

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from

to

Commission file number: 001-39111

Q&K International Group Limited

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

Suite 1607, Building A

No.596 Middle Longhua Road

Xuhui District, Shanghai, 200032

People's Republic of China

(Address of principal executive offices)

Chengcai Qu, Chief Executive Officer

Phone: +86-21-6422-8532

Email: ccqu@qk365.com

Suite 1607, Building A

No.596 Middle Longhua Road

Xuhui District, Shanghai, 200032

People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares (one American depositary share representing thirty (30) Class A ordinary shares, par value US\$0.00001 per share)	QK	NASDAQ Global Market
Class A ordinary shares, par value US\$0.00001 per share*		

* Not for trading, but only in connection with the listing of American depositary shares on the NASDAQ Global Market.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not Applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not Applicable
(Title of Class)

As of September 30, 2021, there were 1,647,386,700 ordinary shares outstanding, consisting of 1,466,997,151 Class A ordinary shares and 180,389,549 Class B ordinary shares, all with a par value of US\$0.00001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐
Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13 (a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒

International Financial Reporting Standards as issued by the
International Accounting Standards Board ☐

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

TABLE OF CONTENTS

<u>INTRODUCTION</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	3
<u>PART I</u>	4
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	9
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	9
<u>ITEM 3. KEY INFORMATION</u>	9
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	61
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	93
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	94
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	120
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	129
<u>ITEM 8. FINANCIAL INFORMATION</u>	131
<u>ITEM 9. THE OFFER AND LISTING</u>	132
<u>ITEM 10. ADDITIONAL INFORMATION</u>	132
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	146
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	147
<u>PART II</u>	149
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	149
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	149
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	149
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	150
<u>ITEM 16B. CODE OF ETHICS</u>	151
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	151
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	151
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	151
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	151
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	152
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	152
<u>PART III</u>	153
<u>ITEM 17. FINANCIAL STATEMENTS</u>	153
<u>ITEM 18. FINANCIAL STATEMENTS</u>	153
<u>ITEM 19. EXHIBITS</u>	153
<u>SIGNATURES</u>	156

INTRODUCTION

Unless otherwise indicated or the context otherwise requires in this annual report on Form 20-F:

- “ADSs” refers to our American depositary shares, each of which represents 30 Class A ordinary shares;
- “apartments contracted” or “rental units contracted” refer to apartments or rental units that we have leased in from landlords, as applicable;
- “available apartments” or “available rental units” refer to the apartments or rental units in operation, as applicable, which have been renovated and ventilated and are ready to rent to tenants;
- “average month-end occupancy rate” refers to the aggregate number of leased-out rental unit nights of the last day of each month in the relevant period as a percentage of the aggregate number of available rental unit nights of the last day of each month in the same period;
- “average monthly rental after discount for rental prepayment” refers to the total rental received by a rental operator from tenants for the relevant period the tenants stay in the rental operator’s apartments, net of value-added tax, divided by the number of leased-out rental unit nights for the same period times 30.5 (which represents the average number of days in a month); for avoidance of doubt, the total rental does not include any utility fees a rental operator charges tenants for the relevant period;
- “average monthly rental before discount for rental prepayment” refers to the total rental received by a rental operator from tenants for the relevant period the tenants stay in the rental operator’s apartments, net of value-added tax, adding back any discount the rental operator offers for rental prepayment, divided by the number of leased-out rental unit nights for the same period times 30.5 (which represents the average number of days in a month); for avoidance of doubt, the total rental does not include any utility fees a rental operator charges tenants for the relevant period;
- “China” or the “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “leased-out rental unit nights” refer to the number of nights that the rental units of a rental apartment were leased out for a relevant period;
- “long-term apartment rental” refers to apartment rental business in which the rents are normally collected on a monthly or quarterly basis, and the lease terms are normally over six months;
- “long-term apartment operator” refers to a company which operates long-term apartment rental business, collects vacant apartment resources and rents those apartments directly to tenants;
- “ordinary shares” refers to our Class A ordinary shares and Class B ordinary shares, par value US\$0.00001 per share;
- “period-average occupancy rate” refers to the aggregate number of leased-out rental unit nights as a percentage of the aggregate number of available rental unit nights during the relevant period;
- “tenant renewal rate” refers to the percentage of tenants who choose to rent from the same operator after the end of the applicable lock-in period in the lease;
- “rental spread after discount for rental prepayment” refers to the difference between the average monthly rental after discount for rental prepayment on a lease to a tenant, and the monthly straight-lined rental that the rental operator pays to the landlord for the same space;
- “rental spread before discount for rental prepayment” refers to the difference between the average monthly rental before discount for rental prepayment on a lease to a tenant, and the monthly straight-lined rental that the rental operator pays to the landlord for the same space;

