

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The market in which we participate is competitive, if we do not compete effectively, our business, operating results and financial condition could be harmed.

The audiovisual cloud service market is rapidly evolving and competitive. The principal competitive factors in our market include research and development capabilities, industry know-how, continuous capital investment, product portfolio, among others. Some of our existing competitors might have substantial competitive advantages, including larger scale, longer operating history, greater brand recognition, more established relationships with customers, suppliers and partners, and greater financial, research and development, marketing and other resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may offer products, solutions and services that address one or more number of functions at lower prices, with greater depth than our products, solutions and services or in different geographies. Our existing and potential competitors may develop and market new products, solutions and services with functionality comparable to ours, and this could force us to decrease prices in order to remain competitive. If we are unable to compete successfully against our current or potential competitors, our business, financial condition, and results of operations may be materially and adversely impacted.

We have experienced fluctuations in our revenue during the Track Record Period and if we fail to effectively develop our business, our results of operations and financial condition could be adversely affected.

We have experienced fluctuations in our revenue during the Track Record Period. Our total revenue has increased by 35.1% from RMB1,089.2 million in 2020 to RMB1,471.0 million in 2021, and decreased by 22.0% to approximately RMB1,147.3 million in 2022. The decrease in our total revenue in 2022 is primarily due to the decrease in revenue generated from our MPaaS products, partially offset by the increase in revenue generated from APaaS solutions attributable to our expanding APaaS business in line with industry development and market demand. Please refer to the section headed “Financial Information — Period-to-Period Comparison of Results of Operation” in this document for details.

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Our business, growth and prospects are significantly affected by the audiovisual PaaS industry, in particular, the growth in the audiovisual APaaS industry, which is a fairly new market in China. This growth has placed and may continue to place significant demands on our managerial, administrative, operational, financial and other resources. Furthermore, we intend to grow by expanding our business, increasing market penetration of our existing products and solutions and developing new ones. To maintain our growth, we need to attract more customers, hire more qualified R&D staff and other staff, scale up our offerings and strengthen our technology infrastructure. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers and users in a cost-effective manner, respond to competitive challenges, or otherwise execute our business strategies.

Moreover, our results of operations may fluctuate in the future due to a variety of factors, many of which are outside of our control, and the variability and unpredictability of such factors could result in our failure to meet or exceed our financial expectations for a given period. As a result, our past results may not be indicative of our future performance.

We have recorded adjusted net losses, net current liabilities and net operating cash outflow during the Track Record Period.

We have incurred losses in the past. For the three years ended December 31, 2022, we had adjusted net losses of RMB20.3 million, RMB142.9 million and RMB149.6 million, respectively. We were a loss-making company during the Track Record Period since we strategically prioritized expansion and market share growth instead of short-term profitability given the audiovisual cloud service market is at its early development stage in China. As of December 31, 2020, 2021 and 2022, we had net current liabilities of RMB2,309.4 million, RMB2,601.4 million and RMB3,016.7 million, respectively. Our net current liabilities were primarily due to the convertible redeemable preferred shares. During the Track Record Period, our cash used in operating activities was principally for cost of sales including network and bandwidth costs, server and storage costs, selling and marketing expenses, administrative expenses and research and development expenses. Our Group recorded net operating cash outflow of RMB91.5 million and RMB71.3 million for the years ended December 31, 2021 and 2022, respectively, which was primarily attributable to net operating loss and negative changes in working capital. There is no assurance that we will not experience periods of net operating cash outflow in the future. If we continue to record net operating cash outflow in the future, our working capital may be constrained which may adversely affect our business and financial condition.

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Security breaches and attacks against our systems and network, and any failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.

We have implemented various cybersecurity measures, but such measures may not detect, prevent or control all attempts to compromise our systems, including but not limited to, distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may cause service interruptions or jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against these attacks. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liabilities, our reputation and business would be harmed and we could sustain substantial revenue loss from loss of sales and customer dissatisfaction.

If we fail to maintain and enhance the functions, performance, reliability, design, security, and scalability of our products and services to meet our customers’ evolving needs, we may lose our customers.

The market for audiovisual cloud services in China is constantly changing with innovations. Our success has been based on our dedication to the development of our innovative and high-quality products and solutions. Our ability to continue to attract and retain customers and increase sales depends largely on our ability to continue improving and enhancing the functions, performance, reliability, design, security, and scalability of our platform.

We may experience difficulties in developing new technologies as it is costly and time-consuming, which in turn could delay or prevent the development, introduction or implementation of new products and solutions. While we have invested a significant amount of time and money in audiovisual cloud service development to date, we may not have sufficient resources to invest at the same level going forward. To the extent we are unable to improve and enhance the functions, performance, reliability, design, security, and scalability of our platform in a manner that timely and effectively responds to our customers’ evolving needs and market competition, we may lose our customers and our business, financial condition, results of operations, and prospects may be materially and adversely affected.

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If we fail to maintain and grow our customer base, keep our customers engaged through our products and solutions by adapting and responding effectively to rapidly changing technology, evolving industry standards and changing regulations, our business growth may not be sustainable and our business may be materially and adversely affected.

To achieve sustainable growth of our business, we must continuously attract new customers, retain existing customers and increase their incremental spending on our products and solutions. To keep pace with our customers’ evolving demands, we need to improve our existing products and solutions, and launch new products and solutions, on a timely basis. If we fail to accurately identify our customers’ demands or preferences or continuously provide them with products and solutions that add value to their businesses, we may fail to expand our customer base and our existing customers may be reluctant to increase their spending on our platform, and as a result, the growth of our business may be stalled. If the leading players in the industry expand into the market segment that we operate in, we may fail to retain our existing customers and our market share may diminish.

The audiovisual cloud service market is subject to rapid technological changes, evolving industry standards, regulations and customer needs, requirements and preferences. The success of our business will depend, in part, on our ability to adapt and respond to these changes on an effective and timely basis. If we fail to upgrade products and solutions that satisfy customers and end-users and provide enhancements and new features for existing products that keep pace with rapid technological and industry changes, our business, operating results and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products, solutions and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

Our platform must integrate with a variety of network, hardware, mobile and software platform and technologies, and we need to continuously modify and enhance our products and solutions to adapt to changes and innovation in these technologies. Any failure of our products and solutions to function effectively with evolving technologies could reduce the demand for our products and solutions. If we are unable to respond to these changes in a cost-effective and timely manner, our products and solutions may become less marketable and less competitive or obsolete, and our business, operating results and financial condition could be adversely affected.

In addition, our future success largely depends on our ability to upgrade our products and solutions. Despite our efforts in researching and developing technology-driven products and solutions, we cannot assure you that our products and solutions will sustain the current level of popularity. Customers may not choose or continue to use our products and solutions if they become outdated or if our competitors offer superior solutions. As a result, our business may not grow at a rate we anticipate or at all, which may, in turn, materially and adversely affect our business, results of operations, financial condition and prospects.

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If our products and solutions do not achieve sufficient market acceptance, our business and competitive position will suffer.

To meet our customers’ rapidly evolving demands, we invest substantial resources in research and development to enhance our products and solutions, as well as in improving our platform. When we develop or acquire new or enhanced products and solutions, we typically incur expenses and expend resources upfront to develop, market, promote and sell the new offerings. Therefore, when we develop or acquire and introduce new or enhanced products and solutions, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. Our new products and solutions, or enhancements and changes to our existing products and solutions, could fail to attain the expected market acceptance for many reasons, including, among others:

- Failure to predict market demand accurately in terms of functionality and a failure to supply products and solutions that meet this demand in a timely manner;
- Defects, errors, or disruptions;
- Negative publicity about our platform’s performance or effectiveness;
- Changes in the legal or regulatory requirements, or increased legal or regulatory scrutiny, adversely affecting our platform;
- Emergence of competitors that achieve market acceptance before we do;
- Delays in releasing enhancements to our platform to the market; and
- Introduction or anticipated introduction of competing products or solutions by our competitors.

If our new products and solutions, or any enhancements, do not achieve adequate acceptance in the market, or if products and solutions developed by others achieve greater acceptance in the market, our business and competitive position could be harmed.

