

RISK FACTORS

An investment in the Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the Shares. The occurrence of any of the following events could materially and adversely affect our reputation, business, financial position, results of operations and/or prospects. If any of these events occurs, the [REDACTED] price of the Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised into (i) risks relating to our business and industry; (ii) risks relating to conducting our business in the PRC; (iii) risk relating to our corporate structure and contractual arrangements; and (iv) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends on the size of the automotive aftermarket in the PRC for products, services and solutions.

Demand for our digital link solution and digital marketing and management solutions depends to a large extent the size of the automotive aftermarket industry in the PRC and its growth in demand for our products and solutions, which in turn depends on various factors that are out of our control, including:

- PRC’s overall economic growth;
- the disposable income of the PRC population;
- car parc in the PRC;
- PRC governmental policies relating to private automobile ownership, including quotas, taxes, incentives (or disincentives);
- deterioration of general economic conditions, as economic downturns would tend to cause motorists to limit their spending on their cars, which in turn will affect the spending by auto dealerships, 4S stores, channel partners and automotive OEM’s spending on marketing and on aftermarket services;

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- the ability of OEMs and service providers in the PRC automotive aftermarket service industry to create interest of customers and car users in, among other things, IoV hardware products and solutions that are made available through IoV and value-added offerings to car users; and
- the efforts that are put into promoting and developing our digital link solutions and digital marketing and management solutions.

If the growth of the automotive aftermarket industry or the demand for digital link solutions and digital marketing and management solutions in the PRC stagnates, the demand for our products, services and solutions would may be negatively affected, in which case our business, financial condition, results of operations, and prospects may be materially and adversely affected.

Demand for our services primarily depends on our ability to innovate, adapt and respond timely and effectively to rapidly changing technologies and market trends in the automotive aftermarket industry. If we fail to continue innovating or keep pace with technological developments or developing market trends, our business may be materially and adversely affected.

The Internet and the automotive aftermarket industry are rapidly evolving and are undergoing continuous technological development, and we operate in an industry that is subject to rapidly changing demands from industry participants and the ultimate end-users. Our success depends on the acceptance by both industry participants and ultimate end-users of our products, services and solutions.

During the Track Record Period, we provide digital link solutions and digital marketing and management solutions, covering SaaS subscription services and SaaS+ value-added services, to achieve digital transformation. We believe that our success during Track Record Period has depended on, and our future success will depend in part on, among other things, our ability to enhance and integrate our existing products, services and to introduce new, competitively priced products and services with features that meet the evolving technological developments and requirements of 4S stores, the evolving trend of the industry and our customers’ and ultimate end-users’ needs, all in a timely and cost-effective manner.

To maintain demand for our products, services and solutions, we must therefore continue to develop and promote new products and services to address the evolving automotive aftermarket in order to maintain our competitive positioning. We cannot guarantee to you that we will continue to be able to leverage new technologies effectively or adapt our services and solutions to meet the evolving customer needs or new industry standards (if any). If we fail to do so in an effective and timely manner, we may lose our current customer base and capture the interest of prospective customers, and our business, financial condition, results of operations, and prospects may be materially and adversely affected.

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Furthermore, changes in the automotive aftermarket industry landscape such as innovations in NEVs or new business models adopted by the OEMs and other participants in the automotive aftermarket industry may require substantial investments by us in developing product and services and their business models, establishing new IT infrastructure, performing sales and marketing, distribution of our products and services and other aspects of our operations. Our efforts may not be successful due to a variety of reasons, including but not limited to technical hurdles, inaccurate predictions of market demand, a lack of necessary resources or delays in launching our new products or services. Failure to keep up with technological development or new business models of the automotive aftermarket industry or the changing requirements of our customer base may result in our services being less attractive to existing customer base or prospective customers, which in turn may materially and adversely affect our business, results of operations, financial condition and prospects.

If we are not able to effectively and efficiently develop and commercialise our digital solutions as planned, we may not be able to grow our business and generate revenue from sales of our product candidates as anticipated, our business operations, financial condition and prospects may subsequently be materially and adversely affected.

We face intense competition in the market that we operate in. If we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be adversely affected.

We operate in the vertically-integrated automotive aftermarket industry, and we face intense competition in the automotive aftermarket industry from existing competitors and new entrants. Our existing and potential competitors may have greater financial, business, management, technical, marketing, customer and other resources than we do, and they may be able to invest greater resources to the development, promotion, sales and after-sales support of their own solutions to compete with us.

For example, domestic and international OEMs (including NEV manufacturers) may be much larger in terms of their business scales and the resources at their disposal (including but not limited to capital and research and development capabilities). Also, OEMs, by virtue of their position as automobile manufacturers, are well-positioned to install their own (or their appointed partners’) IoV hardware and associated software into new vehicles sold by them. Big international tech firms and big tech firms within the PRC’s Internet sector also possess significant competitive advantages over us, including their financial and technological prowess, their know-hows relating to the automotive aftermarket, their extensive user-base and brand-name recognition, their intellectual property portfolio and their research and development abilities, any of which may allow them to quickly launch to market products and services in the automotive aftermarket that can effectively compete with our products and services and erode our customer base. According to the CIC Report, certain large-scale enterprises are beginning to extend their footprints into the area of customised intelligent connected services, and they may in the future become involved in our core business. We may be subject to intense competition if any of the above expand into our market segment, whether by itself or through entering into business partnerships or alliances, or if established companies from or geographical markets expand into our market segment.

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Our current and potential competitors may also have deeper relationships with 4S stores and channel partners, who are part of our customer base. This enables them to develop newer services, respond more quickly to upcoming trends and technologies and to undertake more extensive marketing campaigns. Any existing or potential competitor may also choose to adopt different pricing models or lower their prices in order to increase its market share.

Competition from our current and potential competitors could cause us to lose existing customers, lose potential sales or compel us to sell our products, services and solutions at lower prices to remain competitive, or force us to enter into partnerships on commercial terms that are not favourable to us, any of which may have a material adverse impact on our profitability and financial condition. If we are unable to compete successfully against our current or potential competitors, our business, results of operations may be materially and adversely impacted.

Failure to protect sensitive personal information of our customers and users against security breaches may damage our reputation and brand and substantially harm our business and results of operations.

One of the key focuses to our business is the secure storage of sensitive personal information and its secure transmission over public networks. In limited circumstances, we collect certain information and data, such as contact information, log-in details, IMEI (international mobile equipment identity), location directly from car users, mainly for user account registration and ongoing product support purposes. We collect such necessary user information strictly following government regulations and user privacy policies.

Maintaining complete security for the storage and transmission of sensitive personal information on our SaaS systems is essential to maintaining our operating efficiency and customer confidence as well as complying with the applicable laws and standards. We have adopted security policies and measures to protect user data and sensitive personal information. However, advances in technology, the expertise of hackers, improper use or sharing of data, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold. Such individuals or entities obtaining such confidential or private information may further engage in various other illegal activities using such information. Users of our SaaS systems may also violate their confidentiality obligations and disclose or use information about our customers illegally. Any compromise of our information security or the information security measures by users of our SaaS systems may have a material and adverse effect on our reputation of brand, business, prospects, financial condition and results of operations. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms are under increased public scrutiny.

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We store user data and are subject to PRC laws and regulations regarding privacy and the protection of data. For the details, see “—We store personal information belonging to our customers and other users of our SaaS systems and engage cloud service providers for storage of such information. If our security is compromised, or such information is otherwise accessed without authorisation, our reputation may be harmed, and we may be exposed to potential liability and significant loss of business.”

We store personal information belonging to our customers and car users of our SaaS systems and engage cloud service providers for storage of such information. If our security is compromised, or such information is otherwise accessed without authorisation, our reputation may be harmed, and we may be exposed to potential liability and significant loss of business.