- “rental spread margin after discount for rental prepayment” refers to the rental spread after discount for rental prepayment as a percentage of the average monthly rental after discount for rental prepayment on a lease to a tenant on the same space;
- “rental spread margin before discount for rental prepayment” refers to the rental spread before discount for rental prepayment as a percentage of the average monthly rental before discount for rental prepayment on a lease to a tenant on the same space;
- “rental unit” refers to each bedroom in a rental apartment; we typically convert a leased-in apartment to add an additional bedroom, or the N+1 model, and rent each bedroom separately to individual tenants after standardized decoration and furnishing;
- “RMB” and “Renminbi” refer to the legal currency of China;
- “straight-lined rental” refer to the rental a rental operator pays to a landlord after adjustment to record rent holidays/rent free period and rent escalation clauses on a straight line basis over the term of the lease with the landlord;
- “tier 1 cities” refer to Beijing, Shanghai, Guangzhou and Shenzhen;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” refer to the legal currency of the United States; and
- “VIE” refers to Shanghai Qingke E-commerce Co., Ltd, and its subsidiaries, as the context requires;
- “we,” “us,” “our company” and “our” refer to Q&K International Group Limited and its subsidiaries, except in the context of describing the consolidated financial information, also include the VIE and its subsidiaries.
- “WFOE” refers to Shanghai Qingke Investment Consulting Co., Ltd.;

Unless otherwise indicated, the number of our tenants, tenant renewal rate, average lease term of our tenants, and our other operating data in this annual report do not take into account tenants who choose not to stay in our apartments after the first week of their leases. To encourage prospective tenants to try out our apartments, we have put in place a policy to allow a new tenant to cancel a lease within three days from the move-in date, and we will return all rental, deposits and fees penalty free. If a new tenant cancels the lease on the fourth to the seventh day, we will return all unused rental, deposit and fees penalty free. In FY 2021, approximately 3.7% of our leases with tenants were terminated during the first week of their leases.

Our fiscal year-end is September 30. “FY 2019” refers to our fiscal year ended September 30, 2019, “FY 2020” refers to our fiscal year ended September 30, 2020, and “FY 2021” refers to our fiscal year ended September 30, 2021.

Our reporting currency is the Renminbi. This annual report on Form 20-F also contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations from Renminbi to U.S. dollars were made at RMB6.4434 to US\$1.00, the noon buying rate on September 30, 2021 set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government restricts or prohibits the conversion of Renminbi into foreign currency and foreign currency into Renminbi for certain types of transactions. On February 4, 2022, the noon buying rate set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.3610 to US\$1.00.

Names of certain companies provided in this annual report are translated or transliterated from their original Chinese legal names.

Discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigations Reform Act of 1995.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements relating to:

- our mission and strategies;
- our ability to continue as a going concern;
- our ability to achieve or maintain profitability;
- general economic and business condition in China and elsewhere, particularly the long-term apartment rental market and government measures aimed at China’s real estate industry and apartment rental industry;
- health epidemics, pandemics and similar outbreaks, including COVID-19;
- competition in the apartment rental industry;
- our future business development, financial condition and results of operations;
- our expectations regarding demand for and market acceptance of our apartments and services;
- our ability to attract and retain tenants and landlords, including tenants and landlords from our acquired lease contracts;
- our ability to control the quality of operations, including the operation of our rental apartments managed by our own apartment managers or by third-party contractors;
- our ability to integrate strategic investments, acquisitions and new business initiatives; and
- our relationship with financial institution partners and third party product and service providers.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. You should thoroughly read this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. Our industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have material and adverse effect on our business and the market price of our ADSs. In addition, the rapidly changing nature of China’s branded long-term apartment rental industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Risks Associated with Being Based in or Having the Majority of the Operations in China

We are exposed to legal and operational risks associated with our operations in China. The PRC government has significant authority to exert influence on the ability of a company with operations in China, including us, to conduct its business. Changes in China's economic, political or social conditions or government policies could materially and adversely affect our business and results of operations. We are subject to risks due to the uncertainty of the interpretation and the application of the PRC laws and regulations, including but not limited to the risks of uncertainty about any future actions of the PRC government on U.S. listed companies. We may also be subject to sanctions imposed by PRC regulatory agencies, including CSRC, if we fail to comply with their rules and regulations. Any actions by the PRC government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in companies having operations in China, including us, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our securities to significantly decline or become worthless. These China-related risks could result in a material change in our operations and/or the value of our securities, or could significantly limit or completely hinder our ability to offer securities to investors in the future and cause the value of such securities to significantly decline or become worthless.

The PRC government may exert, at any time, substantial intervention and influence over the manner our operations. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews and new laws and regulations related to data security, and expanding the efforts in anti-monopoly enforcement.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information and important data worldwide is rapidly evolving in PRC and is likely to remain uncertain for the foreseeable future. Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, the PRC Cybersecurity Law, which became effective in June 2017, established China's first national-level data protection for "network operators," which may include all organizations in China that connect to or provide services over the internet or other information network. The PRC Data Security Law, which was promulgated by the Standing Committee of PRC National People's Congress, or the SCNPC, on June 10, 2021 and became effective on September 1, 2021, outlines the main system framework of data security protection.

In December 2021, the Cyberspace Administration of China (the "CAC") promulgated the amended Measures of Cybersecurity Review which require cyberspace operators with personal information of more than one million users to file for cybersecurity review with the Cybersecurity Review Office ("CRO"), in the event such operators plan for an overseas listing. The amended Measures of Cybersecurity Review provide that, among others, an application for cybersecurity review must be made by an issuer that is a "critical information infrastructure operator" or a "data processing operator" as defined therein before such issuer's securities become listed in a foreign country, if the issuer possesses personal information of more than one million users, and that the relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine an operator's cyber products or services, data processing or potential listing in a foreign country affect or may affect China's national security. The amended Measures of Cybersecurity Review will take effect on February 15, 2022. In August 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law which became effective on November 1, 2021. The Personal Information Protection Law provides a comprehensive set of data privacy and protection requirements that apply to the processing of personal information and expands data protection compliance obligations to cover the processing of personal information of persons by organizations and individuals in China, and the processing of personal information of persons outside of China if such processing is for purposes of providing products and services to, or analyzing and evaluating the behavior of, persons in China. The Personal Information Protection Law also provides that critical information infrastructure operators and personal information processing entities who process personal information meeting a volume threshold to be set by Chinese cyberspace regulators are also required to store in China the personal information generated or collected in China, and to pass a security assessment administered by Chinese cyberspace regulators for any export of such personal information. Moreover, pursuant to the Personal Information Protection Law, persons who seriously violate this law may be fined for up to RMB50 million or 5% of annual revenues generated in the prior year and may also be ordered to suspend any related activity by competent authorities.