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If our expansion into new industry verticals for our solutions is not successful, our business, prospects and growth momentum may be materially and adversely affected.

Our products and solutions are specifically designed to address the diversified needs of our customers across different industry verticals. Through our top-notch platform resources and years of technology accumulation, we have a track record of successful expansion into and becoming a leader in new industry verticals. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding into new industry verticals involves new risks and challenges. Our lack of familiarity with new industry verticals may make it more difficult for us to keep pace with the evolving customer needs and preferences. In addition, there may be one or more existing market leaders in any industry vertical that we decide to expand into. Such companies may be able to compete more effectively than us as they may have better resources than us and are able to leverage their experience in doing business in that market as well as their deeper industry insight and greater brand recognition among customers. We will need to comply with new laws and regulations applicable to these businesses, the failure of which would adversely affect our reputation, business, results of operations and financial condition. Expansion into any new industry vertical may place significant strain on our management and resources, and failure to expand successfully could have a material adverse effect on our business and prospects.

To support our business growth, we continue to invest heavily in our research and development efforts, the expenses of which may negatively impact our profitability and cash flow, and may not generate the results we expect to achieve.

Our technological capabilities are critical to our success, and we have been continuously investing heavily in our research and development efforts. Our R&D costs incurred were approximately RMB96.0 million, RMB143.4 million and RMB128.7 million, respectively, for the years ended 2020, 2021 and 2022, accounting for approximately 34.6%, 31.4% and 33.2% of the operating expenses (comprising selling and distribution expenses, administrative expenses and R&D costs), for each of the corresponding periods. The industry in which we operate is subject to rapid technological changes and is evolving quickly in terms of technological innovation. In particular, “AIGC + audiovisual APaaS” is expected to become a new form of audiovisual APaaS in the future according to iResearch. We need to invest significant resources, including financial and human resources, in research and development in order to make our products and solutions innovative and competitive and keep abreast with the development of the industry such as the incorporation of AIGC technology. As a result, we expect that our research and development expenses may continue to increase.

Furthermore, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our significant expenditures on research and development may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in our industry could render our platform, our products and solutions that we are developing or expect to develop in the future obsolete, not commercially viable or unattractive, thereby limiting our ability to recover related development costs, which could result in a decline in our revenues, profitability and market share.

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If our products and services experience material errors, defects or security issues, we may lose our customers, fail to honor our obligations in respect of our contract liabilities, and incur significant remedial costs.

Despite repeated testing, our products and solutions by their nature may contain technical errors, defects or security issues that are difficult to detect and rectify, particularly when first introduced or when new versions or upgrades are implemented. Due to the complexity of our products and solutions, we may not be able to fix these errors, defects and security issues in a timely manner or at all. We may incur significant expenses rectifying any material error or defect and compensating our customers who are affected by such error or defect. In addition, if we fail to provide the prescribed products or solutions to our customers in time or at all due to such material errors, defects or security issues, we may not be able to honor our obligations in respect of our contract liabilities, which amounted to RMB105.4 million as of December 31, 2022.

Given that many of our customers use our products and solutions in critical parts of their businesses, any error, defect or service interruption of our products or services could result in significant losses for our customers. Our customers may seek significant compensation from us for any losses they incur as a result of such errors. Such claims, even if unsuccessful, could be costly, time-consuming and distracting to management, result in a diversion of significant resources, and have an adverse effect on our business, operating results and financial condition. Moreover, our customers may share information about their poor experiences in the community, resulting in negative publicity about us. Such negative publicity could damage our reputation and hurt our future sales.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, and conduct our sales and marketing activities in a cost-effective manner or we are subject to limitations in promoting our products and solutions, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to maintain and expand our business. Maintaining, promoting and enhancing our brand depend largely on our ability to continue to provide high quality, well-designed, useful, reliable, and innovative products and solutions, which we cannot assure you we will do successfully.

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful products and solutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We primarily market our products and solutions through our sales and marketing force, and a number of free traffic sources including developers’ word-of-mouth referrals. Our efforts to market our brand have incurred significant costs and expenses during the Track Record Period and we intend to continue such efforts in maintaining and expanding our business. We cannot assure you, however, that our selling and marketing expenses will lead to increasing revenue, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred.

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Due to the technical nature of our products and solutions, we mainly rely on our sales and marketing forces to conduct marketing activities and drive sales of our products and solutions. If we fail to conduct our sales and marketing activities in a cost-effective way, we may incur considerable marketing expenses, which could adversely affect our business and operating results. Additionally, our brand promotion and marketing activities may not be well received by customers and potential customers, and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the market for MPaaS products and APaaS solutions in China are evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to introduce new marketing approaches in an efficient and effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability.

We partially rely on third-party service providers to conduct our business and any interruption or delay in such third parties or our own failure may impair our customers’ experience.

We partially rely on third-party service providers with respect to our business. For example, we use various third-party cloud-hosting providers or other generic IT services to provide cloud infrastructure, including data center facilities, for our platform. Customers need to be able to access our platform at any time, without interruption or degradation of performance, and we provide some customers with service-level commitments with respect to uptime. Any limitation on the capacity of our data centers or cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers, host our products or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our data centers or cloud infrastructure that may be caused by cyberattacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect our platform. A prolonged service disruption affecting our data centers or technology infrastructure for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

Furthermore, these third-party service providers may not continue to be available to us on commercially reasonable terms, or at all. If we lose our right to use any of these service providers, it could lead to significant increase in our expenses or otherwise result in a delay or disruption in our solutions until equivalent technology is developed by us, or obtained from another third party, and integrated into our solutions. If performance of the third parties that we work with proves unsatisfactory, or if any of them violates its contractual obligations to us, we may need to replace such third party service providers and/or take other remedial actions, which could result in additional costs and materially and adversely affect our offerings to customers. Moreover, the financial condition of our third-party service providers may deteriorate over the course of our contract term, which may also impact the ability of such third party service providers to continue providing their services to us.

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Our products and solutions rely on the stable performance of servers, and any disruption to our servers due to internal and external factors could diminish demand for our products and solutions, harm our business, our reputation and results of operations and subject us to liability.

We rely in part upon the stable performance of servers for provision of our products and solutions. Those servers located in our rented premises may incur disruptions due to internal and external factors, such as inappropriate maintenance, defects in the servers, cyberattacks, occurrence of catastrophic events or human errors. Such disruptions could result in negative publicity, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may need to expend additional resources to help with recovering. In addition, we may not carry adequate insurance to compensate us for any losses that may result from claims arising from disruption in servers. As a result, our reputation and our brand could be harmed, and our business, results of operations and financial condition may be adversely affected.

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

The COVID-19 pandemic has spread across the world and has created unique global and industry-wide challenges during the Track Record Period. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy. Our total revenue has decreased by 22.0% from approximately RMB1,471.0 million in 2021 to approximately RMB1,147.3 million in 2022 partially as a result of the COVID-19 pandemic.

During the COVID-19 pandemic, in an attempt to limit the spread of the virus, governments around the world have implemented numerous measures, such as travel restrictions, quarantines and shutdowns, which affected the business of the downstream customers. Our customers and suppliers are also directly or indirectly affected by COVID-19 related restrictions. These measures have impacted, and may further impact, our workforce and operations, the operations of our customers and suppliers and other business partners. There continues to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the ultimate spread of the virus, the severity of the disease, the duration of the outbreak, the possibility of successive waves of outbreaks, further actions that may be taken by Governmental Authorities around the world to contain the virus or to treat its impact, and the scope and length of the resulting economic downturn.

Most of the travel restrictions and quarantine requirements were lifted in December 2022. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments.

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If the adoption of our products by our customers are slower than we expected, our business, results of operations and financial condition may be adversely affected.

Our business has relied on the adoption of our products by a broad array of customers. Our ability to further increase our customer base, and achieve broader market acceptance of our products will depend, in part, on our ability to effectively organize, focus and train our sales and marketing personnel. Our ability to achieve significant revenue growth in the future will depend, in part, on our ability to recruit, train and retain a sufficient number of experienced sales professionals. Our recent hires and planned hires may not become as productive and efficient as we expect and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business.