We store personally identifiable information and other confidential information relating to our customers and car users of SaaS systems and are subject to PRC laws and regulations regarding cybersecurity, information security, privacy and data protection. For further information, see “Regulatory Overview—Regulations Relating to Internet Security and Privacy Protection”. Although our systems are equipped with verification and inspection tools for detecting errors, defects or inappropriate contents in information or document uploaded by our customers and other users, we cannot guarantee that all substance and contents contained in information or document uploaded by our customers and other users are appropriate and will not infringe any laws or regulations relating to information security and privacy protection. We cannot assure you that third parties will not succeed in their attempts to obtain unauthorised access to any personally identifiable information relating to our customers and other users. Such information may also be otherwise exposed through human error (including our staff who may be involved in the manipulation of data) or other malfeasance. Any unauthorised access or compromise of such personally identifiable information could have an adverse effect on our business, financial condition and results of operations.

We rely on third-party platforms and services to conduct our digital link and digital marketing and management solutions, and any interruptions or delays in such platforms and services due to third-parties or our own failure may result in interruptions in our services and impair our customers’ experience.

Currently, all of our cloud-based services and software solutions for our digital link and digital marketing and management solutions are premised on a third-party cloud platform. In addition, like many other cloud-based services providers in our industry, we also procure other generic IT services (such as data storage) from third-party vendor.

We do not control the operations of third-party computing platforms. These platforms and services may not continue to be available to us on commercially reasonable terms, or at all. Also, services provided to our customers may be adversely affected if there are service interruptions of these platforms, or if performance of the third party computing platform services providers proves to be unsatisfactory, or if any of them

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does not honour its contractual obligations to us. Moreover, the financial condition of and regulatory environment governing our third party computing platform services providers may deteriorate over the course of our contract term, which may also impact the ability of such providers to continue providing their services to us.

If we are forced to cease using any of these platforms or services, we may be forced to migrate our services to other service provider(s) and/or take other remedial actions, and this could result in a delay or disruption in our services until equivalent services are provided to us by the new service provider(s), or obtained from another third party; such remedial action, even if successfully integrated with our services, may lead to significant increase in our expenses or cause disruption to our services. It may be costly and time-consuming to migrate from our pre-existing service providers' platform to other service providers and/or develop equivalent capability in-house, and there can be no guarantee that such migration and/or development will not disrupt our business operations or be successful. If we lose (even temporarily) access to such third-party computing platforms and services, our reputation, business, financial position, results of operations or prospects would be materially and adversely affected.

In addition, any damage to or failure of internal or external systems, including our internal information technology system and systems of our third-party service providers and telecommunications networks, could result in interruptions or suspension in our services. In the event that service interruptions or suspensions occur, our customers may bring claims against us and we may have to issue credits to them or compensate them by other means. Our customers or potential customers may also get an impression that our products and services are unreliable, and frequent interruptions could frustrate end users of our products and services and discourage them from using our products or services. As a result, our reputation may be harmed, making it harder for us to retain our existing customers or to attract new customers.

Any discontinuation, reduction or delay of government grants that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

For each year of the Track Record Period, we recognised government grants of RMB2.8 million, RMB1.7 million and RMB1.7 million, respectively. Government grants during the Track Record Period mainly represented the government subsidies recognised by our Group primarily in support of the research and development and equipment of our Group's technology in the industry. There were no unfulfilled conditions or contingencies relating to the government grants. The timing, amounts and conditions of these government grants were within the sole discretion of the government and these government grants may be reviewed and assessed by the government periodically and may fluctuate from time to time pursuant to the changes in relevant government policies.

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We also received refund of PRC value-added tax and surcharges which represents refund of certain VAT payments pursuant to the preferential government policies, of which our Group’s softwares that are embedded into our IoV hardware were eligible for a certain percentage of refunds based on the actual VAT paid. There is no guarantee that we will continue receiving or benefiting from them in the future. We may be required to satisfy certain conditions or contractual obligations before recognising government grants. However, there can be no assurance that we will be able to fully satisfy these conditions or perform such obligations, and it may be possible that governmental authorities may discontinue such grants, or require us to repay part or all of the government grants we previously received.

Such government grants may be adjusted or revoked at any time in the future at the relevant government authorities’ discretion. There is no assurance that we could continue to be able to meet the requirements to be entitled to such government grants. There can further be no assurance that the government grants that we currently enjoy will not be challenged, altered or discontinued. Any alteration, suspension or termination of our government grants could have a material adverse effect on our business, financial condition, results of operations, cash flows, profitability and prospects.

Our business is subject to complex and evolving laws and regulations regarding cybersecurity, privacy, protection and information security in China. Any privacy or data security breach or failure to comply with these laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.

We face risks inherent in handling and protecting data, including protecting the data in our system, detecting and prohibiting unauthorised data share and transfer, preventing attacks on our system by outside parties or fraudulent behaviour or improper use by our employees, and maintaining and updating our database and our algorithms. Any system failure, security breach, third-party attacks or attempts to illegally obtain the data that results in any actual or perceived release of user data could damage our reputation and brand, deter current and potential customers from using our services, negatively affect our business, and expose us to potential legal liability.

Personally identifiable and other confidential information is increasingly subject to legislation and regulations in China and numerous foreign jurisdictions. The PRC governmental authorities have enacted a series of laws and regulations relating to the protection of personal information and/or the supervision over data processing activities, under which relevant information or data processors are required to comply with an array of personal information and data protection requirements, including for example, to clearly indicate the purposes, methods and scope of any information collection and usage, to obtain appropriate user consent and to establish user information protection systems with appropriate remedial measures. However, this regulatory framework for privacy issues in China and worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Furthermore, the PRC government has taken steps to limit the method and manner that the internet companies may apply when using user data.

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Any failure, or perceived failure, by us, or by our employees or partners, to maintain the security of our user data or to comply with applicable PRC or foreign privacy, data security and personal information protection laws, regulations, policies, contractual provisions, industry requirements and other requirements may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way or cease to become [REDACTED], revoking our business permits or business licences, litigation or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. Furthermore, claims or allegations that we have failed to adequately protect our users' data, or otherwise violated applicable privacy and data security laws, regulations, policies, contractual provisions, industry standards or other requirements, may result in damage to our reputation and a loss of confidence in us by our customers or end-users of our products and services, potentially causing us to lose customers and revenues, which could have a material adverse effect on our business, reputation, financial condition and results of operations. In addition, we do not regularly monitor or review content uploaded and stored by our customers. Therefore, we do not control the substance of the content on our servers, which may include personal information. We cannot assure you that third parties will not succeed in their attempts to obtain unauthorised access to any personally information relating to the customers of our customers. Such information may also be exposed through human errors or other malfeasance. Any unauthorised access of such personally information or any compromise of our system security could have an adverse effect on our business, financial condition and results of operations.

On 7 July 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on 1 September 2022. It requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China. Even though we have entered into legally binding non-disclosure agreements with them, as uncertainties remain regarding to what extent we would be subject to such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

In addition to laws, regulations and other applicable rules regarding privacy and privacy advocacy, industry groups or other private parties may propose new and different privacy standards. We cannot assure you that our existing privacy and personal protection system and technical measures will always be considered sufficient under applicable laws, regulations and other privacy standards. We could be adversely affected if legislation or regulations in the PRC are expanded to require changes in business practices or privacy policies, or if the PRC governmental authorities interpret or implement their legislation or regulations in ways that negatively affect our business. We may also be subject to additional regulations, laws and policies adopted by the PRC government to apply more stringent social and ethical standards in data privacy resulting from the increased global focus on this area.

