

RISK FACTORS

You should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group’s actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could fall due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; (iii) risks relating to the [REDACTED]; and (iv) risks relating to the statements made in this document. You should consider carefully our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on our 5 largest suppliers, particularly Alibaba Group and Supplier C, to acquire advertising space for placement of mobile ads during the Track Record Period

During the Track Record Period, our 5 largest suppliers aggregately accounted for approximately 92.5%, 93.9%, 70.5% and 87.8% of our total cost of services, respectively. 2 out of our 5 largest suppliers of our Group, namely Alibaba Group and Supplier C, had stayed with our Group throughout the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, (i) Alibaba Group accounted for approximately 21.9%, 15.1%, 9.9% and 19.5%, respectively; and (ii) Supplier C accounted for approximately 33.8%, 32.7%, 19.4% and 31.4% of our cost of services, respectively. They aggregately accounted for approximately 55.7%, 47.8%, 29.3% and 50.9% of our total cost of services for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively. Alibaba Group and Supplier C are our media publishers and are prominent market players which operate the leading media platforms. We rely on our 5 largest suppliers during the Track Record Period, particularly Alibaba Group and Supplier C, for acquisition of advertising space for placement of mobile ads on the media platforms for our customers. Despite our cessation of business relationship with Supplier A since May 2023, we have maintained close and strategic business relationships with our other 5 largest suppliers during the Track Record Period between 2 and 8 years as at the Latest Practicable Date. For details, see “Business — Suppliers — Suppliers concentration” in this document.

According to the iResearch Report, media resources are essential to mobile advertising service providers since (i) the top media platforms have larger user base, maturer advertising ecology and higher internet exposure; and (ii) the establishment of long-term and stable partnerships with the media publishers helps mobile advertising service providers to keep abreast of market trends, attract advertisers

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and achieve marketing goals. Alibaba Group and Supplier C and their media platforms have the leading positions in their industries and are popular among mobile users. We have benefited significantly from and expect to continue to benefit from them. In the event that we fail to maintain our business relationship with any of our 5 largest suppliers, in particular Alibaba Group and Supplier C, on comparable contract terms or at all, we will have to source other new media partners for acquisition of advertising space, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, in the event that any of our 5 largest suppliers lose their leading market position, or become less attractive to mobile users, it may lead to a significant decrease in its user base and, in turn, affect the reach and popularity of the mobile ads placed on such media platforms, thereby affecting the demand and attractiveness of our mobile advertising services to our customers. Our customers may request us to seek new media publishers or engage other media agents, which may require additional time and costs. As a result, we may fail to retain existing customers or attract new ones and our business and results of operations could be materially and adversely affected.

Additionally, any negative publicity associated with or penalties imposed on any of our 5 largest suppliers or the media platforms which they operate, or any negative development with respect to any of our 5 largest suppliers’ market position, financial condition, maintenance of their platform infrastructure may materially and adversely affect the effectiveness of our ad campaigns that would cause an impact on our reputation, business and results of operations.

We may fail to retain, deepen or expand our relationship with the existing media partners or attract new media partners which are crucial to our business operation and future development

We acquire advertising space directly from our media publishers or indirectly from our media agents for placement of mobile ads on media platforms designated by us. Sound and sustainable relationship with our media partners are crucial to our business operation and future development. In order to retain our existing media partners and attract new media partners, we need to continue to improve the monetisation efficiency for our media publishers. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our media publishers generally operate several media platforms with different contents to attract mobile users with diverse habits and preferences. As at 31 May 2023, we are a distributor of 6 media publishers and we can distribute mobile ads on more than 30 media platforms operated by them. According to the iResearch Report, the operation of media platforms in the mobile advertising industry is highly concentrated with a few market players as media publishers and, in terms of advertising revenue generated directly from media platforms, the top 5 internet enterprises, namely Alibaba, ByteDance, Pinduoduo, Tencent and Baidu, occupied over 75% of the market share in the mobile advertising industry in the PRC in 2022. If any of our media partners, particularly our media publishers, cease their relationship with us, the amount of advertising space we have access to may decrease and we may not be able to provide the same volume of mobile advertising services to our customers.

In general, the media publishers would, prior to the first engagement and in annual reviews, consider and assess the performance of their distributors. The criteria of being distributors of different media partners for distribution of mobile ads on different media platforms may vary. In general, media partners would consider the eligibility of distributors by taking into account factors including (i)

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historical advertising transaction amounts; (ii) customer base and quality; (iii) source of customers; (iv) manpower, in particular the number of sales personnel and project enhancers; (v) financial credibility; and/or (vi) market reputations. For details, see “Business — Our media partners” in this document. We have been able to pass all performance assessments of our media partners during the Track Record Period but there is no guarantee that future assessment results will be in our favour. Our media partners may reassess their business relationships with us if we do not reach their expected performance. If any of our media partners reduce or discontinue their business relationships with us, we would lose the direct access to acquire advertising space from media publishers and thereby lose a portion or all of the advertising space through which we deliver our services to our customers. In such event, we may not be able to provide services to our customers in a timely manner or at all. We may also incur additional costs in establishing business relationships with new media publishers or media agents for advertising space, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, we also rely on our media partners to collect performance data of mobile ads for review and analysis. As a distributor of media publisher, we can collect and analyse those first-hand statistics and get a better understanding of mobile users’ behaviours. If we lose access or fail to collect ad performance data and mobile users’ related statistics from our media partners, our ability to optimise ad performance in a cost-effective way would be harmed, which in turn could materially and adversely affect our reputation, business and results of operations.

If our media partners transact with advertisers directly, we may be exposed to the risk of disintermediation

As a mobile advertising service provider, we help our customers acquire advertising space from our media partners to market their products or services. We mainly provide mobile advertising services to customers to achieve better marketing effectiveness; while our media partners tend to monetise their advertising space without providing mobile advertising solutions services. According to the iResearch Report, mobile advertising service providers are the bridge linking advertisers and media platforms. In many cases, advertisers tend to transact with media platforms via mobile advertising service providers instead of direct engagement with media publishers, not only because direct transaction or engagement may not be acceptable for some media publishers, but also because mobile advertising service providers have established close relationship with top media partners and are equipped with industry accumulation, which can help advertisers optimise advertising strategies and improve marketing efficiency. In addition to advertisement distribution services, these mobile advertising service providers usually also provide creative design, advertising strategies development, data analysis and other services. However, we cannot completely resolve the risk that our media partners would directly transact with advertisers circumventing mobile advertising service providers like us. In circumstances where media publishers acquire our customers or the media publishers established their own content creation function in future similar to those currently offered by us, our customers may also transact with the media partners directly and cease to transact with us. Occurrence of such events may expose us to the risk of disintermediation, and our business, results of operations and financial position would be materially and adversely affected.