As we seek to increase the adoption of our products by our customers, we may incur higher costs and longer sales cycles. The decision to adopt our products may require the review and approval of multiple departments including product, operation, financial and legal departments. In addition, while customers may quickly deploy our products on a limited basis before they will commit to deploying our products at scale, they often require extensive education about our products and significant customer support time, engage in protracted pricing negotiations and seek to secure readily available development resources. If the adoption of our products by our customers are slower than we expected, our business, results of operations and financial condition may be adversely affected.

If we fail to provide high quality customer services, our brand, business, and results of operations may be harmed.

We believe our focus on customer services and support is critical in attracting new customers, retaining existing customers and growing our business. We have invested in training our customer support team and improving the quality of our customer services. However, our customer services team may not be able to maintain a high standard going forward for reasons such as budgetary constraints and employee losses, which could adversely affect our reputation and ability to retain and bring in customers. As a result, our brand, business and results of operations may be harmed.

We employ a pricing model and strategy that subjects us to various challenges that could make it difficult for us to derive sufficient value from our customers.

We generally charge cloud service customers based on usage, and to a lesser extent, on a project basis. Such pricing model requires us to undertake significant projections and planning on our costs. If our projections and plans differ significantly from those actually incurred, our business and financial performance could be harmed. We do not know whether our current or potential customers or the market in general will continue to accept this pricing model going forward and, if it fails to gain acceptance, our business could be harmed. In addition, if our competitors adopt new pricing models that become more attractive to customers, our business could be harmed.

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Our pricing models also face challenges from evolving market changes. As the market for our solutions grows, as our competitors introduce new solutions that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Moreover, we may have to keep the price of our products and solutions on par with our competitors to remain in our competitive position. If we are not able to advance our technologies and effectively control costs, our business, results of operation and financial condition may be negatively affected.

We may not be able to maintain the pricing terms for our products and solutions or enhance our customer retention rates going forward.

We may need to decrease prices of our products and solutions to stay competitive. As the markets for our products and solutions mature, or as new competitors introduce new products or solutions that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have adopted historically. Moreover, certain customers, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenue, profitability, financial position, and cash flow.

In addition, our customers have no obligation to renew their contracts for our products and solutions. Our customers may reduce purchase of our products or renew on pricing terms less favorable to us. Our historical customer retention rates may not be indicative of our customer retention rates in the future. Our customers’ retention rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our products and solutions, their ability to continue their operations and spending levels, and the availability of new products from the competitors at competitive prices. If our customers do not renew their purchases of our products and solutions on similar terms or if we cannot enhance or maintain our customer retention rates going forward, our revenue may decline, and our business could suffer.

We are exposed to credit risk from our customers and the recoverability of our trade receivables is subject to uncertainties. If we fail to collect trade receivables from our customers in a timely manner, our business operations and financial results may be materially and adversely affected.

We normally allow a credit period of 30 to 90 days to our customers, and are therefore exposed to credit risk from our customers. We had trade receivables of RMB162.1 million, RMB260.6 million and RMB191.2 million as of December 31, 2020, 2021 and 2022, respectively. Our trade receivable turnover days were 56, 55 and 77 in 2020, 2021 and 2022, respectively. For further details, see “Financial Information — Discussion of Certain Key Consolidated Statements of Financial Position Items.”

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Although we conduct credit evaluations on our customers prior to delivery of our products and services, a customer’s ability to make payments on timely basis depends on various factors such as general economic and market conditions and the customer’s cash flow position, which are out of our control. Delays or defaults in receiving payments from our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. There is no assurance that our customers will pay us on a timely basis or at all, or that we will be able to efficiently manage the level of bad debt arising from staged payments. As the amount of provisions made on our trade receivables are recorded as impairment losses, if we are not able to effectively manage the credit risk associated with our trade receivables, our results of operations will be materially and adversely affected.

We may, in the future, grow and expand our international operations, which may expose us to significant risks.

We may, in the future, further expand our operations and customer base worldwide. We currently have subsidiaries in Hong Kong, Singapore and Vietnam and we plan to focus on emerging markets in Southeast Asia and the Middle East. We may adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As a result, we may be required to devote significant management attention and financial resources worldwide. In connection with such expansion, we may face difficulties including increased competition, uncertain enforcement of our intellectual property rights, unfamiliar market conditions, credit and collectability risk on our trade receivables, and the complexity of compliance with Chinese and foreign laws and regulations, potential adverse movement of currency exchange rates, tariffs and trade barriers, a variety of regulatory or contractual limitations on our ability to operate, political risks and a geographically and culturally diverse workforce and customer base. Failure to overcome any of these difficulties could harm our business.

In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. We cannot assure you that we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions.

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We use software licensed from third parties to provide our products and solutions. Failure to maintain these licenses or any error in such software could adversely affect our business.

We incorporate certain software licensed from third parties into our products and solutions to offer attractive user experience and drive customer acceptance of our products and services. For example, we use intelligent software and tools licensed from third parties so that we can provide tailored services to our end customers to meet their specific needs. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that commercially reasonable alternatives to the third-party software we currently use are available, it may be difficult or costly to find such alternatives, and there is no guarantee that the licensing terms for such alternatives will be similar to or more favorable than the ones we currently use.

Integrating new third-party software into our existing software system may consume a significant amount of our time and resources. Our products and solutions depend on successful operation of third-party software in conjunction with our products and solutions, so any undetected errors or defects in the third-party software could impair our products and solutions, and thus adversely affect our customer experience.

The loss of, or a significant reduction in usage by, one or more of our major customers would result in lower revenue and could harm our business.

Our future success is dependent on establishing and maintaining successful relationships with a diverse set of customers. During the Track Record Period, we are subjected to certain level of concentration risk as we generated a significant portion of our revenue from sales to our major customers. In each of 2020, 2021 and 2022, our top five customers accounted for approximately 30.3%, 22.7%, and 25.5% of our revenue for the respective year. During the same periods, our largest customer accounted for approximately 10.5%, 11.3%, and 8.1% of our revenue for the respective year. In addition, our top five customers varied during the Track Record Period. We also experienced decrease in demand from some of our major customers during the Track Record Period. We cannot guarantee that our major customers will continue to work with us or will not reduce their business with us. The loss of one or more major customers or a reduction in usage by any major customers could significantly reduce our revenue. If we fail to maintain existing customers or develop relationships with new customers, our business would be harmed.

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The intensifying competition, change in sector trend and landscape and government policies may have a direct impact on the industries where our customers operate their businesses, and negatively affect the stability of our customers, which may subsequently have negative impact on our business.

A significant portion of our revenue were derived from customers engaged in a few industries in China, some of which are emerging and highly competitive, such as the audiovisual industry. Any change in the competitive landscape, market trend or user behaviors in such sectors may have a negative impact on our customers, thus harm their ability to make payments and maintain or increase their usage of our products and solutions. In addition, some of these industries in China are highly regulated by the PRC Government Authorities which are empowered to issue and implement laws and regulations governing various aspects of these industries. As the laws and regulations are evolving, changes to the current laws and regulations may increase the uncertainty of the future cooperation with our customers. As a result, in certain circumstances, since some of laws and regulations are relatively new, it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations. If these laws and regulations or the uncertainty associated with their interpretation restrict or negatively impact the industries where our customers operate, our business may be adversely affected as well.

Our reliance on a limited number of suppliers for certain essential products and services could adversely affect our ability to manage our business effectively and subsequently harm our business.

We rely on a limited number of suppliers for certain essential products and services to operate our network and provide products and solutions to our customers. During the Track Record Period, we are subjected to certain level of concentration risk as we procured a significant portion of our products and services, such as network and bandwidth, server and storage and Internet data center services from our major suppliers. In each of 2020, 2021 and 2022, our top five suppliers accounted for approximately 75.6%, 63.5%, and 52.4% of our total purchases for the respective year. During the same periods, our largest supplier accounted for approximately 48.8%, 36.1%, and 16.3% of our total purchases for the respective year. We may experience shortages in components or delays in delivery as a result of natural disasters, increased demand in the industry or our suppliers’ lacking sufficient qualifications to supply the servers or other products or services.