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Besides, the PRC regulatory environment with regard to data security is evolving and may be subject to different interpretations or significant changes. For example, the Cybersecurity Review Measures (《網絡安全審查辦法》) stipulates the mandatory requirement of cybersecurity review for network platform operators which possesses personal information of more than one million users when applying for a listing abroad. And pursuant to 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)》), a data processor seeking to list in Hong Kong which affects or may affect national security is required to apply for a cybersecurity review under relevant rules and regulations. If the Cybersecurity Review Measures and the enacted version of the Regulations on the Administration of Cyber Data Security (Draft for Comments) mandate clearance of cybersecurity review and other specific actions to be taken by issuers like us, we may face uncertainties as to whether these additional procedures can be completed by us timely, or at all, which may subject us to government enforcement actions and investigations, fines, penalties, or suspension of our non-compliant operations, and materially and adversely affect our business and results of operations.

The regulatory environment on data privacy and security in China is relatively new. The interpretation and application of relevant laws, regulations and standards remain uncertain and evolving. We cannot assure you that governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may be subject to investigations and inspections by government authorities regarding our compliance with relevant laws and regulations. Any inability to comply with applicable data security and privacy laws, regulations and standards, could result in additional cost and liability for us, damage our reputation, and materially adversely affect our business, result of operations, financial condition and future prospects.

Our business is highly dependent on the proper functioning and improvement of our IT systems and infrastructure. If we experience any breakdown in our IT systems or infrastructure, our financial condition and results of operations may be materially and adversely affected.

Our business is dependent on the continuing operation and timely enhancement of our network infrastructure and IT systems to process large amounts of information, data and leads. However, we cannot guarantee that access to our software will not be interrupted, error-free or secure. Any of platforms and telecommunications networks that we operate on may be vulnerable to man-made or natural disasters, such as attack by hackers, computer viruses and other types of malicious software, software bugs, security vulnerabilities, earthquakes, floods and fires, power loss, telecommunication failures or similar events. The facilities housing these platforms or networks may also be subject to break-ins, vandalism and destruction as well as local administrative actions, changes to legal or regulatory requirements and litigation proceedings to halt, limit or delay operations. Any precautionary measures that may be taken may not be effective (or at all), and any man-made or natural disasters, destruction, decision to close down the platforms without adequate notice or other unanticipated events at these platforms could result in prolonged interruptions in our services.

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In order to improve our reputation and service quality, we must periodically introduce new products and services and update them from time-to-time in order to meet evolving user and customer demands and remain competitive in the market. We may however experience problems when we first introduce a new product or service to the market, or when we test and launch our system upgrades or enhancements, during which we may encounter undetected programming errors which could adversely affect our software performance. As such, we may incur significant costs to protect our systems against such threats and repair any damage caused as soon as possible, which may adversely affect our financial condition and results of operations.

In the event of a partial or complete breakdown of any of our facilities, including our computer systems, platforms and telecommunication networks that we operate on, or experience any disruption or failure, our business activities would be materially disrupted as would have no access to alternative networks and services on a timely basis, if at all. In addition, a prolonged failure of our IT system could damage our business operations and materially and adversely affect our future prospects and profitability. Where we experience any disruptions to our facilities which may be caused by failure in our systems or by our third party service providers, our services may be interrupted, delayed or even cease entirely. We may also permanently lose all the data that has been uploaded to our data centres. As such, our users and business partners may decide to switch to our competitors instead, which would materially and adversely affect our business, financial condition and results of operations.

Due to our limited history of providing digital marketing and management services, our ability to accurately forecast our future operating results and prospects is limited and subject to a number of uncertainties.

We started to develop our Dijia SaaS in 2018 and have increased our focus on delivering SaaS+ value-added services since 2021, respectively. We experience significant growth in our revenue and profitability for the year ended 31 December 2022 mainly due to the increase in revenue from SaaS+ value-added services and the expansion in number of 4S store customers. While our profit from digital marketing and management solutions have grown during the Track Record Period, as a result of our limited history of providing digital marketing and management solutions with the support of our experience in digital link solutions, our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties, including our ability to plan for and model our future growth. We face various challenges and uncertainties, including the fact that we operate in new and developing markets and elements of our business strategy are new and subject to ongoing development. As a result, it may not be possible to fully discern the challenges in commercialisation that we and our business are subject to.

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We cannot assure you that we will be able to achieve similar results or grow at the same rate as we had in the past or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an early stage company operating in emerging and dynamic industries, including, among other things, our ability to attract and retain customers, our ability to create value for different stakeholders engaged in our business and operations and increase monetisation, our ability to navigate an evolving regulatory environment, our ability to develop attractive SaaS products and SaaS+ valued-added services and offer satisfactory services, build up our reputation and promote our brand, and our ability to anticipate and adapt to changing market conditions. We may not be able to successfully address these risks and difficulties to sustain the growth of our revenue and profitability and we may fail to secure recurring business from our 4S store customers, which could significantly harm our business, results of operations and financial condition.

Any quality issues related to our products or services could result in a loss of customers and sales and, if related to our products or services, may subject us to product liability claims.

The success of our business depends on our ability to consistently deliver products and services that our customers demand with high quality and reliability. Maintaining consistent product and service quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control system and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control policies and guidelines.

We cannot assure you that our quality control systems will prove to be effective at all times or at all, or that we can identify any shortcomings in our quality control systems in a timely manner. If the quality of any of our products or services is unsatisfactory for any reason, or if our customers and end users do not perceive our products or services to provide the services or benefits as claimed, we may be faced with returns of our products or cancellations of our services or subscriptions, receiving customer complaints or claims, losing business from potential customers or becoming the subject of governmental administrative actions. For example, we had an incident of non-compliance on Product Quality Law of the PRC (《中華人民共和國產品質量法》) as one of our IoV hardware products was found to be not in compliance with a national standard in 2021. For further details of this non-compliance incident, please refer to the section headed “Business—Quality Control” in this document.

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Moreover, some of our products are installed or used in motor vehicles and some of our services are used by drivers and passengers of motor vehicles, and if any defect or adverse effect of our products or services results in property damage or personal injury, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be expensive for us to defend even if we prevail in the end.

Furthermore, if there is a pattern of quality issues in IoV hardware or automotive aftermarket industry in general, car users’ and other customers’ perception of, and willingness to purchase, our products and subscribe to our products and services may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to our products or services that we provide, whether actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects, and our customers may seek significant compensation from us for any losses they suffer in using our products or services.

We may be unable to successfully implement our future business plans and business strategies. Our research and development efforts may not yield the results as expected.

We strive to achieve sustainable growth and further strengthen our competitiveness in the automotive aftermarket industry as further described in the section headed “Business—Our Strategies”. Successful implementation of our business plans will be key for us to achieve our development goals. Nonetheless, our business plans and strategies (and hence our prospects) are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, and there may be unforeseen change in circumstances such as change in market conditions, evolution of technology or change in laws and regulations, and furthermore, there may be other unexpected events or factors that prevent us from achieving positive results in accordance with our business plans and strategies which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities or remain competitive in the industry. In such case, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

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The success of our business is dependent upon our ability to maintain and expand our customer base and our cooperation with channel partners to market and promote our products, services and solutions. If we fail to maintain our relationship with these customers or if our products or services do not gain market acceptance or fail to maintain and grow our customer base, our business growth may not be sustainable.

We rely on our customers such as 4S stores and channel partners to market, sell and implement our digital link products and digital marketing and management solutions. For the year ended 31 December 2022, we have transacted and collaborated with over 2,800 4S stores across China while we have also cooperated with over 200 channel partners. Working with our channel partners enables us to scale up our presence in regional markets at lower customer acquisition costs. Therefore, we believe that maintaining stable relationships with 4S stores and channel partners is critical to maintain our market position and to maintain to our revenue growth.