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We generated more than half of our revenue from our 5 largest customers for the years ended 31 December 2020 and 2021 and the five months ended 31 May 2023

For the years ended 31 December 2020 and 2021 and the five months ended 31 May 2023, our 5 largest customers accounted for approximately 75.4%, 67.3% and 61.8% of our total revenue, respectively. In particular, Customer A, Customer B, Customer D and Customer H, had stayed as our 5 largest customers for 2 years or more during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, (i) Customer A accounted for approximately 31.0%, 19.1%, 7.9% and 15.0% of our revenue, respectively; (ii) Customer B accounted for approximately 6.2%, 5.7%, 0.2% and 0.2% of our revenue, respectively; (iii) Customer D accounted for approximately 29.6%, 6.5%, nil and nil of our revenue, respectively; and (iv) Customer H accounted for approximately 0.1%, 24.0%, 16.3% and 4.1% of our revenue, respectively. For details, see “Business — Customers — Customers concentration” in this document.

Since we generally enter into 1-year contracts with our major customers and such contracts can be terminated by either party in prior written notice with a period of 5 to 30 days, we cannot assure you that they will continue to conduct business with us at the same or better terms at the same levels or at all, nor can we assure you that our major customers are able to settle the payment of the orders they place in accordance with the agreed credit term or at all. For details, see “Business — Customers” in this document. Despite that the percentage of revenue generated from our 5 largest customers had a gradual decrease during the Track Record Period, we cannot assure you that we will be able to reduce our reliance on a small number of major customers in the near term. In the event that any of our major customers ceases to engage us for our mobile advertising services, or reduce business with us, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business, results of operations and financial condition may be materially and adversely affected.

The competition of the mobile advertising industry is fragmented and competitive

According to the iResearch Report, the competition in the mobile advertising industry is fragmented and competitive. We expect new competitors to enter the market and existing competitors to allocate additional resources to the market. We also expect competitions in the mobile advertising industry to remain competitive. Our competitors primarily include other mobile advertising service providers. Our ability to compete successfully depends on many factors, including price, choice of media platforms, availability of quality advertising space, the effectiveness of technologies, the quality of customer services and our ability to increase the ROI of our customers. If any of these factors are unfavourable to us or if we cannot meet the advertisers’ marketing or performance targets or our pricing is not as competitive as our competitors, we may not be able to compete effectively or maintain our market position.

Certain of our existing and future competitors may have longer operating histories, broader reach of customers and media partners and significantly greater financial, technical and marketing resources than we do. These competitors may engage in more extensive research and development and sales and marketing efforts than us and develop or promote services that are similar to or better than ours. Any increase in competition is likely to result in reduced price and margin, any of which could cause us to lose customers or media partners. Occurrence of any of the above events may materially and adversely affect our business, results of operations and financial condition.

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We also need to compete for advertisers’ overall marketing spending with direct marketing, print advertising companies and traditional advertising service providers such as television, radio and cable companies. Due to the rapid development of mobile information technology and the ever-changing market trend, we may not be able to maintain our market position in our industry and to compete effectively against the traditional media.

Furthermore, the mobile advertising industry and the internet industry in general, are characterised by constant changes, including rapid technological evolution, continual shifts in customer demands and constant emergence of new market trends. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. If we fail to meet evolving customer needs or to introduce market-accepted services for our existing and potential customers, we could lose our customers and our competitive position. We rely on technology and infrastructure to deliver our mobile advertising solutions services. We need to anticipate the emergence of new technological developments and assess their market acceptance. New developments in big data analytics, artificial intelligence and programmatic advertising could render our existing technologies, our platform or our solutions obsolete or unattractive. There can be no assurances that we will be able to keep up with such new technological developments in an efficient and cost-effective manner, which may have a material and adverse effect on our business, results of operations and financial condition.

We may face certain risks in collecting our trade receivables, and any failure to collect receivables from our customers could have a material adverse effect on our business, financial condition and results of operations

As at 31 December 2020, 2021 and 2022 and 31 May 2023, our trade receivables were approximately RMB176.1 million, RMB183.0 million, RMB157.8 million and RMB149.3 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, our average trade receivable turnover days were approximately 71 days, 83 days, 75 days and 62 days, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, our impairment losses on trade receivables amounted to approximately RMB1.3 million, RMB5.6 million, RMB1.9 million and RMB2.1 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, we recorded nil, RMB2.5 million, RMB3.9 million and nil of trade receivables written off, representing approximately nil, 1.4%, 2.5% and nil of the outstanding trade receivables as at the end of the respective periods. We generally offer customers for our mobile advertising solutions services with a credit period of up to 90 days from the date of invoice after publication of mobile ads and customers for our advertisement distribution services with a credit period between 15 and 45 days from the date of invoice after publication of mobile ads. Prior to issuance of invoices to our customers, particularly our major customers, we generally confirm the used ad inventory volume with them. During the Track Record Period, we experienced delay of our customers in confirming the used ad inventory volume with us and settlement of payments with us due to various reasons, including delay in issuing and mailing invoices in physical copies to our customers as part of the payment procedure arising from offices and general services disruptions, suspension of mail services and lockdown in various cities in the PRC as affected by the COVID-19 pandemic and implementation of work-from-home arrangement which may affect the overall operation and settlement efficiency to a certain extent. There is no guarantee that our customers will promptly confirm such data with us, and such delay of confirmation will lead to our postponement of issuance of our invoices to our customers, which in turn leads to further delay in collection of our fees and lengthen the trade receivable turnover days. As we generally do not require collateral or other security from our customers, actual

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losses on trade receivables balance could differ from those that we anticipate and reserve in our allowance account which we might lead to adjust our allowance. Any change in macroeconomic conditions or government policies could also result in financial difficulties for our customers, including limited access to the credit markets, insolvency or bankruptcy, and as a result could cause our customers to delay payments to us, request modifications to their payment arrangements or default on their payment obligations to us. If we are unable to collect our trade receivables from our customers, our business, financial condition and results of operations may be materially and adversely affected.

We may make prepayments to suppliers before arranging the bidding of advertising space which may impose a substantial cash requirements for funding our services and expose our Group to credit and liquidity risks as well as working capital insufficiency due to the mismatch in timing between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers and we may not be able to recover our prepayments in a timely manner from our media partners

There is a time lag between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers, which imposes a substantial cash requirements for funding our services. Such time lag is resulted from the fact that (i) as part of our services to customers subject to various commercial terms, we may make prepayments for the acquisition of advertising space from media partners in cash before arranging the bidding of advertising space for some of our customers; and (ii) we generally offer (a) customers for our advertising solution services with a credit period of up to 90 days from the date of invoice after publication of mobile ads and (b) customers for our advertisement distribution services with a credit period between 15 and 45 days from the date of invoice after publication of mobile ads. For further details, see “Business — Working capital cycle” and “Financial information — Major components of consolidated statements of financial position — Trade and other receivables” in this document. We only make prepayments for the acquisition of advertising space from media partners as required by the respective media partners and based on our customers’ advertising orders. The volume of advertising space so purchased are made with reference to the budget of each mobile ad. We experience a mismatch in timing between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers, which imposes a substantial cash requirements for funding our services and exposes our Group to credit and liquidity risks as well as working capital insufficiency. The scale of our mobile advertising services is therefore constrained by the working capital we have in hand from time to time. According to the iResearch Report, it is an industry norm that there may be timing mismatch between the payments to media partners and the receipt of payment from customers. As at 31 December 2020, 2021 and 2022 and 31 May 2023, the prepayments to suppliers (i.e. the payments of traffic acquisition costs prepaid for our customers) amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB293.9 million, respectively, representing approximately 38.3%, 38.6%, 50.0% and 55.6% of our total assets as at the respective dates, respectively. Such increase was mainly attributable to prepayment to suppliers of our advertisement distribution services to meet the expected demand of our mobile advertising services and the growth of our business during the Track Record Period. If there is any increase in demand from our customers for advertising space from media partners which require our prepayment and thereby the amount of required prepayment may increase significantly, or if our customers fail to settle our invoices in a timely manner or in full, we may be exposed to credit and liquidity risks as well as working capital insufficiency caused by the timing mismatch between the payment for the acquisition of advertising space from media partners and the receipt of payment from our customers. Although any unused advertising space is generally refundable in cash upon our request

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and we had not experienced any failure to recover such refund during the Track Record Period, there is no assurance that we may receive the refund of prepayment made to our media partners in a timely manner. We may be exposed to the risk of default and recoverability risks in refund of prepayment.