Our reliance on these suppliers exposes us to risks, including reduced control over costs and constraints based on the then current availability, terms, and pricing of these products and services. We generally do not have any long-term contracts guaranteeing supply with these suppliers. If our supply of certain products and services is disrupted or delayed, there can be no assurance that additional supplies or services can serve as adequate replacements or that supplies will be available on terms that are favorable to us, if at all. Moreover, even if we can identify adequate replacements on substantially similar terms, our business could be adversely affected until those efforts were completed. Any disruption or delay in the supply of products and services may cause delay or other constraints on our operations that could damage our customer relationships.

RISK FACTORS

We may fail to obtain or maintain all required licenses, permits and approvals to operate our business.

Our business and operations have been subject to extensive regulations. We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business especially in connection with our provision of value-added telecommunication services. We have expanded the authorized scope of our value-added telecommunication licenses (“**VAT Licenses**”) to cover all business activities we conduct; however there can be no assurance that we have included and will include all value-added telecommunication business conducted by us into the authorized scope of our VAT Licenses in a timely manner, and that the relevant PRC Governmental Authority will not interpret certain value-added telecommunication services in a different way from ours. As we have been continually expanding into new business operations in the area of value-added telecommunication services, and the interpretation and application of existing PRC laws and regulations and possible new laws and regulations relating to the telecommunication services have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of telecommunication services in China, including our business, we cannot assure you that we will obtain all the approvals, permits or licenses required for conducting our business in China or areas where we operate going forward, or will be able to maintain our existing approvals, permits or licenses or obtain new ones. The PRC Governmental Authority may require us to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operation of the types of businesses to which the new requirements apply. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines. Lastly, we cannot assure you that our existing licenses will be renewed or be revoked due to violations of relevant licensure maintenance requirements. If the PRC Governmental Authorities consider that we historically operated, or are operating without proper or adequate approvals, licenses or permits, especially during the development of our new business lines, or new laws and regulations are promulgated that require us to obtain additional approvals or licenses impose additional restrictions on the operation of any part of our business, the PRC Governmental Authorities have the power, among other things, to order timely rectification, which we may not be able to make on time, impose fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC Governmental Authorities may have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, or otherwise harm our business.

Laws and regulations governing cybersecurity, information security, privacy and data protection, the use of the Internet as a commercial medium, the use of data in artificial intelligence and machine learning, and data sovereignty requirements are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties in the PRC and other jurisdictions. Based on our business operation, we are subject to numerous laws and regulations relating to cybersecurity, information security, privacy and data protection. For example, according to the PRC National Security Law, the State shall establish institutions and mechanisms for national security review and regulation, conduct national security review on certain matters which affect or may affect the national security, such as key technologies and IT products and services. In addition, regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to differing interpretations or significant change, making the extent of our responsibilities in that regard uncertain. An example of such evolving regulatory requirements is the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) which became effective in June 2017. The PRC Cybersecurity Law created China’s first national-level data protection framework for “network operators”, which may potentially include all organizations in China that provide services over the Internet or through other types of information network. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law. For more details, see “Regulatory Overview — Regulations Relating to Network Security and Data Security” and “— Regulations Relating to Privacy Protection” for more information.

These and other similar legal and regulatory developments could contribute to legal and economic uncertainty, affect how we design, market and sell our products and services, how our customers process and share data and how we process and use data, which could negatively impact demand for our products and services. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

RISK FACTORS

Export control and economic or trade restrictions that were imposed on our business partners may affect our business, financial conditions and results of operations.

The U.S. administration has recently taken various steps that impose restrictions on business dealings and trade with China, including but not limited to restricting transfer of data and protecting intellectual property. Our business and prospects may be negatively affected by changes in governmental policies such as sanctions and export controls administered by U.S. Governmental Authorities, including those imposed as a result of changes in the political or economic relations between China and the United States and other geopolitical challenges. As a result of the executive orders issued by the U.S. President, transactions by any United States person in publicly traded securities of certain Chinese companies are restricted, and the U.S. stock exchanges are prohibited from allowing trading of equity securities of such companies. These and other similar restrictions may negatively affect our business prospects. There is no assurance that the Governmental Authorities in the United States will not further restrict U.S.-based companies from dealing with Chinese companies like us, which could adversely impact on our business. China may adopt trade restrictions in response to new trade policies implemented by the U.S. government. Such measures may further escalate the tensions between the two countries, which may have negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. As a result of any major economic downturn, our business, financial condition and results of operations could be adversely affected.

The U.S. government has added several Chinese companies and institutions to the Entity List under the U.S. Export Administration Regulations (the “**EAR**”), and imposed targeted economic and trade restrictions on them that, if not waived, will limit their access to U.S.-origin goods and technologies, as well as goods and technologies that contain a significant portion of U.S.-origin goods and technologies. While we have conducted business with some of these entities, we have no reason to believe that we have violated the imposed restrictions because we do not export, re-export, or transfer any U.S.-origin products, technology, components or software that are subject to the EAR to any entities listed on the Entity List. Nonetheless, given the important role played by such Chinese high-tech companies on the Entity List in the global supply chain or in China for technology industries, prolonged restrictions against such companies could cause a material negative impact to all such industries, which may in turn materially and adversely affect our business, financial condition and results of operations. Similar or more expansive restrictions that may be imposed on our business partners or their suppliers by the U.S. or other jurisdictions in the future may materially and adversely affect such business partners or their suppliers, which would in turn affect our business.

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

RISK FACTORS

We may fail to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, confidentiality agreements and noncompete agreements with our employees and third parties to protect our intellectual properties. However, events beyond our control may pose threats to our intellectual property rights and the integrity of our products and brand. Effective protection of our trademarks, copyrights, domain names, patent rights, and other intellectual property rights is expensive and challenging. While we have taken measures to protect our intellectual property rights, including implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, and deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual property rights, we cannot assure you that such efforts are adequate to guard against any potential infringement and misappropriation. In addition, our intellectual property rights may be declared invalid or unenforceable by the courts. We cannot assure you that any of our intellectual property rights applications will ultimately proceed to registration or will result in registration with adequate scope for our business or be renewed timely. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our intellectual property rights applications are not successful, we may have to use different intellectual property rights for our affected products or services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all. If we fail to protect or enforce our intellectual property rights, our competitors may copy or reverse-engineer our products and services without authorization and compete with us. As a result, our customers and business partners may devalue our services, and our ability to compete effectively may be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Similarly, to protect our unpatented proprietary information and technology, such as trade secrets, we rely on our agreements with employees and third parties that contain restrictions on the use and disclosure of such information or technology. For example, our employees and third parties are required to keep confidential of any unpatented proprietary information and technology during the contract term and after the termination of the employment agreement. In addition, the agreements with our employees and third parties explicitly provide for all rights and obligations regarding the ownership and protection of intellectual property rights. These agreements may be inadequate or may be breached, either of which could potentially result in unauthorized use or disclosure of our trade secrets and other proprietary information to third parties, including our competitors. As a result, we may lose our competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business.

RISK FACTORS

We may become subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of business.

We compete in markets where there are a large number of patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights, as well as disputes regarding infringement of these rights. Our competitors and other third parties may, whether rightly or falsely, bring legal claims against us for infringing on their intellectual property rights. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more popular means to resolve commercial disputes. We are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending intellectual property claims is costly and can impose a significant burden on our management and resources. Any intellectual property litigation to which we become a party may require us to do one or more of the following:

- Cease selling, licensing, or using products or features that incorporate the intellectual property rights that we allegedly infringe, misappropriate, or violate;
- Make substantial payments for legal fees, settlement payments, or other costs or damages, including indemnification of third parties;
- Obtain a license or enter into a royalty agreement, either of which may not be available on reasonable terms or at all, in order to obtain the right to sell or use the relevant intellectual property; or
- Redesign the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time-consuming, or impossible.

Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease using certain technologies or content that are critical to our products and solutions. Any resulting liabilities or expenses or any changes to our products or solutions that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations, and prospects.

RISK FACTORS

Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations regarding cybersecurity, information security, privacy and data protection with various standards and applications. We have established rigorous and comprehensive policies and other documentation for the collection, processing, sharing, disclosure authorization and other aspects of data use and privacy and taken necessary measures to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection. However, we cannot guarantee the effectiveness of these policies and measures undertaken by us, our employees, vendors or other business partners. Although we have adopted various measures to ensure legal compliance with the relevant laws and regulations, see “Business — Information and data security risk management” for details, we cannot assure you that we will not be required to rectify or further improve our measures regarding cybersecurity, information security, privacy and data protection from time to time. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage our current and potential consumers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations. In addition, it is possible that we may become subject to additional or new laws and regulations regarding cybersecurity, information security, privacy and data protection in other jurisdictions if we extend our business outside of the PRC in the future, which may result in additional expenses to us and subject us to potential liability and negative publicity. We expect that these areas will receive greater attention and focus from regulators, and attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges regarding cybersecurity, information security, privacy and data protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

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

We are currently not party to any material legal or administrative proceedings. However, in light of the nature of our business, we and our management may be subject to potential claims or disputes. We and our management have been, and may from time to time in the future be, subject to or involved in various claims, disputes, lawsuits and other legal and administrative proceedings. Lawsuits and litigations may cause us to incur defense costs, utilize a significant portion of our resources and divert management’s attention from our day-to-day operations, any of which could harm our business. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees or governmental entities in investigations and legal proceedings.

RISK FACTORS

Any failure to comply with the relevant PRC laws and regulations relating to social insurance and housing provident funds may have an adverse impact on our financial condition and results of operation.

According to the PRC Social Insurance Law and the Regulations on the Administrative Measures of Housing Funds, employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees. Employers that fail to make adequate social insurance and housing fund contributions may be subject to fines and legal sanctions. We engaged third-party human resources agencies to pay social insurance premium and housing funds for some of our employees. This is because such employees worked outside of the cities where the related operating entities are registered and third-party human resources agencies were engaged to pay social insurance premium and housing provident funds for such employees in cities where they worked. If the relevant PRC authorities determine that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations, that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we are subject to fines or other legal sanctions, such as order of timely rectification, and our business, financial condition and results of operation may be adversely affected.

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

We are dependent on the continuous services of our senior management and other key employees. If we fail to attract, retain and motivate qualified personnel, our business could be materially and adversely affected.

Our future performance depends on the continued services and contributions of our senior management to oversee and execute our business plans and to identify and pursue new opportunities and innovations. Any loss of service of our senior management or other key employees can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also requires significant amount of time, training and resources, and may impact our existing corporate culture.

RISK FACTORS

Negative publicity and allegations involving us, our shareholders, directors, officers, employees, associates, customers and suppliers may affect our reputation and, as a result, our business, financial condition, and results of operations may be negatively affected.

We, our shareholders, directors, officers, employees, associates, customers and suppliers may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could change market perception that we are a trustworthy audiovisual cloud service provider. In addition, to the extent our employees, customers and suppliers were incompliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation or we may be subjected to investigation or penalty by the relevant government authorities. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity and potential lawsuit, and may not be able to diffuse them to the satisfaction of our investors, customers and government authorities. We may have to incur significant expenses and divert our management’s time and attention in order to remedy the effects of these negative reports or allegations, which may materially and adversely affect our results of operations.

Future strategic acquisitions and investments may fail and may result in material and adverse impact on our financial condition and results of operations.

We may, in the future, acquire businesses that we believe can improve our products and solutions, enhance our technological capacities, and expand our customer coverage. Our ability to implement our acquisition strategy will depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms, and within a desired timeframe, and the availability of financing to complete acquisitions, as well as our ability to obtain any required shareholder or government approvals. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, costs associated with and difficulties in integrating acquired businesses, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our business, financial condition, and results of operations. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments through successful integration. As of the Latest Practicable Date, we had not identified or pursued any acquisition or investment targets. If we fail to achieve our expected returns on such acquisitions or investments in the future, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Acquisitions also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment is limited and may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment. In addition, if the management team or key employees of an acquired company fail to perform as expected, this may affect the business performance of such acquired company and, in turn, have a material adverse effect on our business, financial conditions, and results of operations.

RISK FACTORS

We have granted share-based awards in the past under our share incentive plan, will adopt the [REDACTED] Share Option Scheme and may continue to grant share-based awards in the future, which may result in increased share-based compensation expenses and have an adverse effect on our future profitability.

We adopted the [REDACTED] Share Plan in January 2013 for the purpose of granting share-based compensation awards to our officers, directors, employees and other eligible persons to incentivize their performance and align their interests with ours. As of the Latest Practicable Date, an aggregate of 14,654,577 share options have been granted to 136 of our employees pursuant to the [REDACTED] Share Plan. See “Appendix IV. Statutory and General Information — 5. Share Option Schemes — A. [REDACTED] Share Plan” for more information.

We believe the granting of share-based compensation awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have a material and adverse effect on our financial condition and results of operations. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plan will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees. In case we decide to reserve and issue additional shares under our share incentive plan, your interests in our Company will be further diluted by such issuance.

We face certain risks relating to the properties that we lease, our rights to use some of our leased properties could be challenged by property owner or other third parties, and we may be subject to fines as a result of unregistered leases which may adversely affect our business operations and financial condition.

We have leased certain properties used for our office, registered address and other uses in China. Some of the lessors of our leased properties in China failed to provide us with valid title certificates and ownership certificates. Therefore, we cannot assure you that such lessors are entitled to lease the relevant properties to us. If the lessors are not entitled to lease the properties to us and the owners of such properties or any other interested third parties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased properties, we could be required to vacate the properties. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted.

RISK FACTORS

The lease agreements for some of our leased properties have not been registered with the PRC Governmental Authorities as required by the PRC laws. Although the failure to do so does not in itself invalidate the leases, we may be ordered by the PRC Governmental Authorities to rectify such noncompliance and, if such noncompliance were not rectified within a prescribed period of time, we may be subject to fines imposed by PRC Governmental Authorities ranging from RMB1,000 and RMB10,000 for each of our lease agreements that have not been registered with the relevant PRC Governmental Authorities. As of the Latest Practicable Date, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties the lease agreements of which have not been registered with the relevant PRC Governmental Authorities. However, we cannot assure you that the PRC Governmental Authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

Furthermore, we may not be able to extend or renew such leases on commercially reasonable terms, if at all. For instance, we compete with other businesses for premises at certain locations. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses.

If we fail to implement and maintain an effective risk management and internal control systems, we may be unable to accurately report our results of operations or prevent fraud, and investor confidence may be materially and adversely affected.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business — Risk Management and Internal Control.” Our risk management and internal controls depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may lead to inaccurate reporting of our results of operations. We may also fail to prevent fraud from our employees. As we are likely to offer a broader and more diverse range of products and solutions in the future, the diversification of our service offerings will require more enhanced risk management and internal control capabilities. If we fail to timely adapt our risk management and internal control policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

Any non-compliance with applicable anti-bribery and anti-corruption laws and other forms of illegal acts and misconduct by our business partners or our employees may materially and adversely affect our reputation and operations.

Our business operations are subject to various laws and regulations, including anti-bribery and anti-corruption laws and regulations, which prohibit companies and their intermediaries from making improper payments or other benefits to government or other parties for the purpose of obtaining or retaining business. In addition, we have limited ability to control or anticipate the actions of our customers, either during their use of our products or services or otherwise. We explicitly prohibit our customers from using our cloud products or services for illegal activities. If our customers engage in illegal, fraudulent or inappropriate conduct or use our cloud products or services as a conduit for illegal activities, we may be subjected to investigation or penalty from the relevant government authorities. In addition, other customers and the public may not consider our cloud products or services to be safe, and we may receive negative publicity and under certain circumstances, we may be subject to significant legal liabilities under applicable laws and regulations.