In November 2021, the CAC released the Regulations on Network Data Security (draft for public comments) and accepted public comments until December 13, 2021. The draft Regulations on Network Data Security provide more detailed guidance on how to implement the general legal requirements under laws such as the Cybersecurity Law, Data Security Law and the Personal Information Protection Law. The draft Regulations on Network Data Security follow the principle that the state will regulate based on a data

classification and multi-level protection scheme, under which data is largely classified into three categories: general data, important data and core data. Under the current PRC cybersecurity laws in China, critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the cybersecurity review. On July 30, 2021, the State Council of the PRC promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. The regulations require, among others, that certain competent authorities shall identify critical information infrastructures. If any critical information infrastructure is identified, they shall promptly notify the relevant operators and the Ministry of Public Security.

Currently, the cybersecurity laws and regulations have not directly affected our business and operations, but in anticipation of the strengthened implementation of cybersecurity laws and regulations and the expansion of our business, we face potential risks if we are deemed as a critical information infrastructure operator under the Cybersecurity Law. In such case, we must fulfill certain obligations as required under the Cybersecurity Law and other applicable laws, including, among others, storing personal information and important data collected and produced within the PRC territory during our operations in China, which we are already doing in our business, and we may be subject to review when purchasing internet products and services. When the amended Measures of Cybersecurity Review take effect in February 2022, we may be subject to review when conducting data processing activities, and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. As of the date of this annual report, we have not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect. Based on the foregoing, we and our PRC legal counsel, JunHe LLP, do not expect that, as of the date of this annual report, the current applicable PRC laws on cybersecurity would have a material adverse impact on our business.

On September 1, 2021, the PRC Data Security Law became effective, which imposes data security and privacy obligations on entities and individuals conducting data-related activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. As of the date of this annual report, we have not been involved in any investigations on data security compliance made in connection with the PRC Data Security Law, and we have not received any inquiry, notice, warning, or sanctions in such respect. Based on the foregoing, we do not expect that, as of the date of this annual report, the PRC Data Security Law would have a material adverse impact on our business.

On July 6, 2021, the relevant PRC governmental authorities published the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions require the relevant regulators to coordinate and accelerate amendments of legislation on the confidentiality and archive management related to overseas issuance and listing of securities, and to improve the legislation on data security, cross-border data flow and management of confidential information. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions were recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions from the CSRC or any other PRC government authorities. Based on the foregoing and the currently effective PRC laws, we and our PRC legal counsel, JunHe LLP, are of the view that, as of the date of this annual report, these opinions do not have a material adverse impact on our business.

On December 24, 2021, the CSRC published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or, collectively, the Draft Overseas Listing Regulations, which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in overseas markets. The Draft Overseas Listing Regulations, among others, stipulate that Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and that an initial filing shall be submitted within three working days after the application for an initial public offering is submitted, and a second filing shall be submitted within three working days after the listing is completed. Moreover, an overseas offering and listing is prohibited under circumstances if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as reviewed and determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as

prescribed by the State Council. The Draft Overseas Listing Regulations, among others, stipulate that when determining whether an offering and listing shall be deemed as “an indirect overseas offering and listing by a Chinese company”, the principle of “substance over form” shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an “indirect overseas offering and listing by a Chinese company” and is therefore subject to the filing requirement: (i) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; and (ii) the majority of senior management in charge of business operation are Chinese citizens or have domicile in PRC, and its principal place of business is located in PRC or main business activities are conducted in PRC. As advised by our PRC legal counsel, the Draft Overseas Listing Regulations were released only for soliciting public comment at this stage and their provisions and anticipated adoption or effective date are subject to changes, and thus their interpretation and implementation remain substantially uncertain. It is uncertain whether the Draft Overseas Listing Regulations apply to the follow-on offerings or other offerings of the Chinese companies that have been listed overseas. We cannot predict the impact of the Draft Overseas Listing Regulations on us at this stage.

As there are still uncertainties regarding these new laws and regulations as well as the amendment, interpretation and implementation of the existing laws and regulations related to cybersecurity and data protection, We cannot assure you that we will be able to comply with these laws and regulations in all respects. The regulatory authorities may deem our activities or services non-compliant and therefore require us to suspend or terminate its business. We may also be subject to fines, legal or administrative sanctions and other adverse consequences, and may not be able to become in compliance with relevant laws and regulations in a timely manner, or at all. These may materially and adversely affect its business, financial condition, results of operations and reputation.