Any decrease in the rebates offered by our media partners may have adverse effect on our business and results of our operations

There are rebates from media partners, which are determined based on various criteria, such as gross spending of our customers. We may receive rebates from media partners, which are determined on discretionary basis based on commercial considerations of our media partners, as incentives. Such rebates as a percentage of our gross spending may fluctuate or decrease and are reviewed and adjusted from time to time by our media partners. Moreover, the rebates from media partners are as part of their business strategies and the amounts of rebates are subject to their rebate policies, business plans and needs. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the aggregate amount of rebates from our media partners was approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB37.3 million and RMB51.5 million, representing approximately 16.9%, 19.3%, 13.9%, 14.8% and 15.8% of total traffic acquisition costs (in gross amount), respectively. During the Track Record Period, the rebates were settled either (i) by deduction of our account payables to our media partners and as our prepayments or (ii) by cash. For our mobile advertising solutions services, the rebates are recorded as reduction of our cost of services. For our advertisement distribution services, the rebates are recorded as an increase of revenue. If our media partners change the typical fee structure which has been used for the past few years, cease to offer rebates to us or offer reduced rebates as a percentage of our gross spending, our business, results of operations, financial condition, liquidity and prospect may be materially and adversely affected. Moreover, we and/or the media partners may also incentivise our customers by passing on a portion of the rebates from media partners to our customers. Any decrease in the amount of rebates from media partners may affect the amount of rebates to our customers. It may affect our competitive position in the mobile advertising industry and our ability to retain our customers or attract new customers resulting that our business, results of operations and financial condition may be materially and adversely affected.

Any adverse impact on the business of our Group’s customers may affect our business

Our business is affected by the advertising demand of our customers and the business of our customers may be affected by any impact new or amended laws and regulations in their industries. Any change of laws and regulations in our customers’ industries or change of business environment in their industries may affect their business plans, marketing plans and advertising needs or budgets, which may result in decrease in demand for our advertising services. For example, our revenue generated from the gaming industry amounted to approximately RMB0.9 million for the year ended 31 December 2020, which, as far as our Directors are aware after having made due and careful enquiries, was mainly attributable to the change of advertising plans of gaming companies after the promulgation of new laws and regulations by the PRC government, such as the Notice on Workings to Prevent Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲工作的通知》) and the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which aimed at limiting the duration of time spent by minors on online games. Our customers’ businesses may be affected by implementation of new laws and

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regulations in their industries, their advertising needs of our customers would affect their business plans, marketing plans, advertising needs or budgets and their transactions with us, which may in turn adversely affect our financial performance and results of operation.

We had net cash used in operating activities for the year ended 31 December 2020 and the five months ended 31 May 2023

We had net cash used in operating activities of approximately RMB14.3 million and RMB0.7 million for the year ended 31 December 2020 and the five months ended 31 May 2023, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, our operating cash outflow was primarily due to the long average trade receivable turnover days of approximately 71 days, 83 days, 75 days and 62 days, respectively. For details, see “Financial information — Liquidity and capital resources” in this document.

We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we record negative operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. And our ability to obtain external financing in the future and the cost of such financing are subject to our future results of operations, financial condition and cash flows, the condition of the financial market, the availability of financings and other factors which are beyond our control. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we may need to reduce our scale of operations and our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in the traffic acquisition costs may have adverse effect to our profitability

We rely on the supply of advertising space from our media partners to place mobile ads for our customers. Our traffic acquisition costs were approximately RMB291.7 million, RMB364.0 million, RMB377.4 million, RMB140.8 million and RMB211.1 million for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively, representing approximately 97.0%, 96.7%, 96.9%, 96.8% and 97.4% of our cost of services during the same periods respectively. Any fluctuation in the traffic acquisition costs may have adverse effect to our profitability. For a sensitivity analysis illustrating the impact of hypothetical fluctuations in traffic acquisition costs on our profit before income tax during the Track Record Period, see “Financial information — Major factors affecting our results of operations — Ability to control our costs and expenses” in this document. If we fail to pass on the increase in traffic acquisition costs to our customers in part or in full, our business, financial condition and results of operations may be materially and adversely affected. Moreover, we generally acquire advertising space through the bidding of advertising space on advertising placement systems and propose bidding prices for our customers as part of our mobile advertising solutions services. Our ability to provide effective proposal on bidding price may affect the results of ad placements and our customers’ ROI. If we cannot provide effective proposals on bidding price or meet our customers’ marketing goal or ROI, we may not be able to retain our customers or attract new customers resulting that our business, results of operations and financial condition may be materially and adversely affected.

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We may not be able to provide mobile advertising solutions services to our customers in a timely manner or at all, which may subject us to refund of service fees

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, we derive approximately RMB343.4 million, RMB433.3 million, RMB454.2 million and RMB246.7 million, representing 90.9%, 92.1%, 92.2% and 94.9% of our total revenue, from provision of mobile advertising solutions services to customers. Under certain circumstances, we may require service fees to be paid by our customers, for instance new small and medium-sized direct advertisers, in advance prior to the provision of the relevant underlying services, which are initially recorded as contract liabilities and are recognised as revenue when the relevant services are rendered to our customers. We recorded contract liabilities of approximately RMB13.0 million, RMB16.1 million, RMB6.4 million and RMB20.5 million as at 31 December 2020, 2021 and 2022 and 31 May 2023, respectively. The delivery of our mobile advertising solutions services to our customers may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of *force majeure* events, regulatory changes and/or natural disasters. Although there was no suspension or disruption of our business during the time when lockdown measures were implemented in the PRC as affected by the COVID-19 pandemic, we cannot guarantee that our business would not be suspended, disrupted or affected by any strict implementation of quarantine measures and lockdown measures in the future. In the events that our business is suspended or disrupted or we might not be able to fulfil our obligation in respect of the contract liabilities, we may need to refund a portion or all of our contract liabilities not yet recognised as revenue to our customers, which could result in a material and adverse impact on our cash and liquidity positions and our cash flows generated from operating activities. In the event we are unable to successfully render services to our customers in the future, we may be subject to claims to refund a portion or all of our contract liabilities, which could materially and adversely affect our business, results of operations and financial condition.

Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations

Our Group has benefited from the preferential tax treatment and, thus, recorded statutory tax concession of approximately RMB10.9 million, RMB13.1 million, RMB14.1 million, RMB3.4 million and RMB5.3 million for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, respectively. In particular, Beijing Lesimedia is recognised as a high-tech enterprise and as a result, it enjoyed preferential tax rate of 15% from December 2020 to December 2023. Moreover, (i) Khorgos Lechuang and Khorgos Lemon are entitled to an income-tax-free period from 2017 to 2021 and 2020 to 2024, respectively; and (ii) Khorgos Lechuang can enjoy a preferential tax rate of 15% from 2022 to 2026. Moreover, Beijing Lexiao and Hunan Lesimedia enjoy a preferential income tax rate of 20% from 1 January 2022 to 31 December 2024. In addition, an additional 100% of qualified research and development expenses incurred by Beijing Lesimedia is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. For further details, see “Regulatory overview — Laws and regulations relating to taxation” and “Financial information — PRC enterprise income tax” in this document.

We also received subsidy rewards and, thus, recorded restricted bank deposits of approximately RMB423,000, nil, RMB5,000 and RMB1,000 as at 31 December 2020, 2021 and 2022 and 31 May 2023, respectively. See “Financial information — Major components of consolidated statements of financial

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position — Restricted bank deposits” in this document. There can be no assurances that we would continue to enjoy these preferential tax treatment or financial subsidies or government grant at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment or financial subsidies or government grant to us could adversely affect our financial condition and cash flows.

We may be subject to penalties as a result of private lending transactions with non-financial institutions during the Track Record Period, which constitute non-compliance under the PRC laws

During the Track Record Period, we had unsecured borrowings to and from non-financial institutions. For details, see “Business — Legal proceedings and compliance — Lending transactions with non-financial institutions during the Track Record Period” in this document. As advised by our PRC Legal Adviser, such borrowings from/to non-financial institutions with our Group constitute non-compliance under the PRC laws, and the People’s Bank of China (“PBOC”) may impose penalties on the lender equivalent to 1 to 5 times of the income generated (being interests charged) from loan advancing activities. Accordingly, our maximum potential penalty arising from lending interest-bearing loan to the Independent Third Parties during the Track Record Period amounted to approximately RMB400,000. There is no assurance that we will not be charged for such historical non-compliance or will not be subject to any of such penalty. We cannot assure you that our business operations comply with such regulations and authorities’ requirements in all respects. If any other non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties. Any of these penalties could have a material adverse effect on our business, financial position and results of operations.

If we are provided with inaccurate or fraudulent data, it may have an adverse impact on our business, results of operations and reputation

We depend on the accuracy and genuineness of ad performance data and other data provided by our customers and media partners in evaluating the effectiveness of ad campaigns and determining the service fees that we charge our customers and the traffic acquisition costs that we pay to our media partners. Currently, we rely on the accuracy of the performance data extracted from our media partners in ensuring our appropriate billing to customers given that most of our advertising space were acquired from leading media platforms with market leadership and excellent track record. Where there is major challenges to the performance data presented to our customers, they may select to engage Independent Third Parties for data tracking to verify the performance data, and we may be unable to further reaffirm any discrepancy discovered pursuant to any such data verification. If the data as extracted from or provided by our media partners is found inaccurate or fraudulent, we may not be able to optimise the performance of ad campaigns for our customers, and customers may thereby not engage us for our mobile advertising services in the future. It may also harm to our reputation and any loss of our customers may adversely affect our business, results of operations and financial conditions.

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There is lack of a transparent pricing system for mobile advertising market in the PRC, and our media partners control the process for bidding advertising space

Each media publisher has its respective proprietary ad inventory pricing and bidding mechanism for each of its media platforms which is not completely transparent. Pursuant to the prevailing bidding mechanism adopted, our media partners control the bidding process for the advertising space they supply and they may place restrictions on the use of their advertising space. Nevertheless, in order to acquire advertising space from our media partners, we have to bid through their advertising bidding platforms.

There is no assurance that during the process of bidding, we are able to put forward accurate pricing for successfully bidding the advertising space desired by our customers or that our bids are treated fairly and equally, and we may lose our customers if we are not able to bid or place for the desired advertising space at competitive rates, or fail to arrange a substitute or alternative sources of advertising space with comparable traffic patterns and consumer demographic for our customers in a timely manner, and our financial conditions and performance will be adversely and materially affected.

Our business is subject to complex and evolving laws and regulations, which may be relatively new and subject to changes and uncertain interpretation

The mobile advertising industry in which we operate in is relatively highly regulated. We and our media partners are subject to a variety of laws and regulations that involve matters vital to our business, including, among others, advertising, marketing, distribution, intellectual property, data security and privacy and taxation. We may be affected by any implementation of new laws and regulations that are applicable to our media partners. For example, our media partners may be subject to Notice on the Illegal Collection and Use of Personal Information by 129 Apps Such As ‘Keep’ (《關於Keep等129款App違法違規收集使用個人信息情況的通報》) issued by the Cyberspace Administration of China (“CAC”) in June 2021, which restricts media platforms’ capabilities to collect users’ details and behaviours on their app platforms. The categories of app targeted in this notice include, among others, fitness, online shopping, education, dating and app store. This notice aims to enhance the CAC’s scrutiny of the data collection use policy of leading technology companies so as to prohibit them from infringing the app users’ personal information and their privacy. Operators of apps listed in those notices were required to rectify those illegal behaviour within a prescribed time limit and report rectification results to the CAC. Further, our media publishers may collect personal information of mobile users through their media platforms. If our media publishers collect personal information of mobile users, they would be required to obtain consents from mobile users and would be subject to the requirements under the Personal Information Protection Law. If our media publishers are restricted from collecting performance data of mobile ads from mobile users due to new regulatory requirements, they may not be able to collect and provide us with such data. We rely on our media partners to collect ad performance data and store them in our database for future review and analysis, so that we can get a better understanding of mobile users’ behaviours which allows us to prepare more effective marketing plans for our customers. If such regulations are implemented on our media partners’ platforms, they will adjust their policies on data access, data collection and content restrictions from time to time while such changes are beyond our control, and this may affect the business of media platforms whereas we may not be able to collect ad performance data from these media platforms for optimising our mobile advertising services and thus our business and financial performance may be adversely affected.

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In addition, since our customers are in diversified industries, any implementation of regulations and policies by regulatory authorities on various industries may also affect the business of our customers and their advertising needs, and further affect our ability to generate profits from the customers in these industries. Hence, any laws and regulations in regulating those industries may in turn affect our business and/or our collection of our account receivables.

On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**New CAC Measures**”), which came into effect on 15 February 2022 and would repeal the previous version promulgated on 13 April 2020. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. Our PRC Legal Adviser has consulted, on behalf of the Company, with China Cybersecurity Review Technology and Certification Center (“**CCRC**”), which is delegated by the CAC for receiving application materials, conducting form review of application materials and organising specific review work relating to the cybersecurity review under the New CAC Measures. During the consultation, CCRC informed our PRC Legal Adviser that [REDACTED] in Hong Kong will not be deemed as listing abroad under the New CAC Measures. Our PRC Legal Adviser is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. As advised by our PRC Legal Adviser, given that (i) Hong Kong does not fall within the definition of “abroad” in the provision; (ii) our Group had not been notified by any authorities of being classified as a critical information infrastructure operator, and according to relevant rules, the relevant authorities must notify operators if they are categorised as critical information infrastructure operators. For details of the rules in relation to the identification of critical information infrastructure operators, see “Regulatory Overview — Laws and Regulations relating to the protection of cyber security and data and privacy protection” in this document; (iii) our Group processes personal information of the main contact persons of our customers which is far less than 1 million as our business mainly involved provision of mobile advertising services for enterprise advertisers instead of end consumers and our Group does not possess any mobile users’ personal information; and (iv) our Group had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the New CAC Measures during the Track Record Period and up to the Latest Practicable Date, our Company is not required to proactively apply for a cybersecurity review under the New CAC Measures. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations may change.