Our customers may cease, or reduce their usage of our products, services and solutions due to a variety of reasons or factors, such as progress in technology that makes our products, services and solutions obsolete, a decrease in the quality of our products, services and solutions, rising raw material prices, and shortage of raw materials, which are outside our or our customers' control. If a significant number of our customers or end users cease using, or reduce their usage of, our products, services and solutions, we may be required to spend significantly more on sales and marketing than we currently plan to spend in order to maintain or increase revenue. These additional expenditures could adversely affect our business, results of operations, and financial condition.

We derive a significant portion of our revenue from Customer A, and any decrease or loss of business with Customer A could adversely affect our revenue, operating results, financial condition and business prospects.

During the Track Record Period, our revenue derived from sales to our largest customer, being Customer A, amounted to RMB143.3 million, RMB103.3 million and RMB90.2 million, respectively, representing approximately 40.7%, 31.6% and 21.8% of our total revenue for the corresponding period. For further information about our largest customer, please refer to the section headed “Business—Our customers—Relationship with Customer A during the Track Record Period”. We have maintained a business relationship with Customer A for over ten years but we cannot assure you that we will be able to continue to provide digital link solutions and digital marketing and management solutions to it at current level on similar terms, or at all. We are still further facilitating our cooperation with Customer A, although the revenue contribution from Customer A has shown a decreasing trend during the Track Record Period. In the event that we are unable to maintain our relationship with Customer A, or Customer A further reduces its purchases from us significantly, or that they exploit their comparably superior bargaining position in negotiating its terms of agreement with us, we may not be able to compensate

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for such loss through finding new customers or increasing our sales to our other customers, in which case our revenue, operating results, financial condition and business prospects would be materially and adversely affected.

Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. We have historically experienced relatively lower revenue during the first quarter of a year mainly due to Chinese Lunar New Year, and relatively higher revenue in the fourth quarter of a year mainly due to increasing spending or purchasing by customers for SaaS and SaaS+ products and services as a result of a high concentration of festive seasons and other marketing campaigns. As a result, our revenues may vary from quarter to quarter, while our revenues and cash flows may vary within a fiscal year. While we believe that this seasonality will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date on an annualised basis. As such, historical patterns in our business may not be a reliable indicator of our future performance, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations.

Our provisions for impairment of trade receivables may not be adequate to cover future credit losses.

We make provisions for impairment of trade receivables on a forward-looking basis and provides for expected lifetime losses prescribed by IFRS 9. During the Track Record Period, we recorded impairment losses recognised under the expected credit loss model of RMB3.9 million, RMB0.1 million and RMB0.5 million, respectively. As our provisions for impairment of trade receivables require judgement and estimation, our allowance for provisions for impairment of trade receivables may not be adequate to cover future credit losses in our business operation. If adverse changes occur to the PRC economy or if other events adversely affect our customers, industries or market, we may need to make additional provisions for impairment of trade receivables, which could significantly reduce our profit and may adversely affect our financial condition, results of operations and growth prospects.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our business, financial condition and results of operations. Our business has been and may continue to be adversely affected by the COVID-19 pandemic.

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. In March 2020, the World Health Organization characterised the COVID-19 outbreak as a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The COVID-19 outbreak had made

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unprecedented impact on the global economy as it had significantly reduced market liquidity and depressed economic activities. Outbreaks of epidemics or infectious diseases or other public health developments in China may cause widespread health crisis and constrain the business level in the affected areas, which may have a material adverse effect on our business. During the COVID-19 outbreak, our business was negatively affected due to the reduced demand in the automotive aftermarket industry generally and the cost savings measures implemented by some of our customers, which had an impact on our results of operation.

The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on our industry and shortage of labour and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Most of the travel restrictions and quarantine regulations have been lifted in December 2022 after the revision of Zero COVID Policy in China at the end of 2022. However, the future impact of the virus, particularly the policy changes therefor, remains uncertain. To what extent the pandemic will affect our future business shall depend on future developments, which is highly uncertain and difficult to predict, including the frequency, duration and extent of the COVID-19 outbreak, and the effectiveness of efforts by the governments to prevent or handle those cases, as well as possible future actions in response to such developments. China may experience declining domestic consumption, rising unemployment and a more uncertain economic environment, while consumers may curb their consumption in response to potential economic difficulties, which in turn may have a material negative impact on our business. As a result, the COVID-19 outbreak may continue to have a material adverse impact on our current and future business, financial condition and results of operations.

Any failure to protect our trade secrets or intellectual property could harm our business and competitive position.

Our proprietary technologies, data analysis and lead generation algorithms are our trade secrets and we regard our trademarks, copyrights, patents, domain names, knowhow and similar intellectual property to be critical to our success. We rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees. However, laws and contractual arrangements may not adequately protect our rights, and the functionality of our digital link and digital marketing and management solutions software might be reproduced and our source code might be copied. In addition, our trade secrets or intellectual property rights could be challenged, invalidated, circumvented or misappropriated. For instance, we cannot guarantee that we can successfully protect our trade secrets from leakage or intellectual property and exclusive rights from unauthorised usage by third parties or breach of confidentiality obligations by our counterparties. It may be difficult to protect our trade secrets or to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are also

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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 unauthorised use of our intellectual property may be difficult and costly and the steps we 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 or to protect our trade secrets from leakage, such litigation could result in substantial costs and a diversion of our management and financial resources, and litigation on intellectual property rights 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 trade secrets or intellectual property rights could have a material adverse effect on our business, financial condition and prospects.

Supply chain shortages and interruptions, fluctuations in prices and our relationship with suppliers could adversely affect our operations.

We are dependent upon frequent deliveries of hardware, products and supplies that meet our technical and quality specifications. Shortages or interruptions in the supply caused by unanticipated demand, problems in production or distribution, acts of terrorism, financial or other difficulties of suppliers, labour actions, inclement weather, natural disasters such as floods, drought and hurricanes, outbreak of disease, including COVID-19 and other epidemics and pandemics, or other conditions could adversely affect the availability, quality and cost of supplies for such products, which could lower our revenues, increase our operating costs, damage our brand reputation or otherwise harm our business. We may experience difficulties in procuring products from our suppliers and contract manufacturers for other reasons, including supply shortage, reductions in the availability of production capacity, failure of our suppliers to assemble our products according to our specifications, insufficient quality control, failure to meet production deadlines and increase in assembly costs. For example, supply shortages for semiconductors broadly in the market had occurred in 2021, which may have an impact on the supply of components for our IoT hardware. Such shortages or interruptions could affect our delivery lead times, which may in turn materially and adversely affect our operations.

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Our business also depends on developing and maintaining close relationships with our suppliers, and our suppliers’ ability or willingness to sell quality products to us at favourable prices and terms are key to our profitability and financial condition. Many factors beyond our control may harm these relationships and the ability or willingness of these suppliers to sell us products on favourable terms, if at all.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, or if we do not price our products and services competitively, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our *Dijia*, *Guanglian Saixun* and *Didihu* brands is critical to maintaining and expanding our business, and therefore we have incurred management resources and expenses on a variety of marketing and promotion efforts designed to enhance our brand recognition and increase sales of our products, services and solutions and to establish our leadership position in the industry. Maintaining and enhancing our brands depends largely on our ability to continue to provide high-quality, well-designed, useful, reliable, and innovative services and software solutions, which we cannot assure you we will do successfully.

We believe that brand recognition will become more important as competition in the automotive aftermarket services increases. In addition to our ability to provide reliable and effective services and software solutions and SaaS+ value-added solutions and doing so at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We market our brand mainly through our direct sales force and channels partners. Our marketing and promotional activities may not be well received by customers and may not result in the level of sales of products and services that we anticipate. Therefore, we cannot assure you that we will be able to cost-effectively conduct our sales and marketing efforts, or that we will be able maintain the market recognition or the competitiveness of our brands, in which case we may be placed in a competitive disadvantage.

