising from our VIE as well as consolidate the financial results of our VIE in our results of operations. Although the structure we have adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. Our VIE and our subsidiaries hold the licenses, approvals, and key assets that are essential for the operations of certain of our businesses.

In the opinion of our PRC Legal Advisor, (i) based on the interview with the MIIT, the adoption of the Contractual Arrangements does not constitute a breach of applicable PRC laws or regulations currently in effect, and (ii) each agreement of the Contractual Arrangements between Shenzhen Xintonglu, our VIE and our Registered Shareholders are legal, valid and binding on the parties to the underlying agreements under applicable PRC laws and regulations, except that the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the British Virgin Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts. See “—We conduct our business operations in China through VIEs by way of Contractual Arrangements. However, certain terms of our Contractual Arrangements may not be enforceable under PRC laws and regulations.” There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and

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regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Advisor. If we have been found in violation of any PRC laws or regulations or if the Contractual Arrangements among Shenzhen Xintonglu, our VIE, and our Registered Shareholders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of our PRC entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations, or imposing other requirements with which we or our VIE may not be able to comply;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenue;
- restrict or prohibit our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance our business and operations in China;
- shut down all or part of our websites, apps, or services;
- require us to restructure the operations, including termination of the contractual agreements with our VIE and deregistering the equity pledges of our VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIE;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the equity interest in our VIE under the name of any record equity holder of our VIE may be put under court custody in connection with litigation, arbitration, or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules, and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may materially and adversely affect our ability to conduct internet-related businesses. In addition, if the imposition of any of these penalties causes us to be unable to direct the activities of our VIE and our subsidiaries or the right to receive our economic benefits, we would no longer be able to consolidate our VIE into our financial statements, which could materially and adversely affect our financial condition and results of operations. On February 17, 2023, the CSRC released the Overseas Listing Filing Rules, which took effective on March 31, 2023. At the press conference held for the Overseas Listing Filing Rules, officials from the CSRC clarified that, as for companies seeking overseas listings with contractual arrangements, the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listings 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 this [REDACTED] or any future financing activities, which are subject to the filing requirements under the Overseas Listing Filing Rules, due to our contractual arrangements, our ability to raise or utilize funds could be adversely affected, and we may

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even need to restructure our business operations to rectify the failure to complete the filings. However, given that the Overseas Listing Filing Rules were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations, this [REDACTED] and our future financing.

We rely on contractual arrangements with our VIE and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control.

Since PRC laws limit foreign equity ownership in certain businesses in China, we operate such businesses in China through our VIE, in which we have no ownership interest and relies on a series of contractual arrangements with our VIE and our respective equity holders to control and operate these businesses. Our revenue and cash flow from our businesses are attributed to our VIE. The contractual arrangements may not be as effective as direct ownership in providing us with control over our VIE. For example, our VIE and our shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of our VIE in an acceptable manner or taking other actions that are detrimental to our interests. 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 VIE, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the contractual arrangements, we rely on the performance by our VIE and our shareholders of their obligations under the contracts to exercise control over our VIE. The shareholders of our VIE may not act in the best interests of our company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. 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 VIE and may lose control over the assets owned by our VIE. As a result, we may be unable to consolidate our VIE in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

If our VIE or our shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of our VIE were to refuse to transfer their equity interests in our VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated VIE should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of

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such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIE, and our ability to conduct our business may be negatively affected.

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

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People’s Court (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) became effective on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, uncertainties still exist in relation to their further application and improvement. According to the Foreign Investment Law, “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises, or other organizations, or “foreign investors.” The Foreign Investment Law and its current implementation and interpretation rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under the definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations, or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations, or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIE through contractual arrangements will not be deemed as a foreign investment in the future and our contractual arrangements will not be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

The Foreign Investment Law 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 a “negative list.” The Foreign Investment Law provides that foreign-invested entities operating in “restricted” industries will require market entry clearance and other approvals from relevant PRC government authorities. Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), the value-added telecommunication services we provide fall within the restricted category. If our control over our VIE through contractual arrangements is deemed as a foreign investment in the future, and any business of our VIE 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 Foreign Investment Law, the contractual arrangements that allow us to have control over our VIE may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

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

We may lose the ability to use, or otherwise benefit from, the licenses, approvals, and assets held by our VIE, which could, render us unable to conduct some or all of our business operations and constrain our growth.