Since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and conduct follow-on offerings, and listing or continuing listing on a U.S. or other foreign exchanges. In addition, the PRC government has recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding any other industry including the industry in which we operate, which could adversely affect our business, financial condition and results of operations. See “Item 3. Key Information—D. Risk Factors—Risk Factors—Risks Related to Doing Business in China” for more details.

Risks Associated with Our Corporate Structure

Q&K International Group Limited is not a Chinese operating company but a Cayman Islands holding company with operations conducted by our subsidiaries. Investors in our securities have purchased securities of a holding company incorporated in the Cayman Islands.

On October 26, 2021, we transferred all of our equity interest in the Shanghai Qingke Investment Consulting Co., Ltd., or the WFOE, to Wangxiancai Limited, which is beneficially owned by the legal representative and executive director of one of our subsidiaries, a related party, for nominal consideration (the “Equity Transfer”). The WFOE had a series of contractual arrangements with Shanghai Qingke E-commerce Co., Ltd, or the VIE, through which we carried out certain rental apartment operation business prior to the Equity Transfer. As a result of the Equity Transfer, we no longer conduct any operation through a variable interest entity. See “Item 4. Information on the Company—A. History and Development of the Company” for more details.

As of the date of this annual report, our subsidiaries have conducted operations in China and Q&K International Group Limited, our holding company, has not conducted operations. As of the date of the Equity Transfer, the VIE had conducted operations in China. The VIE is consolidated for accounting purposes for FY 2021, but is not an entity in which we owned equity.

In this annual report, “we,” “us,” “our company” and “our” refer to Q&K International Group Limited and its subsidiaries, except in the context of describing the consolidated financial information, also include the VIE and its subsidiaries.

How Cash Is Transferred through Our Organization

The following table presents the cash flows among Q&K International Group Limited (the “Company”), its subsidiaries and the consolidated VIE in FY 2019, FY 2020 and FY 2021.

	FY 2019 RMB	FY 2020 RMB	FY 2021 RMB
	(in thousands)		
The Company transferred to the VIE	53,047	143,314	62,033
The Company transferred to the subsidiaries	447,708	263,983	25,199
The subsidiaries transferred to the VIE	299,774	234,911	48,806

All cash flows above were for financing purposes. No transfer of assets other than cash has occurred among the Company, its subsidiaries and the consolidated VIE. Our subsidiaries and the consolidated VIE have not made any dividend or distribution to the Company. The Company has not made any dividend or distribution to any U.S. investor. The WFOE and the VIE, on a consolidated basis, had been loss making and the VIE had not intended to pay, and had never paid, any earnings or amounts, such as service fee to the WFOE under the contractual arrangement as it had been loss making. See “Item 3. Key information—Condensed Consolidating Schedules” and the consolidated financial statements included elsewhere in this annual report for more details.

As a holding company, we rely upon dividends paid to us by our subsidiaries in the PRC to pay dividends and to finance any debt we may incur. If our subsidiaries or any newly formed subsidiaries or other consolidated entities incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our subsidiaries and other consolidated entities are permitted to pay dividends to us only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Pursuant to laws applicable to entities incorporated in the PRC, each of our subsidiaries and other consolidated entities in the PRC must make appropriations from after tax profit to a statutory surplus reserve fund. The reserve fund requires annual appropriation of 10% of after tax profit (a determined under accounting principles generally accepted in the PRC at each year-end) after offsetting accumulated losses from prior years, until such reserve reaches 50% of the subsidiary’s registered capital. The reserve fund can only be used to increase the registered capital and eliminate further losses of the respective companies under PRC regulations. These reserves are not distributable as cash dividends, loans or advances. In addition, due to restrictions under PRC laws and regulations, our PRC subsidiaries and other consolidated entities are restricted in their ability to transfer their net assets to us in the form of dividend payments, loans or advances. In addition, under regulations of the State Administration of Foreign Exchange of the PRC (the “SAFE”), Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made.