In addition, on 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulation**”) was proposed by the CAC for public comments. The Draft Regulation provides that data processors [REDACTED] in Hong Kong which affects or may affect national security shall apply for cybersecurity review. However, the Draft Regulation provides no further explanation or interpretation for “affects or may affect national security”. As advised by our PRC Legal Adviser, the exact scope of “affects or may affect national security” under the Draft Regulation and the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. The Draft Regulation also requires data processors to be responsible for the security of the data processed and perform data security protection obligations. As our Group processes data received from our media partners, such as behaviour data of mobile users and ad performance data, our Group may be

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subject to the Draft Regulation, if implemented in its current form. For details of our measures to ensure compliance with the Draft Regulation, if implemented in its current form, see “Business — Cyber data security” in this document. Our Directors and our PRC Legal Adviser are of the view that the Draft Regulation, if implemented in its current form, would not have a material adverse impact on our business operations, our financial performance, or the [REDACTED]. However, if we were deemed as a data processor that “affect or may affect national security” by the PRC government authorities under its broad discretion, we may be subject to cyber security review. If we fail to pass such cyber security review, our [REDACTED] may be impeded, our business operations may be adversely affected, and/or we may be subject to other severe penalties and/or action by the competent government authority.

Furthermore, on 25 February 2023, the SAMR promulgated the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), which became effective on 1 May 2023 and the Interim Administrative Measures for Online Advertising (《互聯網廣告管理暫行辦法》) shall be abolished simultaneously. Pursuant to the Administrative Measures for Online Advertising, commercial advertising activities conducted within the territory of the PRC to directly or indirectly promote a product or service through text, images, audio, video, or any other form, using any website, web page, web application, or other online media, shall be governed by such measures and the Advertising Law. An advertising agent or advertising publisher shall establish, improve and implement systems for the receipt and registration, moderation, file management in respect of their online advertising business. Also, advertising agents and advertising publishers shall cooperate, in accordance with the law, with the investigation of the online advertising industry conducted by market regulatory authority, and provide truthful, accurate, and complete information in a timely manner. The Administrative Measures for Online Advertising further provides that an online ad shall be identifiable so that it can be clearly identified by consumers as an advertisement. Any paid search ad for a product or service shall be prominently indicated as an “advertisement” by the advertising publisher to distinguish it from natural search results. When publishing an online ad in forms such as in pop-up form, the advertiser and the advertising publisher shall prominently display a close symbol to ensure that it can be closed in one click. It is prohibited to deceive or mislead users into clicking or browsing an ad through certain means. For those who violating the Administrative Measures for Online Advertising, they may be subject to punishment, including but not limited to fines, confiscating advertising fees, suspension of advertisement publishing business, or revocation of business licence. For details of our measures, see “Business — Regulatory development of internet advertising” in this document. Upon implementation of the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), any non-compliance may affect our reputation, and lead to significant consequence in relation to our business, financial condition and results of operations.

Our Directors believe that these laws and regulations, as well as any associated inquiries or investigations or any other governmental actions, may be costly to comply with and may result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

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We may face potential liability from posting restricted ad contents, which may harm our business due to the nature of our business

We may from time to time result in litigation relating to copyrights, patents, know-how or trademark infringements held by third parties, public performance royalties or other claims based on the nature and content of advertising that is produced or distributed by us. Under the Advertising Law of the PRC (《中華人民共和國廣告法》) (the “**Advertising Law**”), where an advertising operator provides advertising design, production or agency services with respect to an internet ad (including mobile ad) when it knows or should have known that the internet ad is false, fraudulent, misleading, or otherwise illegal, the competent PRC authority may confiscate the advertising operator’s advertising revenue from such services, impose penalties, order it to cease dissemination of such false, fraudulent, misleading or otherwise illegal internet ad or correct such internet ad, or suspend or revoke its business licences under certain serious circumstances. Under the Advertising Law, “advertising operators” include any natural person, legal person or other organisation that provides advertising design, production, or agency services to advertisers for their advertising activities. As our mobile advertising services involve provision of “ad design, production and agency services” to customers, we are deemed as an “advertising operator” under the Advertising Law. As a result, we are obligated to ensure that the ad contents of our mobile ads are true, accurate and in full compliance with applicable laws and regulations. In addition, under our agreements with the media platforms, for ad contents related to certain types of products and services, such as alcohol, cosmetics, pharmaceuticals and medical procedures, we are expected to confirm that the customers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government pre-approval of the content of the mobile ads, and filings with the local authorities. For mobile advertising solutions services, our customers would provide us with various contents or materials for our production of mobile ads. We may not have control over all the contents of mobile ads. Despite that we have established internal review policies to scrutinise the content of the mobile ads, we cannot assure you that each ad content that we produce and place with our media partners complies with all applicable PRC laws and regulations, or that supporting documentation provided by our customers is authentic or complete. In the event that we overlook a mobile ad containing restricted ad contents and we post such mobile ad on media platforms, we may be subject to penalty and may risk service suspension by media platforms which in turn our other customers may sue us for their loss in revenue due to the suspension of their ad placements.

For advertisement distribution services, our customers would provide us with their mobile ads for distribution and we have no control over the ad contents as we are not involved in the production of mobile ads. Although we have our policies to scrutinise the contents of mobile ads prior to distribution, we cannot assure you that our customers will make adequate measures to ensure their ad contents is in compliance with the applicable laws and regulations and we may be exposed to potential liability and our reputation may be damaged. Our customers may be blacklisted by the media platforms and ordered to remove their mobile ads on the media platforms, or in worst case, they may be ordered by governmental authorities to suspend or terminate their operations. In the event that such customers are unable to rectify their ad contents to comply with the rules and regulations, we may need to cancel or terminate such ad campaign, and our reputation, business, financial conditions, results of operations and reputation may be materially and adversely affected.