Our VIE and our subsidiaries hold licenses, approvals, and assets that are necessary for the operation of certain of our businesses to which foreign investments are typically restricted or prohibited under applicable PRC law. The contractual arrangements contain terms that specifically obligate the equity holders of our VIE to ensure the valid existence of our VIE and restrict the disposition of material assets or any equity interest of our VIE. However, in the event the equity holders of our VIE breach the terms of these contractual arrangements and voluntarily liquidate our VIE, or our VIE declares bankruptcy and all or part of our assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to operate some or all of our businesses or otherwise benefit from the assets held by our VIE, which could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, if our VIE undergoes a voluntary or involuntary liquidation proceeding, our equity holders or unrelated third-party creditors may claim rights to some or all of the assets of our VIE, thereby hindering our ability to operate our business as well as constrain our growth.

The contractual arrangements with our VIE may be subject to scrutiny by the tax authorities in China. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore substantially reduce our consolidated profit and the value of your [REDACTED].

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 our VIE owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules, and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our VIE, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries and/or our VIE could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our profit may be materially reduced if our tax liabilities increase.

The equity holders, directors, and executive officers of the VIE, as well as our employees who execute other strategic initiatives may have potential conflicts of interest with our company.

The PRC laws provide that a director and an executive officer owes a fiduciary duty to the company he or she directs or manages. The directors and executive officers of our VIE must act in good faith and in the best interests of our VIE and must not use their respective positions for personal gain. We control our VIE through contractual arrangements, and the business and operations of our VIE are closely integrated with the business and operations of our subsidiaries. Nonetheless, conflicts

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of interests for these persons may arise due to dual roles both as directors and executive officers of our VIE and as directors or employees of our company, and may also arise due to dual roles both as equity holders of our VIE and as directors or employees of our company.

The shareholders of our VIE may have actual or potential conflicts of interest with us. These shareholders may breach, or cause our VIE to breach, or refuse to renew, the contractual arrangements we have with them and our VIE, which would have a material and adverse effect on our ability to effectively control our VIE and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with our VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

We may invoke the right under the equity pledge agreements with the shareholders of the VIE to enforce the equity pledge in the case of any shareholder’s breach of the contractual arrangements. For individuals who are also our directors, we rely on them to abide by the laws of the British Virgin Islands, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of our VIE have executed powers of attorney to appoint Shenzhen Xintonglu or a person designated by Shenzhen Xintonglu to vote on their behalf and exercise voting rights as shareholders of our VIE. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our VIE with these contractual arrangements, we would have to rely on legal proceedings, which could result in disruption of part of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the option to acquire equity ownership of our VIE, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangements, we have the exclusive right to purchase all or any part of the equity interests in our VIE from the respective equity holders at a purchase price equal to RMB100, or at the lowest price permitted by PRC law, for the optioned interests, unless the relevant government authorities or PRC laws request that the equity interests be evaluated upon purchase and in which case the purchase price shall be adjusted based on the evaluation result. The lowest price permitted by PRC law for such transfer may be substantially higher than RMB100, or the competent tax authority may require Shenzhen Xintonglu to pay enterprise income tax for ownership transfer income with reference to the market value, instead of the price stipulated under the contractual arrangements. In such case, Shenzhen Xintonglu may be subject to a substantial amount of tax and our financial condition may be materially and adversely affected.

We may lose the ability to use and enjoy assets held by our VIE that are critical to the operation of our business if our VIE declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our VIE holds certain assets that may be critical to the operation of our business. If the shareholders of our VIE breach the contractual arrangements and voluntarily liquidate our VIE, or if our VIE declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition

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and results of operations. In addition, if our VIE undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

We conduct our business operations in China through VIEs by way of contractual arrangements. However, certain terms of our contractual arrangements may not be enforceable under PRC laws and regulations.