We cooperate with third party service providers and suppliers for different aspects of our business. If we are unable to maintain stable relationships with third party service providers and suppliers, or if our suppliers face difficulties in supplying to us, our business, operating results, and financial condition could be adversely affected.

Our success depends on our relationships with third party services providers and suppliers which include but not limited to OEM suppliers, mobile communication operators, cloud service providers, warehouse management and installation service providers, some of which may be critical to the provision of our digital link and digital marketing and management solutions. Our purchase from the five largest suppliers amounted to approximately RMB117.1 million, RMB140.6 million and RMB156.3 million for the years ended 31 December 2020, 2021 and 2022, respectively, which accounted for approximately 48.8%, 64.2% and 55.4% of our transaction amounts for the

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corresponding period. If these third party service providers experience such difficulties in providing products or services that we require, or if our purchasing agreements with them are terminated or not renewed or they cease operations (either temporarily or permanently) or experience any other business interruptions, our business operations and reputation would be adversely affected. Moreover, if we are unsuccessful in negotiating cost-effective relationships with our suppliers, we may be forced to find suitable replacements, and there can be no guarantee that replacement suppliers can be found on reasonable commercial terms, if at all.

We may be vulnerable to intellectual property infringement claims brought against us by others.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by others. We, from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without our awareness. If any third-party infringement claims are brought against us, we may be forced to divert management's time and resources from our business and operations to defend against these claims, regardless of their merits.

Regulatory actions, legal proceedings, product liability claims, and customer complaints against us could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects.

We may from time to time become subject to various litigation proceedings, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, business partners and other third parties that we engage for our business operations. On-going or threatened litigation proceedings, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. In addition, negative publicity arising from litigation proceedings, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products and services. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

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The continuing and collaborative efforts of our executive Directors, senior management and key employees are crucial to our success and the loss of their services could severely harm our business.

We have been relying and will continue to rely on the expertise and experience of our executive Directors and senior management team. For further details of our executive directors and senior management team, please refer to the section headed “Directors and Senior Management”. The loss of any of our Directors, senior management or key employees could impair our ability to operate and impede the execution of our business strategies and harm our business. If we are unable to find suitable replacement(s) within a reasonable period of time, or at all, our business, financial condition and results of operations would be materially and adversely affected.

Further, our future success depends on our continuing ability to attract, develop, motivate and retain qualified and skilled employees to manage our existing operations and accomplish future growth. Since well-qualified employees in the automotive aftermarket and the IoV industry are in high demand, competition for these individuals is intense. In particular, we rely on our research and development team to develop our products and solutions that are appealing to our customers, and we also rely on our experienced sales personnel to maintain a good relationship with our customers and to promote our products and services to customers. We may not be able to successfully attract and retain the individuals we desire. Furthermore, we may need to offer them higher levels of benefits in order to retain them. As such, we cannot assure you that we will have the resources to fully achieve our staffing needs. Moreover, if any member of our key employee joins a competitor or forms a new business to compete with us, we may lose critical customer resources, technical know-how and the expertise that these employees would otherwise be able to contribute to us. Thus, our failure to attract and retain talented personnel could have a negative impact on our ability to maintain our competitive position in the market or achieve success in our expansion efforts.

Our financial performance may be adversely affected by our need to recruit and retain experienced technical and sales and marketing staff, and increasing staff costs.

Our business operation and our success depends upon our ability to attract, motivate and retain and sufficient number of qualified employees. Our Directors are of the view that the ability to recruit and retain experienced staff is crucial to the stability and expansion of our operations. According to the CIC Report, the average annual salary in the Internet-related industry in 2022 was about RMB259,000. The operation and development of our SaaS+ value-added services would require a significant amount of skilled technical and sales and marketing personnel, which may result in increases in labour costs. Driven by the increasing challenge in acquiring skilled labour in the Internet-related industry, the Directors expect the salary level to continue expanding over the next five years and the annual yearly salary in the Internet-related industry is expected to be approximately RMB347,000 by 2027, according to the CIC Report. Our

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employee benefit expenses amounted to approximately RMB41.1 million, RMB42.3 million and RMB53.1 million, for the years ended 31 December 2020, 2021 and 2022, respectively representing 11.7%, 12.9% and 12.8% of our total revenue for the corresponding period. We expect our employee benefit expenses will continue to increase as inflationary pressures in China and demands for skilled technical and sales and marketing personnel together will continue to drive up salary levels and as our business further expands.

We may not be able to always offer competitive remuneration packages and recruit and retain staff at commercially reasonable levels. Any failure to recruit and retain staff may result in a shortage of staff, which may cause our operations to be affected, our development plans to be delayed and/or affecting the quality of our services. This may materially and adversely affect our operations, reputation and financial performance. Our financial performance may also be adversely affected by the increasing staff costs in the PRC. In the event that we are unable to pass on increased costs to our customers, any significant increase in staff costs may materially and adversely affect our financial performance.

Insurance coverage may not be adequate, and increased insurance costs could adversely affect our results of operations.

The insurance industry in China is still at an relatively early stage of development as insurance companies in China only offer limited business insurance products. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. In addition, we do not maintain any insurance policies covering risks including loss and theft of and damages to our servers or other technology infrastructure. As such, any uninsured occurrence of business disruption, litigation or natural disasters causing serious damages to our uninsured technology equipment would result in substantial costs and diversion of resources which could adversely affect our financial condition and results of operations.

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

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), we are required to make social insurance for our employees in amounts equal to certain percentage 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 they operate their business. As at the Latest Practicable Date, we had not received any notice from the local authorities or any claim or request from these employees in this regard. However, we cannot assure you that the relevant local government authorities

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will not require us to pay the outstanding amount and impose late fees or fines on us. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be subject to a fine of one to three times the amount of the overdue payment. For further details, please refer to “Business—Legal Proceedings and Compliance—Non-compliance incidents”.

We may be liable for failure to register and file our lease agreements, which may subject us to penalties.

As at the Latest Practicable Date, 15 leasing agreements of our leased properties had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Adviser has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered (if we fail to rectify the non-compliance within the time frame prescribed by the relevant authorities). As at the Latest Practicable Date, with respect to six out of 15 of our leased properties in the PRC, the lessor has not provided valid title certificates or relevant authorisation documents evidencing their rights to lease the properties. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties and may be forced to cease these activities in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid titles, our business, financial condition and results of operations may be materially and adversely affected. For further details, please refer to “Business—Leased Properties”.

RISKS RELATING TO CONDUCTING OUR BUSINESS IN THE PRC

Failure to obtain, renew, or retain licenses, permits or approvals or failure to comply with applicable laws and regulations may affect our ability to conduct or expand our business.

The PRC Government regulates the Internet, finance and automobile industries extensively, including the licensing and permit requirements pertaining to companies in these industries. We are required to hold licenses such as Value-Added Telecommunications Business License and Class-B Surveying and Mapping Qualification Certificate to carry out our business and operations. Since the relevant laws and regulations governing our business activities are evolving, their interpretation and enforcement may involve considerable uncertainties and we may be subject to more

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stringent regulatory requirements due to changes in the economic and political landscape. As such, we cannot assure you that we may be able to prevent non-compliance with the applicable PRC laws and regulations in our ordinary course of business. We may fail to obtain, renew or maintain any of the business licenses and approvals or make the necessary filings for our business and operations and as such, we may be subject to various enforcement actions, including orders issued by the regulatory authorities requiring us to terminate our unlawful operations. Fines and penalties may also be imposed on us and we may even incur criminal liability. Our business will thus be significantly disrupted and have other material adverse effects on business, financial conditions and results of operations.