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Our business strategies are subject to uncertainties and risks in this rapidly expanding and evolving mobile advertising industry in the PRC and our future growth may therefore not materialise as planned

Our success is dependent on, among other things, our proper and timely execution of our future business plans. It is our aim to solidify our market position in the mobile advertising industry and strengthen our mobile advertising services and short video content production capabilities. We will continue to explore potential business opportunities in the advertising and marketing industry to expand and diversify our business for our continuous growth and success. As our operations may grow in size, scope and complexity, we will incur significant costs to maintain a stable and sustainable relationship with our existing customers and media partners and to explore more new business opportunities and/or emerge into any alternative business models. We will also allocate additional resources to strengthen and expand our short video production business with our current competitive edge in tailor-made mobile advertising solutions. However, the likelihood of returns on such investments may not be achieved within a few years, or possibly at all. Our future plans will also require significant managerial attention and resources to implement. As we seek to continue expanding our existing business our future business plans may be hindered by factors beyond our control, such as our ability to adapt the changes in the PRC’s economic conditions in general and the rapid growth and development of the mobile advertising market in the PRC, to compete effectively with our competitors in the mobile advertising industry and to adapt the changes in government regulations regarding the use of internet and mobile apps. As a result, we cannot assure you that our future business plans will materialise in accordance with the timetable, or at all, or that our objectives will be accomplished fully or partially, or that our business strategies will generate the intended benefits to us as initially contemplated. For further details, see “Business — Strategies and future plans” and “Future plans and [REDACTED] — [REDACTED]” in this document. If we fail to implement our expansion plans and business development strategies successfully, our business performance, financial condition and future prospects and growth could be materially and adversely affected. Since our business strategies are subject to the above-mentioned uncertainties and risks, we cannot assure you that our future growth will materialise or rapidly developed as planned. Our business, financial condition, results of operations and growth prospects could be materially and adversely affected if our future plans fail to achieve positive results.

In addition, we may encounter technical problems, security issues and logistical issues that may prevent our self-developed platforms from functioning properly. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing users or face lower user engagement. In addition, we may not be able to recruit sufficient qualified personnel to support the growth of our self-developed platforms. As confirmed by our PRC Legal Adviser, the operation of our existing self-developed platforms for internal use do not require a value-added telecommunication business operation licence under the relevant PRC laws and regulations. However, our future development of and investment in our self-developed platforms may be subject to PRC laws and regulations governing licence approval and renewal and we cannot assure you that we can obtain or renew our licence on time, if at all. Any of the foregoing could adversely affect our reputation, business, financial condition and results of operations.

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We may not be able to secure funding for our planned operations

To fund our continuous growth and development in the future, we may need to secure additional funding, in addition to the [REDACTED] from the [REDACTED], to fund our future capital expenditures. Historically, we have funded our operations primarily with cash generated from operations, bank borrowings and other financings. We cannot assure you that we will be able to continue to secure funding on terms acceptable to us or in a timely manner, or at all. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, joint-venture partners and other strategic investors. We may also consider raising funds through the issuance of new Shares, which would lead to the dilution of our existing Shareholders’ interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, or downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

Our strategy of making strategic alliances, acquisition and investment may fail and result in a material and adverse impact on our financial condition and results of operations

As part of our business growth strategy, we may, in the future, acquire, cooperate with, and invest in businesses that we believe can expand and strengthen our services and expand our business. To achieve these goals, we plan to pursue merger and acquisition opportunities in the advertising and marketing industry in the PRC or overseas markets to further expand our business and optimise the results of our operations. We aim at acquiring or investing in companies that can create synergies with our existing business and can strengthen our solutions services and capacities, such as marketing companies engaging in the provision of live streaming contents on the e-commerce platforms, with an established customer base, and marketing companies engaging in the provision of post advertising services for sale of products on overseas media platforms. See “Business — Strategies and future plans — Exploration of business collaboration and merger and acquisition opportunities with well-established companies” and “Future plans and [REDACTED] — [REDACTED]” in this document. Our future mergers and acquisitions could be subject to uncertainties as to whether we can acquire suitable targets given that the competition in the mobile advertising service industry is keen and the size of our Group is small. Moreover, we may also subject to other risks and uncertainties, including (i) high acquisitions and financing costs; (ii) potential ongoing financing obligations and unforeseen or hidden liabilities of the acquired businesses; (iii) potential loss of key business relationships and the reputation of the target companies; (iv) failure to achieve our intended objectives, benefits or revenue-enhancing opportunities; (v) costs associated with, and difficulties in, integrating acquired business and assets into our own; (vi) potentially significant goodwill impairment charges; and (vii) amortisation expenses of other intangible assets. Our failure to address these uncertainties and risks may have a material and adverse effect on our liquidity, financial condition and results of operation. Even if we can successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments. If we fail to identify or acquire suitable businesses or achieve our expected returns on such acquisitions or investments, our business, financial condition, and results of operation may be materially and adversely affected.

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Any breaches to our security measures, including unauthorised access, computer viruses and hacking, may adversely affect our database, reduce use of our services and damage our reputation and brand names

The volume of data that we process and store makes us an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have established mechanisms to protect our database, our security measures could be breached. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate and timely preventative measures. Any accidental or willful security breaches or other unauthorised access to our database could cause confidential information to be stolen and used for illegal purposes. Security breaches or unauthorised access to confidential information could also expose us to liability relating to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our information technology infrastructure are exposed and exploited, our relationships with our customers and media partners could be severely damaged, we could incur significant liability and our business and operations could be materially and adversely affected.

Interruption or failure of our information technology infrastructure could impair our ability to provide our services to our customers, which could cause us to lose customers and media partners, and harm our business and results of operations

Our business depends partly on the performance, reliability and stability of our information technology infrastructure. We may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, computer viruses, fraud and security attacks. Any interruption or failure of our information technology infrastructure to function properly could impair our ability to effectively deliver our mobile advertising services, and cause loss of customers, media partners, disruption to our business activities and processing inefficiencies, which may have a negative impact on our business operations and reputation. Our business in the mobile advertising industry depends on the performance and reliability of the internet infrastructure in the PRC. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. In the event of disruptions, failures or other problems with the PRC’s internet infrastructure, we may not have access to alternative networks or it may limit to our ability to deliver our mobile advertising services and adversely affect our business, results of operations and financial conditions.

In addition, since we rely on our media partners for placement of mobile ads, any interruption or failure of their information technology and communications systems may undermine the effectiveness of our services. In such event, we are in no position to rectify any failure of the system of our media partners. Our services may be interrupted and lead to adverse impact on our operations and financial performance.

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Our investments in the development and upgrade of the system on our self-developed platform may not be successful, which may have an adverse impact on our financial conditions and profitability.

To adapt to the evolving mobile advertising industry and to keep up with the continuous technological developments, we are required to continuously develop and upgrade our self-developed platform. See “Business — Strategies and future plans — Enhance and upgrade the functions of our self-developed platform” and “Future plans and [REDACTED] — [REDACTED]” in this document. However, our investments in the upgrade and development of our self-developed platform may take time to show its effect and may not be successful or may fail to achieve the intended effect due to a variety of reasons such as technical hurdles, inaccurate predictions of market demand and trends or a lack of necessary resources. Failure of such investments to effectively upgrade our self-developed platform may lead to inefficient use of financial resources and manpower and may reduce our profitability and have an adverse impact on our financial conditions.