All agreements that constitute contractual arrangements are governed by PRC laws and regulations and provide for resolution of disputes through arbitration in China. Accordingly, these agreements would be interpreted in accordance with PRC laws and regulations, and disputes would be resolved in accordance with PRC legal procedures. The uncertainties as to the adoption of evidence and precedent rulings in China’s legal system could limit our ability to enforce the contractual arrangements. In the event that we are unable to enforce the contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over our VIEs, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. The contractual arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of VIEs, injunctive relief and/or winding up of VIEs. 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 and regulations, these terms may not be enforceable. Under PRC laws and regulations, 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 VIEs in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as courts in Hong Kong and British Virgin Islands may not be recognizable or enforceable in China. PRC laws and regulations do not allow the arbitral body to grant an award of transfer of assets of or equity interests in VIEs in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the contractual arrangements by VIEs and/or their respective shareholders, and if we are unable to enforce the contractual arrangements, we may not be able to exert effective control over the VIEs, which could negatively affect our ability to conduct our business.

Risks Relating to Doing Business in China

Changes in China’s economic, political or social conditions, or government policies could materially and adversely affect our business and results of operations.

We expect that our revenues will be primarily derived in China and most of our operations will continue to be conducted in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. 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 and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. The PRC government also exercises significant control over China’s economic growth through strategically allocating resources,

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controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, that growth has been uneven across different regions and between economic sectors and may not continue, as evidenced by the slowing of the growth of the Chinese economy since 2012. Any adverse changes in economic conditions in China, in the policies of the Chinese 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 business and operating results, leading to reduction in demand for our services and solutions and adversely affect our competitive position.

The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

The legal system in China embodies uncertainties which could limit the legal protections available to us or impose additional requirements and obligations on our business, which may materially and adversely affect our business, financial condition, and results of operations.

We conduct our business primarily through our PRC subsidiaries and VIE in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have less precedential value. The legal system in China evolves rapidly, and the interpretations of laws, regulations, and rules may contain inconsistencies. However, these laws, regulations, and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to it. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

In addition, new laws and regulations may be enacted from time to time and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to our businesses. In particular, the PRC government authorities may continue to promulgate new laws, regulations, rules and guidelines governing internet companies with respect to a wide range of issues, such as intellectual property, competition and antitrust, privacy and data protection, and other matters, which may result in additional obligations imposed on it. Compliance with these laws, regulations, rules, guidelines, and implementations may be costly, and any incompliance or associated inquiries, investigations, and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, or materially and adversely affect our business, financial condition, and results of operations.

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The approval of the China Securities Regulatory Commission or other PRC government authorities may be required in connection with this [REDACTED] and our future capital raising activities under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval.

The M&A Rules require the offshore special purpose vehicle that is controlled by PRC companies or individuals formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies of the aforementioned PRC companies or individuals using shares of such special purpose vehicle or shares held by its shareholders as a consideration to obtain CSRC approval prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this [REDACTED] may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, such CSRC approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for this [REDACTED] if such approval is required, or a rescission of such CSRC approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in the PRC, restrictions or limitations on our ability to pay dividends outside of the PRC, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Adviser has advised us that, based on its understanding of the PRC laws and regulations currently in effect, such CSRC approval under the M&A Rules will not be required for this [REDACTED] given that (i) our wholly foreign owned enterprises were not established through a merger or acquisition of equity interests or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules using equities or shares as consideration, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to its regulation. However, our PRC Legal Adviser further advised that there is uncertainty as to how the M&A Rules and other PRC laws and regulations will be interpreted or implemented, and new rules or regulations promulgated in the future may impose additional requirement on us. If it is determined that the CSRC approval under the M&A Rules is required for this [REDACTED], we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

In addition, some of our future financing activities may also need to be filed with and/or reported to CSRC according to the Overseas Listing Filing Rules. Since the Overseas Listing Filing Rules have recently been released and there remain substantial uncertainties with respect to its interpretation and implementation, we cannot assure you that we will not be required to complete the filing procedures with and report relevant information to the CSRC to maintain the [REDACTED] status of our other securities, or to conduct any overseas securities offerings in the future.