In addition, while we have adopted and implemented internal controls and procedures to monitor both internal and external compliance with anti-bribery and anti-corruption laws, regulations and policies, we cannot guarantee that such internal controls and procedures will always be effective in preventing non-compliance and exculpating us from penalties or liabilities that may be imposed by relevant Governmental Authorities due to violations committed by our employees or our business partners. We may be subject to investigations and proceedings by Governmental Authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial condition and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases and global or regional pandemics, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and the COVID-19 outbreak and other epidemics in the regions which we operate, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease or other adverse public health developments in the regions which we operate or elsewhere in the world could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn materially and adversely affect our business.

RISK FACTORS

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

We may not have sufficient insurance coverage to cover our potential liability or losses, and our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we had not obtained any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

We may be unable to obtain any additional capital required in a timely manner or on acceptable terms, or at all. Moreover, our future capital needs may require us to sell additional equity or debt securities that may dilute our shareholders’ shareholdings or subject us to covenants that may restrict our operations or our ability to pay dividends.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- Our market position and competitiveness in the industries in which we operate;
- Our future profitability, overall financial condition, results of operations and cash flows;
- General market conditions for capital-raising activities by our competitors in China; and
- Economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity or debt securities, or to obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders’ shareholdings. Any incurrence of indebtedness will also lead to increased debt service obligations, and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our shareholders.

RISK FACTORS

The estimates of market opportunity, forecasts of market growth included in this document may prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts included in this document are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable companies or end users covered by our market opportunity estimates will purchase our products and services at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasted in this document, our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry.

We are exposed to changes in the fair value of our financial assets, especially with respect to fair value measurements for certain of our financial assets that involve the use of unobservable inputs.

We hold some financial assets for investment purposes. We appointed qualified valuers to assess the fair value of our financial assets at every reporting period end. The fair values of our financial assets measured at fair value through profit and loss as of December 31, 2020, 2021 and 2022 were approximately RMB63.5 million, RMB121.7 million and RMB152.9 million, respectively. This resulted in gains recorded from the increase in fair value of financial assets measured at fair value through profit and loss of approximately RMB4.2 million, RMB37.2 million and RMB30.9 million, respectively, for the years ended December 31, 2020, 2021 and 2022.

Prospective investors should be aware that an upward change in the fair value, which reflects unrealized capital gain of our financial assets at the relevant reporting period end, largely depends on the market conditions and performance of the investment targets and does not generate cash inflow until such financial assets are disposed of. The changes in fair value of our financial assets could be partially resulted from the valuation uncertainty due to the use of unobservable inputs. We cannot assure you that changes in financial market conditions will continue to create fair value gains on our financial assets at previous levels or at all. If any of these events occur, our business, results of operations, financial condition and prospects may be adversely affected.

We face inventory obsolescence, shortage or excess risks.

Our inventory consists of (i) hard disks and fittings and (ii) servers. Although we believe we are able to carry fewer purchased hardware and components and lower our inventory risk through close coordination with our customers and our contract manufacturers, we may strategically keep a higher level of stock for certain key hardware to preempt possible industry-wide shortages. As of December 31, 2020, 2021 and 2022, we had inventories of RMB9.6 million, RMB44.0 million and RMB39.1 million, respectively.

RISK FACTORS

Maintaining an optimal level of inventory is important for the success of our business. However, we are exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including, changes of customer needs and the inherent uncertainty of the success of product launches. We regularly track our inventory to keep it at a level sufficient to fulfill customers’ orders. We also proactively assess changes in market conditions and pre-store strategic components in anticipation of potential supply shortage. However, we cannot assure you that we can accurately predict these trends and events and avoid under-stocking or over-stocking inventory, or that our inventory management measures will be implemented effectively so that we will not have significant levels of inventory obsolescence, shortage or excess. As a result of unforeseen or sudden events, we may experience slow movement of our inventories, fail to utilize or sell our inventories swiftly, or face the risk of inventory obsolescence, and our business, results of operations, financial condition and prospects may be adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC Governmental Authorities find that the arrangements that establish the structure for operating some of our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, such as the provision of value-added communication services.

We were incorporated as a business company in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability, and Shanghai Kongshan, our PRC subsidiary, is considered foreign-invested enterprises. To comply with PRC laws and regulations, we conduct substantially all of our business in China through our Consolidated Affiliated Entities and their subsidiaries based on the Contractual Arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of our Consolidated Affiliated Entities, (ii) receive all of the economic benefits from the Consolidated Affiliated Entities that are potentially significant to the Consolidated Affiliated Entities; and (iii) have an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities held by the relevant shareholders when and to the extent permitted by PRC law, or request any relevant shareholders to transfer any or part of the equity interest in the Consolidated Affiliated Entities to another person or entity designated by us at any time at our discretion. Because of these contractual arrangements, we are the primary beneficiary of the Consolidated Affiliated Entities and their subsidiaries, and consolidate their financial results into ours. Our Consolidated Affiliated Entities and their subsidiaries hold certain licenses, approvals and assets that are essential to our business operations.

RISK FACTORS

We believe that our corporate structure and the Contractual Arrangements comply with the current applicable PRC laws and regulations. Our PRC Legal Advisor, based on its understanding of the relevant laws and regulations, is of the opinion that each of the agreements under the Contractual Arrangements through which we control the Consolidated Affiliated Entities is valid, legal and binding. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, there can be no assurance that PRC Governmental Authorities, including the MOFCOM, the MIIT or other competent authorities would agree that our corporate structure or any of the above Contractual Arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these Contractual Arrangements are uncertain and the relevant Governmental Authorities have broad discretion in interpreting these laws and regulations. If our corporate structure and Contractual Arrangements are deemed by the MIIT or the MOFCOM or other regulators having competent authority to be illegal, either in whole or in part, we may lose control of our Consolidated Affiliated Entities and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and the Contractual Arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations including, without limitation:

- Revoking our business and operating licenses;
- Discontinuing or restricting our operations;
- Imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- Imposing conditions or requirements with which our PRC subsidiaries or our Consolidated Affiliated Entities may not be able to comply;
- Requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our Consolidated Affiliated Entities;
- Restricting or prohibiting our use of the [REDACTED] of the [REDACTED] to finance our business and operations in China; or
- Taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entities and their subsidiaries in our consolidated financial statements, if the PRC Governmental Authorities find our corporate structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities and their subsidiaries that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities and their subsidiaries, we may not be able to consolidate the Consolidated Affiliated Entities and their subsidiaries into our consolidated financial statements in accordance with IFRS, thus significantly adversely affect our results of operations.

RISK FACTORS

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

The variable interest entity structure has 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 prohibition in China. The 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.

The Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL 2019**”), which was approved by the National People’s Congress of the PRC on March 15, 2019 and its implementing regulations do not explicitly stipulate that the “foreign investment” as defined thereunder shall include contractual arrangement. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by the Consolidated Affiliated Entities, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the Consolidated Affiliated Entities. For details of the FIL 2019, please refer to the section headed “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” in this document.

We rely on contractual arrangements with our Consolidated Affiliated Entities and their shareholders for substantially all of our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with our Consolidated Affiliated Entities and their shareholders to operate our business in China. These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. For example, our Consolidated Affiliated Entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of our Consolidated Affiliated Entities in an acceptable manner or taking other actions that are detrimental to our interests.

RISK FACTORS

If we had direct ownership of our Consolidated Affiliated Entities in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our Consolidated Affiliated Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our Consolidated Affiliated Entities and their shareholders of their obligations under the contracts to exercise control over our Consolidated Affiliated Entities. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. Please refer to the paragraph headed “Any failure by our Consolidated Affiliated Entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.” in this section.

Any failure by our Consolidated Affiliated Entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.