Possible changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect our business, prospects, financial condition and results of operations.

We conduct our business operations within the PRC. Accordingly, our financial condition and results of operations are influenced by the economic, political and social conditions, legal development, and government policies of the PRC. Although the PRC's economy has been transitioning from planned economy to a more market-oriented economy for almost four decades, China's economy differs from the economies of most development countries in many aspects, including with respect to the portion of state-owned productive assets, the amount of government involvement, level of development, growth rate, governmental control of foreign exchange and allocation of resources. In recent years, the PRC government has implemented economic reform measures emphasising the use of market forces to drive economic development. However, any economic reform policies or measures in China may from time to time be modified, revised, or applied inconsistently from industry to industry or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy but have a negative effect on the industries in which we operate and subsequently our business.

The PRC has been one of the world's fastest growing economies as measured by GDP in recent years. However, there can be no assurance that the PRC economy will be able to sustain such a growth rate, and the PRC GDP growth has experienced a slowdown since 2012, and growth has been uneven across different regions and among various economic sectors. All of our revenue during the Track Record Period were generated within the PRC. As such, our future success is substantially dependent on economic, political and social conditions in the PRC. Any adverse changes in the PRC's political and social conditions or any slowdown or recession of the PRC's economy could have a material and adverse effect on our business, financial, results of operations and prospects.

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The uncertainties as to interpretation and implementation of laws of the PRC could limit the protection available to us and to our Shareholders.

Our business and operations are conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, regulations and rules are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, regulations and rules may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws, regulations and rules may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there can be no assurance that the PRC government will not amend or revise existing laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements or conditions for the approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations and subject us to fines or penalties imposed by the PRC government. There can also be no assurance that the PRC government will not amend or revise existing laws, regulations or rules, or promulgate new laws, regulations or rules that have a material and adverse effect on our business, operations growths or prospects.

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay to our shareholders.

We are a Cayman Islands holding company and all of our income is derived from dividends that are paid by our subsidiaries in the PRC. Pursuant to the EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Pursuant to a tax arrangement between China and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC subsidiaries to a Hong Kong company if such Hong Kong company is a “beneficial owner” and directly owns at least 25% of the equity interest of the PRC company. According to the fourth protocol of the aforementioned treaty, effective from December 2015, the reduction will not apply if the main purpose of the production or distribution of the proceeds involved is to obtain the aforementioned (reduction) interest. The Announcement on Issues Concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所

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有人”有關問題的公告》), which became effective in April 2018, stipulates certain conditions under which a company may not be defined as a “beneficial owner” under the relevant tax treaty, and further requires non-resident taxpayers who wish to enjoy the treatment of “beneficial owners” under such tax treaties to submit certain report forms and materials when filing tax returns.

If we and our Hong Kong subsidiary are considered as non-resident enterprises and our Hong Kong subsidiary is considered as a Hong Kong resident enterprise under the aforementioned arrangement and is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiary may be able to enjoy the reduced income tax rate of 5%. However, if our Hong Kong subsidiary fails to submit required documents for enjoying such treatment, and if our corporate and shareholding structure is viewed as deliberately arranged for acquiring the reduction interest, we may not be able to enjoy a preferential withholding tax rate of 5% and as a result the dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at a rate of 10%. As we may not be able to have preferential tax treatment, the amount of dividends, if any, we may pay to our shareholders would be materially and adversely affected.

Under the EIT Law, we may be classified as a “resident enterprise” of China, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders which would materially and adversely affect our results of operations and financial condition.

Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective as at 1 January 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. Currently, our management is primarily based in the PRC, and may continue to be based in the PRC in the future. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual resident(s), as in our case.

If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income, and any dividend or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from

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enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement.

We invest in our PRC operating subsidiaries through our Hong Kong subsidiaries. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, our Hong Kong subsidiaries will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated the Announcement on Certain Issues Concerning the Beneficial Owner in a Tax Agreement (關於稅收協定中“受益所有人”有關問題的公告) (“**Circular 9**”) on 3 February 2018, effective as 1 April 2018, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits. It is possible, however, that under Circular 9 our Hong Kong subsidiaries would not be considered the “beneficial owner” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favourable 5% rate applicable under the Double Tax Avoidance Arrangement and other applicable PRC laws. In that case, our financial position and results of operations would be materially and adversely affected.

You may be subject to PRC income tax on dividends from us or on any gain realised on the sale or other disposition of our Shares under PRC law.

Under the EIT Law and EIT Law Implementation Rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from sources within China payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment if the relevant income is not effectively connected with the establishment. Any gain realised on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise

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provides. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realised from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of our investors’ investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

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

The PRC tax authorities have enhanced their scrutiny over the non-resident enterprise’s direct or indirect transfer of equity interests in a PRC resident enterprise by promulgating and implementing the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知) (“**SAT Circular 59**”) which became effective on 1 January 2008 and the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**SAT Circular 698**”) which became effective on 1 January 2008. Under the circulars, where a non-resident enterprise transfers the equity interests of a PRC “resident enterprise” indirectly by disposing the equity interests of an overseas holding company (an “**indirect transfer**”) without a reasonable commercial purpose in order to avoid its income tax obligations, the non-resident enterprise, being the transferor, may be subject to PRC EIT and gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular 698 also provides that where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority is entitled to make a reasonable adjustment to the taxable income of the transaction. Subsequently on 3 February 2015, the SAT extended its tax jurisdiction to capture transactions involving the transfer of real property and assets of an establishment or a place in the PRC by a foreign company through the offshore transfer of a foreign intermediate holding company by virtue of issuing the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Public Notice 7**”). Public Notice 7 also interprets the term “transfer of the equity interest in a foreign intermediate holding company” broadly. In addition, Public

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Notice 7 further clarifies certain criteria on how to define “reasonable commercial purposes” and introduces safe harbor scenarios applicable to internal group restructurings. However, it also imposes burdens on both the foreign transferor and the transferee of the indirect transfer as they are required to make a self-assessment on whether the transaction should be subject to PRC tax and whether to file or withhold the PRC tax accordingly.

Public Notice 7 and its interpretation by relevant PRC authorities clarify that an exemption provided by SAT Circular 698 for transfers of shares in a publicly-traded entity that is listed overseas is available if the purchase of the shares and the sale of the shares both take place in open-market transactions. Despite this exemption, the PRC tax authorities may deem various private share transactions to be subject to SAT Circular 698 and Public Notice 7, which could subject the shareholder to additional reporting obligations or tax burdens. On 17 October 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**Public Notice 37**”), which, among others, repeals the SAT Circular 698 on 1 December 2017. The Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under SAT Circular 698. And certain rules stipulated in Public Notice 7 are replaced by Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of Public Notice 7 and Public Notice 37. For example, while the term “indirect transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an indirect transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. As a result, we and our non-resident investors may become at risk of being taxed under Public Notice 7 and Public Notice 37 and may be required to expend valuable resources to comply with Public Notice 7 and Public Notice 37 or to establish that we should not be taxed under Public Notice 7 and Public Notice 37, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors’ investments in us. In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, PRC tax authorities might impose taxes on capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may

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cause us to incur additional acquisition costs or delay our acquisition timetable. The PRC tax authorities have discretion under SAT Circular 59, Public Notice 7 and Public Notice 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. If we are considered a non-resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of our merger and acquisition transactions under SAT Circular 59, Public Notice 7 and Public Notice 37, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

PRC rules on mergers and acquisitions may make it more difficult for us to pursue growth through acquisitions.