Moreover, 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 financing activities, we may be unable to fulfill such requirements in a timely manner or at all.

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

Under the People’s Republic of China Enterprise Income Tax Law, or the EIT Law, promulgated on March 16, 2007, and came into effect on January 1, 2008, and was most recently amended on December 29, 2018, which became effective on the same date, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate, or the EIT rate, on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organization body that effectively exercises full and overall management and substantial control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, State Administration of Taxation, or STA, released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies, or STA Circular 82, that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Further to STA Circular 82, on July 27, 2011, STA issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or STA Bulletin 45, to provide more guidance on the implementation of STA Circular 82; the bulletin became effective on September 1, 2011 and revised on June 15, 2018. STA Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures.

Under STA Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China, (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China, (iii) major assets, accounting books, company seals, and minutes and files of board and shareholders’ meetings are located or kept within China, and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. STA Bulletin 45 specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC controlled offshore incorporated enterprise.

Although Circular 82 and STA Bulletin 45 explicitly provide that the above standards only apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, Circular 82 and STA Bulletin 45 may reflect STA’s criteria for how the “de facto management body” test should be applied in determining the tax residence of foreign enterprises in general, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

We believe that we are not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax

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authorities determine that we were treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

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

A number of PRC laws and regulations, including Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six agencies in 2006 and amended in 2009, the Anti-monopoly Law promulgated by the SCNPC in August 2007 and effective in August 2008, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the Ministry of Commerce in August 2011 and effective in September 2011, and the Measures for the Security Review of Foreign Investment promulgated by the NDRC and the Ministry of Commerce in December 2020 and effective in January 2021 have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions involving an industry that implicates national security to be subject to merger control review or security review.

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

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

On February 3, 2015, STA issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or STA Bulletin 7, which provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under STA Bulletin 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of

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PRC taxable assets and without any other reasonable commercial purpose. However, STA Bulletin 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market, and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, STA issued the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, or STA Circular 37, which became effective on December 1, 2017 and abolish certain provisions in STA Bulletin 7. STA Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to STA Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net of the net book value of equity interest.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.

A number of our PRC operating entities enjoy various types of preferential tax treatment pursuant to the prevailing PRC tax laws. Our PRC subsidiaries and VIE may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

According to PRC laws and regulations, enterprises engage in research and development activities are currently entitled to claim 100% or 200% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year (“**Super Deduction**”). Certain of our PRC operating entities have claimed such Super Deduction in ascertaining their tax assessable profits. Certain of our PRC operating entities are certified as a “high and new technology enterprise,” and therefore are entitled to a preferential income tax rate of 15%. Certain subsidiaries are qualified as “Small Low-profit Enterprise” and are subject to preferential income tax rate. For the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, the effect of preferential tax rate were negative RMB23.3 million, negative RMB76.5 million, negative RMB21.5 million and negative RMB1.2 million, respectively. If these entities fail to maintain their respective qualifications under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%, which could have a material adverse effect on our financial condition.

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

We may transfer funds to our PRC operating entities or finance our PRC operating entities by means of shareholders’ loans or capital contributions after completion of the [REDACTED]. Any loans to our PRC operating entities, which are foreign-invested enterprises, cannot exceed a statutory limit, and shall be filed with the local counterparts of the State Administration of Foreign Exchange, or

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SAFE, or filed with SAFE in our information system. Furthermore, any capital contributions we make to our PRC subsidiaries shall be registered with the SAMR or its local counterparts, and filed with the Ministry of Commerce or its local counterparts.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19. SAFE Circular 19, however, allows foreign invested enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make domestic equity investments, but the registered capital of a foreign invested company settled in RMB converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond our business scope or to provide loans to non-affiliates unless otherwise permitted under our business scope. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment, or SAFE Circular 28, which removes the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. As SAFE Circular 28 is new and 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 actual practice. If our VIE requires financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our VIE’s operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net [REDACTED] from the [REDACTED] to our PRC subsidiaries and convert the net [REDACTED] into RMB, which may adversely affect our business, financial condition, and results of operations.