Risks Associated with the Holding Foreign Companies Accountable Act

The U.S. Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted into law on December 18, 2020. Under the HFCA Act, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years (beginning with this annual report on Form 20-F), the SEC will prohibit our securities, including our ADSs, from being traded on a U.S. national securities exchange, including NASDAQ, or in the over-the-counter trading market in the U.S. The process for implementing trading prohibitions pursuant to the HFCA Acts will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate completely as a result of a position taken by a non-U.S. government, or the Relevant Jurisdiction, and such identified auditors, the PCAOB Identified Firms. The first list of PCAOB Identified Firms was included in a release by the PCAOB on December 16, 2021, or the PCAOB December 2021 Release. The SEC will review annual reports filed with it for fiscal years beginning after December 18, 2020 to determine if the auditor used for such reports was so identified by the PCAOB, and such issuers will be designated as “Commission Identified Issuers” on a list to be published by the SEC. If an issuer is a Commission Identified Issuer for three consecutive years (which will be determined after the third such annual report), the SEC will issue an order that will implement the trading prohibitions described above.

If we are unable to retain a PCAOB-registered auditor subject to PCAOB inspection and investigation, a trading prohibition for our ADSs could be issued shortly after our filing of the third consecutive annual report on Form 20-F for which we have retained a PCAOB Identified Firm. Our current independent accounting firm, Marcum Bernstein & Pinchuk LLP, whose audit report is included in this annual report on Form 20-F, is headquartered in Manhattan, New York, and was not included in the list of PCAOB Identified Firms in the PCAOB December Release. However, given that all PCAOB-registered firms in China were included on that list, our

ability to retain an auditor subject to PCAOB inspection and investigation may depend on the relevant U.S. and PRC regulators reaching an agreement to permit these inspections and investigations. Recent developments with respect to audits of China-based companies create uncertainty about the ability of Marcum Bernstein & Pinchuk LLP to fully cooperate with a PCAOB request for audit working papers without the approval of the Chinese authorities. Marcum Bernstein & Pinchuk LLP's audit working papers related to us are located in China. The PCAOB has not requested Marcum Bernstein & Pinchuk LLP to provide the copies of these audit working papers and as a result, Marcum Bernstein & Pinchuk LLP has not sought permission from the Chinese authorities to provide copies of these materials to the PCAOB, but there is no assurance that they would be able to obtain such permission. More broadly, the PCAOB entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections of the PCAOB-registered audit firms that audit Chinese companies that trade on U.S. exchanges. However, in the PCAOB December 2021 Release, the PCAOB identified problems in implementing these agreements and a lack of cooperation. Accordingly, we can offer no assurance that we will be able to retain an auditor that would allow us to avoid a trading prohibition for our securities under the HFCA Act.

In June 2021, the United States Senate passed a bill that would amend the HFCA Act to accelerate the imposition of trading prohibitions once an issuer is identified from three years to two years, and a companion bill was introduced in the U.S. House of Representatives on December 14, 2021. If this bill amending the HFCA Act is approved by both houses of Congress and signed by the President, our securities could be subject to a trading prohibition following our filing of a second consecutive annual report on Form 20-F in which our auditor for such reports is a PCAOB Identified Firm.

If our ADSs are subject to a trading prohibition under the HFCA Act, the price of our ADSs may be adversely affected, and the threat of such a trading prohibition would also adversely affect their price. If we are unable to be listed on another securities exchange that provides sufficient liquidity, such a trading prohibition may substantially impair your ability to sell or purchase our ADSs when you wish to do so. Furthermore, if we are able to maintain a listing of our ordinary shares on a non-U.S. exchange, investors owning our ADSs may have to take additional steps to engage in transactions on that exchange, including converting ADSs into ordinary shares and establishing non-U.S. brokerage accounts.