The M&A Rules and regulations and rules concerning mergers and acquisitions introduced additional procedures and requirements which involve making a series of applications and supplemental applications to the government agencies that could make merger and acquisition activities with PRC business entities by foreign investors more time-consuming and complex. Depending on the structure of the transaction, we may be required to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement to seek approval. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) stipulates that the relevant anti-monopoly authority is to be notified in advance of any change of control transaction if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings by the State Council (《國務院關於經營者集中申報標準的規定》), which was promulgated by the State Council on 3 August 2008 and was amended on 18 September 2018, are triggered. Besides, the Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) which became effective on 3 March 2011 established a security review system for merger and acquisition of domestic companies by foreign investors. In particular, these security review rules specify that mergers and acquisitions by foreign investors that raise “national security” concerns are subject to strict review by MOFCOM and the rules prohibit any transactions attempting to bypass such security review, including by controlling entities through the Contractual Arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. As we may grow our business in the future in part by directly acquiring complementary businesses in China, complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or any other competent government agencies, may delay or inhibit our ability to complete such transactions.

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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 subsidiaries.

In utilising the [REDACTED] from the [REDACTED] or any further [REDACTED], as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing or registration procedures, our ability to use the [REDACTED] of the [REDACTED] and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

The PRC government’s control over currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the [REDACTED], do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict the ability of our PRC subsidiaries to obtain debt or equity financing in foreign currencies.

The existing foreign regulations allow us, following completion of the [REDACTED], to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC government will continue to adopt this policy going forward. The PRC government may also restrict our access to foreign currencies for current account transactions at its discretion. Any insufficiency of foreign currencies may impair our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

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Increases in labour costs and enforcement of stricter labour laws and regulations in the PRC may adversely affect our business and our profitability.

The PRC Labour Contract Law (《中華人民共和國勞動合同法》) was implemented on 1 January 2008 and was latest amended on 28 December 2012 and became effective on 1 July 2013, and the PRC Social Insurance Law (《中華人民共和國社會保險法》) became effective on 1 July 2011 and was latest amended on 29 December 2018. As a result of these new laws and regulations designed to enhance labour protection, we expect that our labour costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labour costs to those who pay for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labour contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labour Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labour contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labour contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labour practices, the PRC Labour Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. As the interpretation and implementation of labour-related laws and regulations are still developing, we cannot assure you that our employment practices will at all times be deemed in compliance with the labour-related laws and regulations in China. If we are subject to severe penalties in connection with labour disputes or government investigations, our business, financial condition and results of operations will be adversely affected.

Fluctuations in the value of Renminbi and other currencies could have an adverse effect on our business, financial condition and results of operations.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces and the PRC government's policies will continue to impact Renminbi exchange rates going forward. The Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the

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long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

Even though substantially all of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, [REDACTED] from the [REDACTED] are made in Hong Kong dollars. Any unfavorable movement in the exchange rate of the Renminbi against the Hong Kong dollar may adversely affect the value of our [REDACTED] from the [REDACTED]. In addition, any unfavorable movement in the exchange rate of the Renminbi against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR CORPORATE STRUCTURE AND CONTRACTUAL ARRANGEMENTS

If the PRC Government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our business

Foreign investment in the value-added telecommunication services and internet map services industry in China is extensively regulated and subject to numerous restrictions. Under the 2021 Foreign Investment Negative List and Interim Measures for the Administration of the Surveying and Mapping Conducted by Foreign Organizations or Individuals in China (外國的組織或者個人來華測繪管理暫行辦法), our digital link and digital marketing and management solutions business fall into the value-added telecommunication services and internet map services which are restricted. Since we are a Cayman Islands company and considered as a foreign legal person under PRC laws, neither we nor our wholly foreign-invested PRC subsidiaries are eligible to apply for the required licenses to provide such value-added telecommunication services and internet map services in China. As such, we conduct our business operations that are subject to foreign investment restrictions in China via Contractual Arrangements entered into among Guanglian Shuke, Guanglian Saixun and the Registered Shareholders. We have been and are expected to continue to depend on Guanglian Saixun to operate a substantial portion our business operations. We do not have any equity ownership interest in Guanglian Saixun but control its operations and receive the economic benefits through the Contractual Arrangements.

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If we, Guanglian Saixun or any of its current or future subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities may impose sanctions, which include among others, nullifying the Contractual Arrangements, levying fines, confiscating our income, revoking our business licenses, restructuring our PRC subsidiaries, discontinuing or imposing restrictions or conditions on our operations, restricting our use of [REDACTED] from the [REDACTED] and other enforcement actions that would be harmful to our business. Any of these actions would cause significant disruption to our business and damage our reputation which in turn would adversely affect our financial condition and results of operations.

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

Pursuant to the Contractual Arrangements, Guanglian Shuke, or its designated person, has the exclusive right to purchase all or any part of the equity interests in Guanglian Saixun from the Registered Shareholders for the minimum amount of consideration permitted by applicable PRC laws. Subject to relevant laws and regulations, the Registered Shareholders shall return any amount of purchase price they have received to Guanglian Shuke. If such a transfer takes place, the competent tax authority may require Guanglian Shuke to pay EIT for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests

We conduct digital link and digital marketing and management solutions business through the Combined Affiliated Entity. Our control over these entities is based upon the Contractual Arrangements with Guanglian Saixun and the Registered Shareholders that allow us to control Guanglian Saixun. The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Guanglian Saixun, the Registered Shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favour.

In addition, the Registered Shareholders may breach or cause Guanglian Saixun to breach the Contractual Arrangements. If Guanglian Saixun or the Registered Shareholders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control Guanglian Saixun and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

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We rely on Contractual Arrangements with our Combined Affiliated Entity and its shareholders for our business operations in China, which may not be as effective in providing operational control as direct ownership and our Combined Affiliated Entity and its shareholders may fail to perform their obligations under the Contractual Arrangements

We rely on and expect to continue to rely on the Contractual Arrangements with Guanglian Saixun and its shareholders to control Guanglian Saixun who is also the holder of the key licenses required to operate our digital link and digital marketing and management solutions business in China. For more details of these Contractual Arrangements, please refer to the section headed “Contractual Arrangements”. These Contractual Arrangements may not be as effective in providing us with control over Guanglian Saixun as compared to direct ownership. If we had direct ownership of Guanglian Saixun, we would be able to exercise our rights as a shareholder to effect changes in the board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current Contractual Arrangements, we depend on the performance by Guanglian Saixun.

If Guanglian Saixun and its shareholders fail to perform their obligations under the Contractual Arrangements, we may have to incur significant costs and resources to enforce our rights under the contracts and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective given the uncertainties in the PRC legal system. In the event we could not enforce our rights under these Contractual Arrangements, we may not be able to exert effective control over Guanglian Saixun or obtain the full economic benefits of our business operations, and our business, financial condition and results of operations would be materially and adversely affected. Furthermore, if we fail to renew these Contractual Arrangements upon their expiration, we would not be able to continue our relevant business operations unless the then-current PRC laws allow us to directly operate these businesses in China.

In addition, if Guanglian Saixun or all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of the relevant business activities, which could materially and adversely affect our business, financial position and results of operations. If Guanglian Saixun undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate the relevant business, which could materially and adversely affect our business, our ability to generate revenue and the market price of your shares.

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Our Group may lose control over Guanglian Saixun and may not enjoy the full economic benefits of our Combined Affiliated Entity if Guanglian Saixun declares bankruptcy or becomes subject to a dissolution or liquidation proceeding

Guanglian Saixun is our Combined Affiliated Entity. The Contractual Arrangements contain terms that specifically provide that Guanglian Saixun may not be voluntarily liquidated without the written consent of Guanglian Shuke. However, if the shareholders of Guanglian Saixun breach this obligation and voluntarily liquidate Guanglian Saixun or if Guanglian Saixun declares bankruptcy, all or part of its assets may become subject to liens or rights of third party creditors and the Group may be unable to continue to control Guanglian Saixun and may not enjoy the economic benefits of Guanglian Saixun, which could adversely affect our business, financial condition and results of operations.