Failure to make adequate contributions to social insurance and housing provident funds and open account for house provident funds for certain subsidiaries of our Group as required by the PRC laws and regulations

Pursuant to the relevant PRC laws and regulations, we are required to make, among other things, adequate contributions to social insurance and housing provident funds for our employees and open accounts for house provident funds for all PRC subsidiaries of our Group. During the Track Record Period, we were not in strict compliance with the requisite requirements. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, the aggregate shortfall in such contributions amounted to approximately RMB1.1 million, RMB2.7 million, RMB1.7 million and nil, respectively, and relevant provision has been made in our historical financial information. As advised by our PRC Legal Adviser, with respect of the failure to make adequate social insurance premiums, we may be ordered by the social security premium collection agency* (社會保險費徵收機構) to make or supplement contributions within a stipulated period and may be subject to a late payment fee equals to 0.05% of the shortfall amount calculated daily starting from the date the relevant social insurance funds become payable. If we fail to make such payments within a stipulated period, we may be liable to a fine of 1 to 3 times of the shortfall amount. And, with respect to the failure to make adequate housing provident fund contribution, housing provident fund management centre may require us to make the overdue payment and deposit within a prescribed time limit, failing which it may seek court order against us and to collect the outstanding housing provident fund contributions. Moreover, we may be ordered to pay a penalty between RMB10,000 and RMB50,000 for each of our subsidiaries that failed to open housing provident fund accounts within a prescribed time limit. We estimate that (i) the potential maximum penalties that can be imposed on us in relation to contributions to social insurance premiums during the Track Record Period would be approximately RMB0.7 million provided that we would rectify the non-compliance by paying the shortfall within a prescribed time limit if we are ordered by the relevant agency and (ii) the potential maximum penalties that can be imposed on us in relation to opening accounts for housing provident funds during the Track Record Period would be RMB50,000. For details, see “Business — Employees” in this document. There is no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Moreover, there is also no assurance that we will not be ordered to rectify such incidents or subject to penalties imposed by the relevant PRC authorities as a result of such incidents. Any such complaints, orders or penalties may have an adverse effect on our financial

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conditional and results of operations. In addition, we engaged a third-party human resources agent to make contributions to social insurance and housing provident funds for some of our employees. However, we cannot assure you that such third-party agent makes contributions to social insurance and housing provident funds in full in a timely manner, or at all, and even if it does, the relevant government authorities may deem such practice to be non-compliant with the relevant labour laws and bring enforcement actions against us. If the relevant PRC authorities determine that we shall make up for social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

We may be subject to legal proceedings in the ordinary course of our business

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. Moreover, we may be liable for the content published on behalf of our customers. If any third-party infringement claims are brought against us, we may be subject to liability and forced to divert our management’s time and other resources from our business and operations to defend against these claims, regardless of the merits of the claims. We may receive formal and informal inquiries from governmental authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. Although we were not involved in any material litigation in which we are a defendant during the Track Record Period, claims arising out of actual or alleged violations of laws in any material aspect could be asserted against us by our customers, media partners, competitors, governmental entities in civil or criminal investigations and proceedings or other third parties. These claims could be asserted under a variety of laws, including but not limited to advertising laws, internet information services laws, intellectual property laws, data protection and privacy laws, labour and employment laws, securities laws, real estate laws, tort laws, contract laws, property laws and employee benefit laws. We may also be subject to lawsuits due to actions by our media partners or customers. There can be no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions may expose us to negative publicity, substantial monetary damages and legal defence costs, injunctive relief, and criminal and civil fines and penalties, including but not limited to suspension or revocation of our licences to conduct business.

We may face challenges by third parties or governmental authorities with respect to property ownership and the use of our leased properties, which may expose us to potential fines and negatively affect our ability to use the properties that we lease

As at the Latest Practicable Date, for two of our leased properties, we have not been provided by the lessors with the relevant ownership certificates or any other documentation proving their right to lease those properties to us. As advised by our PRC Legal Adviser, in the event that our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or other relevant parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us. Moreover, we relocated our video production base to Changsha, Hunan, the PRC, in September 2022 in light of the investment policy of the High-tech Development District of Changsha,

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which invited enterprises to set up offices at the properties in the development district and provided rental subsidy as their supportive measures. As at the Latest Practicable Date, the actual use of such leased properties in Changsha is office and video production base, which is not consistent with the designated use of such premises. In the event that our use of property is challenged by third parties or governmental authorities, we may be forced to terminate the use of such properties or relocate to other properties as a transitional arrangement. Moreover, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties’ challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to fines due to the lack of registration of our lease agreements

Pursuant to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on 1 December 2010 and became effective on 1 February 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As at the Latest Practicable Date, none of our lease agreements had been registered. We may be required by relevant government authorities to file these lease agreements for registration within a time limit, and may be subject to a maximum fine of RMB10,000 for each lease agreement.

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

Insurance companies in PRC generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economies. In line with general industry practice in PRC, we do not maintain business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties. Any disruption in our information technology infrastructure or business operations, litigation or natural disasters may result in our incurring substantial costs and the diversion of our resources, and we have no insurance to cover such losses. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our success depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections and industry expertise, losing their services may lead to loss of business and have a material adverse effect on our business. For example, Mr. Zhao, our chairman of the Board, has extensive experience in sales and marketing in the technology and internet industries. Mr. Yu, our chief executive officer and executive Director, has accumulated approximately 20 years of experience in sales and marketing in the technology and internet industries. Mr. Nie, our chief operating officer and executive Director, has extensive knowledge and experience in business management and development in the media and technology industries for more than 15 years. We believe that their insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward success. For further details on our Directors, see “Directors and senior management” in this document. If one or more members of our senior management or our

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key employees are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, which may result in material adverse changes to our established brand image, reputation, service quality or standards, and in turn, may disrupt our business and materially and adversely affect our business, financial condition and results of operations.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Companies Act, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

We face risks related to natural disasters and health epidemics

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the national economy in general. In particular, there has been an outbreak of COVID-19 globally since 2020. In the event that the PRC government imposes more stringent measures to prevent the spread of those diseases in the future, or if our employees are affected by any severe communicable diseases outbreak, it could adversely disrupt our operation and the execution of customers’ orders, in particular the delay in payment for our services, thus adversely affect our results of operations. The spread of any severe communicable disease may also affect the operations of our customers, which could lead to a decrease in the demand for our services, and may delay payments and have a material and adverse effect on our business, results of operations and financial conditions. For further details, see “Business — Impact of outbreak of COVID-19 on our business” in this document.

Our office and ad content production base are located in Beijing and Changsha, where most of our management and employees currently reside, while our technology support and development team is located in Guangzhou, Guangdong, the PRC. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Beijing and Guangzhou or other cities in which our other offices are located, our operation may experience material disruptions, which may materially and adversely affect our business, financial conditions and results of operations.

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RISKS RELATING TO DOING BUSINESS IN THE PRC

The approval, filing or other administration requirements of the CSRC, the CAC, or other PRC governmental authorities may be required in connection with the [REDACTED] and future securities activities under PRC laws, regulations or policies

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by 6 PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or a delay in obtaining CSRC approval for the [REDACTED] may subject us to penalties imposed by the CSRC and other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of penalties that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Adviser is of the opinion that prior CSRC approval for the [REDACTED] is not required under the M&A Rules. See “History and development — PRC regulatory requirements” in this document. However, our PRC Legal Adviser has further advised us that in the context of an overseas offering, their opinions summarised above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser, and hence, we may face regulatory actions or other penalties from them. Furthermore, the PRC government authorities may strengthen its oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. For instance, on 6 July 2021, the relevant PRC governments released the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. These opinions and any related implementing rules to be enacted may subject us to additional compliance requirement in the [REDACTED] and future securities activities. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us.