If our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over our business operations in China and may have to incur substantial costs and expend additional resources to enforce such arrangements. We cannot assure you that our Consolidated Affiliated Entities or any other related parties have performed or will perform all the obligations under the Contractual Arrangements in a timely manner, including, among others, the registration of the equity pledge with the relevant PRC Government Authorities, which would affect adversely our effective control over the Consolidated Affiliated Entities, our ability to conduct our business and our financial condition and results of operation. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of our Consolidated Affiliated Entities were to refuse to transfer their equity interests in our Consolidated Affiliated Entities to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

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

Pursuant to the contractual arrangements, Shanghai Kongshan or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in the Consolidated Affiliated Entities held by the relevant shareholders at a nominal price, unless relevant Governmental Authorities or PRC laws require that another amount should be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement.

RISK FACTORS

The equity transfer may be subject to the approvals from and filings with the MIIT, the SAMR and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The relevant shareholders of our Consolidated Affiliated Entities will pay the equity transfer price they receive to Shanghai Kongshan or its designated person(s) under the contractual arrangements. The amount to be received by Shanghai Kongshan may also be subject to enterprise income tax. Such tax amounts could be substantial.

Our contractual arrangements are governed by PRC law. Accordingly, these contracts would be interpreted in accordance with PRC law, and any disputes would be resolved in accordance with PRC legal procedures, which could be different from those of other jurisdictions.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. There are very few precedents and little formal guidance as to how contractual arrangements in the context of a Consolidated Affiliated Entity should be interpreted or enforced under PRC law. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected. Please refer to the paragraph headed “The PRC legal system may be different from your home jurisdiction.” in this section.

The shareholders of our Consolidated Affiliated Entities may have actual or potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

We have designated individuals who are PRC nationals to be the shareholders of our Consolidated Affiliated Entities holding 100% equity interests. These individuals may have conflicts of interest with us. Each of our Consolidated Affiliated Entities is 73.5% owned by Mr. Xu and 26.5% owned by Mr. Lyu. Conflicts of interest may arise between Mr. Xu and Mr. Lyu as indirect shareholders and directors of our Company and as shareholders and directors of our Consolidated Affiliated Entities. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our company as a whole and not to place themselves in a position in which there is a conflict between their duties to our company and their personal interests. PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. We cannot assure you that when conflicts arise, shareholders of our Consolidated Affiliated Entities will act in the best interest of our company or that conflicts will be resolved in our favor. These individuals may breach or cause the Consolidated Affiliated Entities to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

RISK FACTORS

Contractual arrangements we have entered into with our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to our Consolidated Affiliated Entities were not entered into on an arm’s-length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of our Consolidated Affiliated Entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our Consolidated Affiliated Entities for PRC tax purposes, which could in turn increase their tax liabilities without reducing our PRC subsidiaries’ tax expenses. In addition, the PRC tax authorities may impose late payment fees and other administrative sanctions on our Consolidated Affiliated Entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our Consolidated Affiliated Entities’ tax liabilities increase or if they are required to pay late payment fees and other penalties.

We may lose the ability to use and benefit from assets held by our Consolidated Affiliated Entities that are material or supplementary to the operation of our business if any of our Consolidated Affiliated Entities goes bankrupt or become subject to dissolution or liquidation proceeding.

As part of our contractual arrangements with our Consolidated Affiliated Entities, such entity may in the future hold certain assets that are material or supplementary to the operation of our business. If any of our Consolidated Affiliated Entities goes bankrupt and all or part of its assets become subject to liens or rights of creditors, we may be unable to continue some or all of our business activities we currently conduct through the contractual arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our Consolidated Affiliated Entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If any of our Consolidated Affiliated Entities undergoes voluntary or involuntary liquidation proceeding, unrelated creditors may claim rights to some or all of these assets, thereby hindering our ability to operate part of our business, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, financial condition and results of operations.

Substantially all of our assets and operations are located in China. As a result, our business is subject to risks associated with doing business in China, including but not limited to, a general climate of economic, political and social conditions, including with respect to future regulatory, policy and legislative developments, increased costs and uncertainties associated with enforcing contractual obligations in China and increasingly strengthening intellectual property protection system in China, each of which could adversely impact our business, results of operations and financial condition. The Chinese economy differs from the economies of other developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC Governmental Authority has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, and such measures and policies relating to such measures are evolving and subject to change. The PRC Governmental Authority has significant authority to exert influence on the ability of a Chinese company to conduct the business like us. Therefore, our business faces potential uncertainty from the PRC Governmental Authority. In addition, the PRC Governmental Authority continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Governmental Authority also exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Any changes or development in economic conditions in China, in the policies of the PRC Governmental Authority or in the laws and regulations in China may have a material effect on the economic growth of China. Such developments could adversely affect our business and results of operations, lead to a reduction in demand for our products and services and adversely affect our competitive position. The PRC Governmental Authority has implemented various measures to encourage economic growth and guide the allocation of resources. We cannot assure you that all measures which benefit the overall Chinese economy will have a positive effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC Governmental Authority has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

RISK FACTORS

The PRC legal system may be different from your home jurisdiction.

The PRC legal system is a civil law system based on written statutes rather than the common law system, which is reliance on a system of case precedent.

In the late 1970s, the PRC Governmental Authority began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules may not be uniform and enforcement of these laws, regulations and rules involves uncertainties. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims.

In particular, PRC laws and regulations concerning the audiovisual cloud service industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC Governmental Authority may promulgate new laws and regulations regulating the audiovisual cloud service industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to audiovisual cloud services. Moreover, developments in the audiovisual cloud service industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict audiovisual cloud service market players like us, which could materially and adversely affect our business and operations.

The successful operations of our business and our growth depend upon the Internet infrastructure and telecommunication network in the PRC.

Our business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the supervision of the MIIT. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China’s Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

RISK FACTORS

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our profit margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

We are an exempted company incorporated under the laws of the Cayman Islands. We conduct almost all of our operations in China, and almost all of our assets are located in China. In addition, some of our senior executive officers reside within China for a significant portion of the time and are PRC nationals. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

RISK FACTORS

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the U.S., the United Kingdom, or most other western countries. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

On January 9, 2021, the MOFCOM promulgated the Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》), or Order No.1, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he/it shall truthfully report such matters to the MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extraterritorial application of foreign legislation and other measures, the MOFCOM could issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to the MOFCOM for an exemption from compliance with such prohibition order.

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 make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we may rely on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur. Our PRC subsidiaries’ ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of each of their registered capitals. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders 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.

RISK FACTORS

To address the persistent capital outflow and the RMB’s depreciation against the U.S. dollar in the fourth quarter of 2016, the PBOC and the SAFE, have implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, the Circular on Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review, or the SAFE Circular 3, issued on January 26, 2017, provides that the banks shall, when dealing with dividend remittance transactions from domestic enterprise to its offshore shareholders of more than US\$50,000, review the relevant board resolutions, original tax filing form and audited financial statements of such domestic enterprise based on the principal of genuine transaction. The PRC Governmental Authority may continue to strengthen its capital controls and our PRC subsidiaries’ dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the EIT Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under treaties or arrangements between the PRC Governmental Authority and governments of other countries or regions where the non-PRC resident enterprises are tax resident. Pursuant to the tax agreement between Mainland China and the Hong Kong Special Administrative Region, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Under administrative guidance, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Nonresident enterprises are not required to obtain preapproval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary may be able to benefit from the 5% withholding tax rate for the dividends it receives from our PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations.

However, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future. Accordingly, there is no assurance that the reduced 5% will apply to dividends received by our Hong Kong subsidiary from our PRC subsidiaries. This withholding tax will reduce the amount of dividends we may receive from our PRC subsidiaries.

RISK FACTORS

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation authorities. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or Consolidated Affiliated Entities. If any employee obtains, misuses or misappropriates our chops and seals or other controlling nontangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may restrict or delay us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries and making loans to our Consolidated Affiliated Entities or their subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.

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

Any loans to our PRC subsidiaries in China are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities investments other than banks’ principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the construction or the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

RISK FACTORS

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective from June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the [REDACTED] from the [REDACTED], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

On October 23, 2019, SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China.