We conduct a certain portion of our business in the PRC through our Combined Affiliated Entity by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable or are subject to limitations under the relevant PRC laws

The Contractual Arrangements among Guanglian Shuke, Guanglian Saixun and its shareholders contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Guanglian Saixun, injunctive relief and/or winding up of Guanglian Saixun. 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, as advised by our PRC Legal Adviser, these terms may not be enforceable. Under PRC law, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order to preserve the assets of or any equity interest in Guanglian Saixun in favour of an aggrieved party. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC. While PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Guanglian Saixun in favour of an aggrieved party, the courts may or may not support the award of an arbitral body when deciding whether to take enforcement measures. As a result, in the event that Guanglian Saixun or any of its shareholders breaches any of its obligations of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Combined Affiliated Entity and conduct our business could be materially and adversely affected.

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Contractual Arrangements with Guanglian Saixun and Registered Shareholders may be subject to scrutiny by the PRC tax authorities which may determine that we or our Combined Affiliated Entity owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income

Under the Contractual Arrangements between us and Guanglian Saixun, Guanglian Saixun will transfer substantially all of its net income to us (less any accumulated loss, working capital requirements, expenses and taxes of Guanglian Saixun in a given year) which will substantially reduce its taxable income. These arrangements and transactions are related party transactions and must be conducted on an arm’s length basis under applicable PRC tax rules and if they fail to do so, the tax authority may make special tax adjustments on the basis of the full amount that has been deducted before tax payment. As a result, our transactions with Guanglian Saixun may be susceptible to challenges by the PRC tax authorities. If the PRC tax authorities determine that the transactions we have entered into with Guanglian Saixun and its shareholders were not on an arm’s-length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may conduct transfer pricing adjustments and adjust the profits and losses of Guanglian Shuke or Combined Affiliated Entity and impose more tax liabilities on them. In addition, the PRC tax authorities may impose late payment fees and other penalties on us for the adjusted but unpaid taxes. Our net income may be adversely and materially affected if the tax liabilities of Guanglian Shuke or Combined Affiliated Entity increase or if it is found to be subject to late payment interests or other penalties.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries in China, for our cash requirements, including the funds necessary to service any debt we may incur. If our PRC subsidiaries incur debt in the future, the instruments governing the debt may restrict their abilities to pay dividends or make other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by our PRC subsidiaries only out of their accumulated profits, if any, determined in accordance with accounting standards and regulations of China. Under PRC laws, rules and regulations, our subsidiaries are also required to set aside a portion of their net income each year to fund specific reserve funds. In addition, the statutory general reserve fund requires annual appropriations of 10% of after-tax income to be set aside prior to payment of dividends until the cumulative fund reaches 50% of our subsidiaries’ registered capital. Therefore, our subsidiaries’ ability of transferring a portion of their net assets to us whether in the form of dividends, loans or

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advances is limited. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and its implementing rules and how they may impact the viability of our current corporate structure, corporate governance and business operations

The contractual arrangements have been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft FIL, according to which, variable interest entities that are controlled via contractual arrangements would also be deemed as foreign-invested entities, if they are ultimately “controlled” by foreign investors. In March 2019, the PRC National People’s Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》), and in December 2019, the State Council promulgated the Implementing Rules of the PRC Foreign Investment Law 《中華人民共和國外商投資法實施條例》, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both became effective from 1 January 2020 and replaced the major previous laws and regulations governing foreign investments in the PRC. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organisations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Foreign Investment Law and the Implementing Rules do not introduce the concept of “control” in determining whether a company would be considered as a foreign-invested enterprise, nor do they explicitly provide whether the contractual arrangements would be deemed as a method of foreign investment. The PRC Foreign Investment Law does not explicitly stipulate contract arrangement as a form of foreign investment. The PRC Legal Adviser is of the view that the legal documents of the Contractual Arrangements is likely to be valid, legal and binding on the parties. However, the Foreign Investment Law has a catch-all provision that includes into the definition of “foreign investments” made by foreign investors in China in other methods as specified in laws, administrative regulations, or as stipulated by the State Council, and as the Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the Foreign Investment Law, the

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possibility cannot be ruled out that the concept of “control” as stated in the 2015 Draft FIL may be embodied in, or the contractual arrangements adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If our Combined Affiliated Entity was deemed as foreign-invested enterprises under any of such future laws, regulations and rules, and any of the businesses that we operate would be in the “negative list” for foreign investment and therefore be subject to foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business, financial condition and results of operations. Furthermore, if future laws, administrative regulations or rules 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, business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares.

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] range for our Shares was the result of negotiations among our Company and the [REDACTED] on behalf of the [REDACTED] and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We have applied for [REDACTED] of and permission to deal in our Shares on the Stock Exchange. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for our [REDACTED] will develop, or if it does develop, will be sustained following the [REDACTED].

The [REDACTED] volume and [REDACTED] of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [REDACTED].

The [REDACTED] volume and [REDACTED] of our Shares following the [REDACTED] may be volatile. The following factors may affect the [REDACTED] volume and market price of our Shares:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or departure of key personnel by us or our competitors;
- changes in earnings estimates or recommendations by financial analysts;
- the history of, and the prospects for, us and the industry in which we compete;

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- potential litigation or regulatory investigations;
- announcements of new investments, strategic alliances and/or acquisitions in our industry; and
- the valuation of publicly traded companies that are engaged in business activities similar to ours.

Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. We can give no assurance that these developments will not occur in the future.

In addition, in recent years, stock markets in general, and particularly the shares of companies with substantial operations in the PRC, have experienced increasing price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of such companies. As a result, investors in our Shares may experience volatility in the [REDACTED] of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, or may result in dilution of your shareholding.

The [REDACTED] of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the [REDACTED] or the issuance of new Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional Shares in future offerings.

A certain number of our [REDACTED] held by existing Shareholders are or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the [REDACTED]. Please refer to the section headed “[REDACTED]” and “[REDACTED]”. After the lapse of the above mentioned restrictions, future sales or perceived sales of substantial amounts of our [REDACTED], or the possibility of such sales by us, could negatively impact the [REDACTED] of our [REDACTED] and our ability to raise equity capital in the future.

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

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

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

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

Purchasers of Shares will experience immediate dilution as a result of the [REDACTED] and may experience further dilution if we [REDACTED] additional Shares in the future.

As the [REDACTED] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution in [REDACTED] adjusted net tangible assets. We may need to raise additional funds in the future to finance further expansion or new developments relating to our existing or new contracts. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

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We may not be able to pay any dividends or make other distributions on our Shares.

Dividends to non-controlling shareholder in the amount of RMB2.7 million was declared during FY2021 and paid during FY2022. We cannot assure you when and in what form dividends will be paid on our Shares after the [REDACTED]. The declaration and distribution of dividends is at the discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including without limitations, our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we are not able to guarantee that we will make any dividend payments on our Shares in the future. Please see “Financial Information – Dividends” in this document for further details.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are a Cayman Islands company and our corporate affairs are governed by, among other things, our Memorandum of Association, our Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

We cannot assure you the accuracy of facts, forecasts and other statistics with respect to the PRC, the PRC economy and the industry in which we operate.

We have derived certain facts, forecasts and other statistics, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of our or their respective affiliates or advisers, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts, forecasts and statistics include the facts, forecasts and statistics used in “Risk Factors,” “Industry Overview” and “Business.” Because of possibly flawed or ineffective collection

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methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].

Before the publication of this document, there may be press and media coverage which contains certain information regarding the [REDACTED] and us that is not set out in this document. We have not authorised the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, prospective investors should not rely on any such information.