The HFCA Act also imposes additional certification and disclosure requirements for Commission Identified Issuers, and these requirements apply to issuers in the year following their listing as Commission Identified Issuers. The additional requirements include a certification that the issuer is not owned or controlled by a governmental entity in the Relevant Jurisdiction, and the additional requirements for annual reports include disclosure that the issuer's financials were audited by a firm not subject to PCAOB inspection, disclosure on governmental entities in the Relevant Jurisdiction's ownership in and controlling financial interest in the issuer, the names of Chinese Communist Party, or CCP, members on the board of the issuer or its operating entities, and whether the issuer's article's include a charter of the CCP, including the text of such charter.

In addition to the issues under the HFCA discussed above, the PCAOB's inability to conduct inspections in China and Hong Kong prevents it from fully evaluating the audits and quality control procedures of the independent registered public accounting firm. Our current independent registered public accounting firm, Marcum Bernstein & Pinchuk LLP, is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a regular basis with the last inspection in 2018 and an ongoing inspection that started in November 2020. However, as noted above, recent developments create uncertainty as to the PCAOB's continued ability to conduct inspections of our independent accounting firm, Marcum Bernstein & Pinchuk LLP. Moreover, our former independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, which was included as a PCAOB Identified Firm in the PCAOB December 2021 Release, is not currently inspected fully by the PCAOB. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of a China-based independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in the stock to lose confidence in the audit procedures and reported financial information and the quality of our financial statements.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

For risks associated with being based in or having the majority of the operations in China, see “—Risks Associated with Being Based in or Having the Majority of the Operations in China” as set forth at the outset of Part I.

We conduct operations through our subsidiaries in China. These subsidiaries are required to, and have obtained, the business licenses from local authorities for their operations. Other than the business licenses and relevant registration as a real estate brokerage enterprise, currently we are not required to obtain permissions from the CSRC, CAC or other entity in China for our operations in China. It is highly uncertain how existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated with respect to the approvals we need for our operations. If we mistakenly conclude that certain approvals are not required, or applicable laws, regulations, or interpretations change, we may be required to obtain approval in the future. We may not be able to obtain required approvals in a timely and cost-effective manner, or at all, which may adversely affect our operations, financial condition and reputation. See “—Risks Associated with Being Based in or Having the Majority of the Operations in China” as set forth at the outset of Part I for more details.

For the risks related to the HFCA Act, see “—Risks Associated with the Holding Foreign Companies Accountable Act” as set forth at the outset of Part I and “—Risk Factors—Risks Related to Doing Business in China—If the U.S. Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our ADSs. A trading prohibition for our ADSs, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections”

For the description of how cash is transferred through our organization, see “—How Cash Is Transferred through Our Organization” as set forth at the outset of Part I.

Condensed Consolidating Schedules

The following tables present the condensed consolidating schedules depicting the financial position, cash flows and results of operations for the Company, the consolidated VIE, our consolidated subsidiaries and any eliminating adjustments as of September 30, 2019, 2020 and 2021 and for FY 2019, FY 2020 and FY 2021. This table follows the line item disclosures with respect to the variable interest entity in Note 2 to the consolidated financial statements included elsewhere in this annual report.