In addition, our PRC subsidiaries are also required to withhold a 10% (or 7% if paid to a Hong Kong resident who qualifies for the benefits of the tax treaty between China and Hong Kong) tax on interest paid under any cross-border shareholder loan. Prior to the payment of any interest and principal on any such shareholder loan, our PRC subsidiaries must present evidence of registration with SAFE regarding any such shareholder loan and may be required to provide evidence of payment of withholding tax on the interest payable on that.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or Consolidated Affiliated Entities or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or Consolidated Affiliated Entities when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we expect to receive from the [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

RISK FACTORS

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

SAFE Circular 37 requires registration with, and approval from, PRC Governmental Authorities in connection with direct or indirect control of an offshore entity by PRC residents. The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in the offshore special purpose vehicles, or SPVs, by means of acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

These regulations may have a significant impact on our present and future structuring and investment. We intend to structure and execute our future offshore acquisitions in a manner consistent with these regulations and any other relevant legislation. However, because it is presently uncertain how the SAFE regulations and any future legislation concerning offshore or cross-border transactions will be interpreted and implemented by the relevant Governmental Authorities in connection with our future offshore financings or acquisitions, we cannot provide any assurances that we will be able to comply with, qualify under, or obtain any approvals required by the regulations or other legislation. Furthermore, we cannot assure you that any PRC shareholders of our company or any PRC company into which we invest will be able to comply with those requirements. Any failure or inability by such individuals or entities to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries’ ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

RISK FACTORS

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant Governmental Authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they obtain the incentive shares or exercise the share options. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options are or will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

RISK FACTORS

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

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise, and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC, (ii) decisions relating to the enterprise’s financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC, (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC, and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe our company is not a PRC resident enterprise for PRC tax purposes. However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

RISK FACTORS

Fluctuations in exchange rates could result in foreign currency exchange losses.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the [REDACTED] from the [REDACTED] will be in Hong Kong dollars. The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Governmental Authority’s policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regulates the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC Governmental Authority’s controls on currency conversion.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in a decrease in the value of our [REDACTED] from the [REDACTED] in RMB. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE’s approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in Hong Kong dollars.

Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

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

The PRC Governmental Authority imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in RMB. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, indirectly from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. The PRC Governmental Authority may, at its discretion, further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

RISK FACTORS

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

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets 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》) (“**Circular 7**”), which provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “**Chinese Taxable Assets**”). For example, Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. Circular 7 also introduced safe harbors for internal group restructurings and the purchase and sale of equity interests through a public securities market. On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from 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》) (“**SAT Circular 37**”), which came into force on December 1, 2017. SAT Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. In addition, if our Shareholders are deemed as a PRC resident enterprise or PRC resident individual, any transfers of equity interests in us related to such Shareholders may trigger tax obligations or liabilities of us or such Shareholders. We cannot assure you that all such Shareholders have fulfilled, or will strictly fulfill their tax obligations or liabilities in a timely manner. If we fail to comply with Circular 7, SAT Circular 37 and other laws and regulations, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our business operations.

RISK FACTORS

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

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

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

RISK FACTORS

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

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

RISK FACTORS

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

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAMR and the SAFE on August 8, 2006, effective on September 8, 2006 and amended on June 22, 2009, a foreign investor may be required to obtain necessary approvals when it (a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise; (b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or (d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from the MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies. Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》(2008)) promulgated by Foreign Investment Department of the MOFCOM, notwithstanding the fact that (i) the domestic shareholder of the domestic company is connected with the foreign investor or not, (ii) whether the foreign investor is an existing shareholder or a new investor, the M&A Rules shall not apply to the merger and acquisition of equity interests in a foreign-invested enterprise.

Our PRC Legal Advisor has advised us that, we are not required to submit an application to the CSRC for the aforementioned approval of the [REDACTED] or the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange under the M&A Rules. Our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. However, we cannot assure you that the relevant PRC Governmental Authorities, including the MOFCOM and the CSRC, would reach the same conclusion as our PRC Legal Advisor. If the MOFCOM, the CSRC or other PRC regulatory agencies subsequently determine that we need to obtain necessary approval for the [REDACTED], or if the MOFCOM, the CSRC or any other PRC Governmental Authorities promulgates interpretation or implementing rules before our [REDACTED] that would require any necessary governmental approvals for the [REDACTED], we may face sanctions by the MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of [REDACTED] from the [REDACTED] into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the [REDACTED] price of our [REDACTED]. The MOFCOM, the CSRC or other PRC regulatory agencies may also take actions requiring us to halt the [REDACTED] before settlement and delivery of the [REDACTED] offered by this document.

RISK FACTORS

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

The M&A Rules and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, could make merger and acquisition activities by foreign investors more complex, including requirements, in some instances, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者並購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Certain judgments obtained against us by our shareholders may not be enforceable.

We were incorporated as a business company in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability, and a large portion of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the [REDACTED] and the liquidity and market [REDACTED] of our [REDACTED] may be volatile.

Prior to completion of the [REDACTED], there has been no public market for our [REDACTED]. There can be no guarantee that an active [REDACTED] market for our [REDACTED] will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations among our Company and [REDACTED], which may not be indicative of the [REDACTED] at which our [REDACTED] will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our [REDACTED] may drop below the [REDACTED] at any time after completion of the [REDACTED]. Moreover, each of our cornerstone investors is expected to enter into to a six-month lock-up agreement, which will restrict these Shareholders from [REDACTED] their [REDACTED] and therefore, reduce the available public float for our [REDACTED] during the lock-up period, subject to customary exceptions. As a result, the absence of any sale of [REDACTED] by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our [REDACTED]. This could affect the prevailing market [REDACTED] at which Shareholders are able to sell their [REDACTED].

The [REDACTED] of the [REDACTED] may be volatile, which could result in substantial losses to you.

The [REDACTED] of our [REDACTED] may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility of the [REDACTED] of, and [REDACTED] volumes for our [REDACTED]. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the [REDACTED] performance of our [REDACTED]. These broad market and industry factors may significantly affect the market [REDACTED] and volatility of our [REDACTED], regardless of our actual operating performance.

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

The initial [REDACTED] to the public of our [REDACTED] sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the [REDACTED] will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be five Business Days after the [REDACTED]. As a result, investors may not be able to sell or otherwise [REDACTED] in the [REDACTED] during that period. Accordingly, holders of our [REDACTED] are subject to the risk that the [REDACTED] of the [REDACTED] when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of [REDACTED] and the time [REDACTED] begins.

RISK FACTORS

You will experience immediate dilution and may experience further dilution in the future.

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

We have adopted the [REDACTED] Share Plan in January 2013, for further information, see “Appendix IV. Statutory and General Information — 5. Share Option Schemes — A. [REDACTED] Share Plan”. Any options or any other share-based compensations that we may grant from time to time (including pursuant to the [REDACTED] Share Option Schemes) may result in an increase in our issued share capital, which in turn may result in a dilution of our shareholders’ shareholding interest in our Company and a reduction in [REDACTED].

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, substantial Shareholders and [REDACTED] Investors, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, substantial Shareholders and [REDACTED] Investors, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

We cannot assure you that our Directors, substantial Shareholders and [REDACTED] Investors will not dispose of any Shares they may own now or in the future.

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

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

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 to our Shareholders. Please refer to the section headed “Future Plans and Use of [REDACTED] — Use of [REDACTED]” in this document for details of our plan to use [REDACTED] from the [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].

RISK FACTORS

We may not be able to pay any dividends on our [REDACTED].

Since our inception, we have not declared or paid any dividends on our [REDACTED]. We expect to continue to invest in technology and innovation to implement our growth strategies, which we believe will contribute to the value creation for customers, employees and Shareholders.

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

Investors may experience difficulties in enforcing shareholder rights.

Our Company was incorporated as a business company in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may differ in some respects as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

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

This document, particularly the sections headed “Business” and “Industry Overview” contains information and statistics relating to the market for audiovisual cloud services in China. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, [REDACTED] the Joint Sponsors, [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

RISK FACTORS

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information. You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].