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

SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014. The SAFE Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or our local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, and also requires the foreign-invested enterprise that is established through round trip investment to truthfully disclose our controller(s). In addition, such PRC residents must update their foreign exchange registrations with SAFE or our local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

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If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, or fails to disclose or misrepresentation of the controller(s) of the foreign-invested enterprise that is established through round-trip investment, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

On February 28, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective from June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under Circular 37, with qualified banks, instead of SAFE or its local branches. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

Pursuant to the Measures for Administration of Outbound Investment published by the MOFCOM in August 2014, and the Administrative Measures for Outbound Investment of Enterprises published by the NDRC in December 2017, any outbound investment of PRC enterprises must be approved by or filed with MOFCOM, NDRC or their local branches.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other outbound investment related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the Circular 37 or other outbound investment related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, it cannot provide any assurance that they will successfully obtain or update any registration required by the Circular 37 or other outbound investment related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who are a PRC resident fails to fulfill the requirements of such regulations, they could be subject to fines or legal sanctions, the investments of such beneficial owners in us could be subject to suspension or termination, our PRC subsidiaries may be prohibited from distributing their profits and dividends to it or from carrying out other cross-border investment activities, and it may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

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

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from our VIE, for our cash and

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financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If any of our PRC subsidiaries, our VIE, or our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to it.

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

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your [REDACTED].

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to it, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments, and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government 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. Pursuant to SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs. The SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the Renminbi funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks’ principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. The PRC government may at its discretion further restrict access to

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foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, 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.

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

The conversion of Renminbi into foreign currencies, including Hong Kong dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the Hong Kong dollar, at times significantly and unpredictably. The value of Renminbi against the Hong Kong dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar in the future. It is difficult to predict how market forces or PRC government policy may impact the exchange rate between Renminbi and Hong Kong dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, to the extent that we need to convert the Hong Kong dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the Hong Kong dollar may significantly reduce the Hong Kong dollar equivalent of our earnings, which in turn could adversely affect the [REDACTED] of our Shares.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your [REDACTED].

During the Track Record Period, a substantial part of our revenues and expenditures were denominated in Renminbi, while the net [REDACTED] from the [REDACTED] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to Hong Kong dollars would affect our financial results in Hong Kong dollar terms without giving effect to any underlying change in our business or results of operations. We recorded translation of foreign currency of RMB104.8 million, RMB100.6 million, negative RMB500.0 million and RMB83.4 million in 2020, 2021, 2022 and the three months ended March 31, 2023, respectively, as other comprehensive income or loss in our consolidated statements of comprehensive income which is primarily a result of translation of financial statements of the companies within the Group into the presentation currency of the Group, which is RMB.

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Failure to fully comply with PRC laws and regulations on various employee benefit plans as required by PRC regulations may subject us to penalties.

Pursuant to the relevant rules in the PRC Social Insurance Law and Regulations on the Administration of Housing Provident Fund and other applicable laws and regulations, companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where the businesses are operated. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. In addition, companies should contribute to the employee benefit plans for their employees on their own.