On 17 February 2023, the CSRC promulgated the Overseas Listing Trial Measures and 5 relevant guidelines, which took effect on 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedures with the CSRC and report relevant information. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Regulatory overview — Overseas listing” in this document.

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In compliance with the Overseas Listing Trial Measures, we are required to complete the filing procedures with CSRC and report relevant information with respect to the [REDACTED] after the submission of our [REDACTED] to the Stock Exchange. However, there is uncertainty as to whether we will be able to complete the filing. In addition, according to the Overseas Listing Trial Measures, any future issuance of new Shares or securities activities after the [REDACTED] will also be subject to filing procedure of CSRC and we are also required to report certain material matters to CSRC after the [REDACTED]. Any failure to perform such filing or reporting procedure would subject us to administrative penalties by CSRC, which could harm our reputation and may adversely affect our results of financial condition.

Furthermore, on 24 February 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality Provisions**”), which came into effect on 31 March 2023. Pursuant to the Confidentiality Provisions, any future inspection or investigation conducted by overseas securities regulator or the relevant competent authorities on our PRC domestic companies with respect to our overseas issuance of new Shares and the [REDACTED] shall be carried out in the manner in compliance with PRC laws and regulations.

As at the Latest Practicable Date, we had not received any inquiry, notice, warning, sanction, or any regulatory objection to the [REDACTED] from the CSRC, the CAC, or any other PRC governmental authorities that have jurisdiction over our operations. If it is determined in the future that approval from, or filing procedure with, the CSRC, the CAC, or other governmental authorities is required for the [REDACTED], any failure to obtain or delay in obtaining such approval or completing such filing procedure for the [REDACTED], or a rescission of any such approval is obtained by us, would subject us to penalties by the CSRC, the CAC, or other PRC governmental authorities for failure to seek approval, fulfil the necessary filing procedures, or obtain other governmental authorisation for the [REDACTED]. These PRC governmental authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, delay or restrict the repatriation of the [REDACTED] from the [REDACTED] into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. The CSRC, the CAC, or other PRC governmental authorities may also take actions requiring us, or making it advisable for us, to halt the [REDACTED] before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC, the CAC, or other governmental authorities later promulgate new rules or explanations requiring that we obtain their approvals or other kinds of authorisations for the [REDACTED], we cannot assure you that we can obtain such approval or authorisation or complete the required filing procedures or other requirements in a timely manner, or at all, or obtain any waiver of aforesaid governmental requirements if and when procedures are established to obtain such a waiver. Any change of requirements or approvals could affect the trading price of our Shares.

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The M&A Rules and certain other PRC regulations establish procedures for some acquisitions of Chinese companies by foreign investors, which could affect us to pursuing growth through acquisitions in PRC

The M&A Rules and some other regulations and rules concerning mergers and acquisitions established procedures and requirements, 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 (《反壟斷法》) requires that the relevant anti-monopoly authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the “Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” issued by the MOFCOM (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defence 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, including by structuring the transaction through a proxy or contractual control arrangement. 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, 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.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its “de facto management bodies” within China, such enterprise would generally be deemed as a “PRC resident enterprise” for tax purposes and be subject to an EIT rate of 25% on its global income. “De facto management bodies” is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. We are currently not regarded as a PRC tax resident enterprise. However, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realised on the transfer of our Shares

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in

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PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within PRC.

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements. If we are treated as a PRC resident enterprise as described under the risk factor headed “We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments”, dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from sources within PRC and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realised through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

The PRC’s economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in the PRC and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC’s macro economy through fiscal and monetary policies. The PRC government promotes PRC’s economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC’s economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact PRC’s economic growth. There have been concerns on the relationship between the PRC and other countries, including the United States and the surrounding Asian countries, which may potentially have adverse economic effects. There have also been concerns on the trade war initiated by the United States against the PRC and other countries. We are unable to predict all the risks, uncertainties and fluctuations that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The PRC government’s control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of PRC. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency

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obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of PRC, or otherwise satisfy their foreign currency denominated obligations.

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 the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial banks 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.

In 2016, the PRC government amended its foreign exchange policies and stepped up scrutiny of major outbound capital movements. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, it may affect us paying dividends in foreign currencies to our Shareholders.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us

The SAT promulgated several rules and notices to tighten the scrutiny over acquisitions in recent years. On 3 February 2015, the SAT issued the “Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises” (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”), which was partially abolished by “Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises” (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**Circular 37**”) and “Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed” (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) (“**Circular 42**”). Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”).

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

As provided in Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas

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enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organisation forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organisation forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market” (the “**Public Market Safe Harbour**”). In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbour. As stated in “Information about this document and the [REDACTED]” in this document, potential investors should consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and 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 counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The “Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles” (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which was promulgated by the SAFE in February 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and

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its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. 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 qualified bank, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as 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 previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their 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 the 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 the 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.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Each of our individual beneficial owners who is required to complete the registration under Circular 37 has duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

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 materially and adversely affect our business and prospects.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, all of our current Directors and officers are nationals and residents of China and

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substantially all of the assets of these persons are located in China. Therefore, it may be comparatively more complicated and time-consuming for overseas investors to effect service of process upon those persons in the PRC. On 14 July 2006, Hong Kong and the PRC 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 any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. On 18 January 2019, Supreme Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the “Arrangement on the Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region” (the “**New Arrangement**”), aiming to establish a clearer and more definite mechanism for mutual recognition and enforcement of a wider range of civil and commercial judgments in Hong Kong and Mainland China. The New Arrangement does not include written clause on jurisdiction between the parties. The New Arrangement will only come into effect after the Supreme Court of PRC promulgates the judicial interpretation and Hong Kong completes the relevant legislative procedures. The New Arrangement will replace the Arrangement when it comes into effect. Therefore, before the New Arrangement comes into effect, if the parties to the dispute do not agree to enter into a written jurisdiction clause, it may be difficult to enforce the judgment of Hong Kong courts in Mainland China.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares

Prior to completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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

The [REDACTED] of our Shares 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, the PRC, 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 the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and volumes for our Shares. A number of PRC-based companies have [REDACTED] their securities, and some are in the process of preparing for [REDACTED] their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their [REDACTED]. The trading performances of the securities of these companies at the time of or after their [REDACTED] may affect

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the overall investor sentiment towards PRC-based companies [REDACTED] in Hong Kong and consequently may impact the trading price performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will incur immediate and substantial dilution and may experience further dilution in the future

As the [REDACTED] of our Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers, Controlling Shareholders and the [REDACTED] Investor, or the perception or anticipation of such sales, could negatively impact the 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. The Shares held by our Controlling Shareholders and the [REDACTED] Investor are subject to certain lock-up periods after the [REDACTED]. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

Since there may be a gap of several Business Days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins

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

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The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands company law is set out in Appendix III to this document.

Facts and statistics in this document may come from various sources and may not be fully reliable

Some of the facts and statistics in this document are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or Independent Third Parties that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor or any other parties involved in the [REDACTED] and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics maybe inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Prospective investors should read the entire document carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this document

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document. Prior to the completion of the [REDACTED], there may be press and media coverage regarding our Group and the [REDACTED]. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this document.