During the Track Record Period, certain of our PRC operating entities failed to make contributions to the social insurance and housing provident funds in full amount as required by the relevant PRC laws and regulations. For the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, we recorded provisions of RMB0.7 million, RMB0.4 million, RMB3.9 million and RMB0.2 million for social insurance and housing provident fund shortfall. We may be subject to late fees, pecuniary penalties or other administrative actions for such noncompliance. The aggregate maximum penalty for social insurance shortfall was RMB1.0 million, RMB0.9 million, RMB9.3 million and RMB0.4 million for the years ended December 31, 2020, 2021, 2022 and the three months ended March 31, 2023, respectively. As of the Latest Practicable Date, certain of such PRC operating entities have discontinued such practice. However, in practice, based on the communications with the relevant government authorities, the adjustment of contribution base is usually made in designated time each year and/or with specify requirements and such time and/or requirements varies in different regions. For example, adjustment to the contribution base of employee benefit plans is permitted only once a year in certain locations where certain of our PRC operating entities located, i.e. in certain locations the adjustment is allowed only in January every year and in other locations the adjustment is allowed only in July every year. Our Group will be taking proactive steps to communicate with the relevant employees and the government authorities and undertake to adjust the contribution base of employee benefit plans in 2023 or other time designated by the relevant government authorities to fully comply with the relevant requirements. See “Business—Employees—Social Insurance and Housing Provident Fund” for further details. In addition, certain of our PRC subsidiaries and consolidated variable interest entities have engaged several our other PRC operating entities and/or third-party human resources agencies to make social insurance and housing fund contributions for some of their employees in the past. As of the Latest Practicable Date, we have discontinued such practice. However, if the relevant PRC authorities determine that such practice fail to make full employee benefit plans contributions as required by relevant laws and regulations, we may be ordered by the relevant authorities to make up for employee benefit plans contributions and we may be subject to fines and legal sanctions in relation to our noncompliance. Nevertheless, uncertainties still exist in relation to whether and/or how such Third-Party Arrangement would be penalized or fined under the PRC laws and regulations in practice, we may face uncertainties as to the application and implementation of laws and regulations in this regard and thus may not be practical for us to estimate the maximum potential fine or penalty quantitatively. As a result, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

Failure to fully comply with PRC laws and regulations on labor dispatch may expose us to potential penalties.

The use of employees of third-party labor dispatch agencies, who are known in China as “dispatched workers,” is mainly regulated by the Interim Provisions on Labor Dispatch which was promulgated by the Ministry of Human Resources and Social Security on January 27, 2014. It provides that an employer may use dispatched workers for temporary, auxiliary or substitute positions. It further provides that the number of dispatched workers an employer may use shall not exceed 10% of its total labor force. See “Regulations—Regulations on Employment and Social Welfare—The Labor Contract Law.” During the Track Record Period, the number of dispatched workers engaged by us had exceeded the 10% regulatory threshold from time to time. We have formulated and implemented a plan to contain the number of dispatched workers and stay compliant. As of the Latest Practicable Date, the number of our dispatched workers does not exceed 10% of the total number of our labor force. However, if the government authorities find us to be in violation of the relevant regulations for our historical non-compliance or if the number of our dispatched workers exceeds 10% of the total labor force in the future, we could be ordered to rectify within a specified period of time, and could be subject to fines if we fail to do so, which could have a material adverse effect to our business, financial condition and results of operations.

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

China’s overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers who pay for our services, our profitability and results of operations may be materially and adversely affected. Further, pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to affect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

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

Shareholder claims or regulatory investigations that are common in common law jurisdictions (including securities law class actions and fraud claims) generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or collect evidence within China may further increase difficulties faced by you in protecting your interests.

RISK FACTORS

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the STA issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or STA Bulletin 7. STA Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, STA Bulletin 7 provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. STA Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. On October 17, 2017, the STA issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or STA Bulletin 37, which came into effect on December 1, 2017. STA Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

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.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. For transfer of shares in our company by [REDACTED] who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Bulletin 7 and/or STA Bulletin 37. As a result, we may be required to expend valuable resources to comply with STA Bulletin 7 and/or STA Bulletin 37, or to establish that we and our non-PRC resident [REDACTED] should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

If the custodians or authorized users of controlling non-tangible assets of our Company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC laws, legal documents for corporate transactions are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secure locations accessible only to authorized employees. Although we

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monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us, seeking to gain control of any of our subsidiaries or VIEs, or forging our chops and seals for illegal purposes. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]