	As of September 30, 2019					As of September 30, 2020					As of September 30, 2021				
	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)														
Cash and cash equivalents	101,157	55,926	2,716	—	159,799	6,015	15,227	1,637	—	22,879	1,355	10,982	3,980	—	16,317
Restricted cash	—	91,015	—	—	91,015	—	8,887	—	—	8,887	—	2,893	42	—	2,935
Accounts receivable	—	1,306	—	—	1,306	—	1,943	—	—	1,943	—	370	—	—	370
Amounts due from related parties	—	5,587	—	—	5,587	—	168	—	—	168	—	—	201	—	201
Prepaid rent and deposit	—	127,096	1,117	—	128,213	—	51,281	—	—	51,281	—	571	—	—	571
Advances to suppliers	—	64,028	—	—	64,028	—	16,043	—	—	16,043	—	5,323	7,610	—	12,933
Other current assets	1	146,316	242	—	146,559	—	44,400	57,403	—	101,803	—	97,978	45,365	—	143,343
Property and equipment, net	—	1,170,446	14,865	—	1,185,311	—	358,022	—	—	358,022	—	38,940	—	—	38,940
Intangible assets, net	—	1,240	8	—	1,248	—	222,123	—	—	222,123	—	539	151,925	—	152,464
Land use rights	—	10,734	—	—	10,734	—	10,448	—	—	10,448	—	—	—	—	—
Other assets	—	—	5,946	—	5,946	—	57,024	109	—	57,133	—	108	9,448	—	9,556
Intercompany receivables	522,124	—	57,513	(579,637)	—	1,385,814	—	—	(1,385,814)	—	1,465,312	—	—	(1,465,312)	—
Total assets	623,282	1,673,694	82,407	(579,637)	1,799,746	1,391,829	785,566	59,149	(1,385,814)	850,730	1,466,667	157,704	218,571	(1,465,312)	377,630

	As of September 30, 2019					As of September 30, 2020					As of September 30, 2021				
	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)														
Accounts payable	—	277,103	—	—	277,103	—	294,469	—	—	294,469	—	281,458	38,811	—	320,269
Amounts due to related parties	—	3,121	—	—	3,121	—	6,594	—	—	6,594	—	—	—	—	—
Deferred revenue	—	78,540	—	—	78,540	—	152,619	—	—	152,619	—	1,125	194,511	—	195,636
Short-term debt	—	319,103	—	—	319,103	221,328	540,808	—	—	762,136	210,776	256,773	91,156	—	558,705
Rental installment loans	—	756,749	—	—	756,749	—	54,505	—	—	54,505	—	33	18,061	—	18,094
Deposits from tenants	—	163,203	—	—	163,203	—	82,191	—	—	82,191	—	1,422	64,363	—	65,785
Payable for asset acquisition	—	—	—	—	—	—	—	165,808	—	165,808	—	—	—	—	—
Accrued expenses and other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
current liabilities	—	93,908	5,384	—	99,292	12,911	427,109	3,398	—	443,418	—	875,572	149,310	—	1,024,882
Long-term debt	—	428,345	—	—	428,345	—	464,920	—	—	464,920	—	201,041	—	—	201,041
Convertible note, net	—	—	—	—	—	206,466	—	—	—	206,466	313,870	—	—	—	313,870
Long-term deferred rent	—	387,739	—	—	387,739	—	212,054	—	—	212,054	—	—	—	—	—
Contingent earn-out liabilities	97,417	—	—	—	97,417	—	—	—	—	—	164,254	—	—	—	164,254
Intercompany payables	—	140,862	438,775	(579,637)	—	2,955,202	549,666	836,148	(4,341,016)	—	3,272,273	642,146	823,166	(4,737,585)	—
Deficit of investments in subsidiaries and consolidated VIE and VIE's subsidiaries	1,346,408	—	—	(1,346,408)	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	1,443,825	2,648,673	444,159	(1,926,045)	2,610,612	3,395,907	2,784,935	1,005,354	(4,341,016)	2,845,180	3,961,173	2,259,570	1,379,378	(4,737,585)	2,862,536
Total mezzanine equity	1,425,485	—	—	—	1,425,485	—	—	—	—	—	—	—	—	—	—
Total shareholders' deficit	(2,246,028)	(974,979)	(361,752)	1,346,408	(2,236,351)	(2,004,078)	(1,999,369)	(946,205)	2,955,202	(1,994,450)	(2,494,506)	(2,101,866)	(1,160,807)	3,272,273	(2,484,906)

	As of September 30, 2019					As of September 30, 2020					As of September 30, 2021				
	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated	The Company	Consolidated VIE	Consolidate Subsidiaries	Eliminations	Group Consolidated
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)														
Net revenues	—	1,233,770	—	—	1,233,770	—	965,093	242,870	—	1,207,963	—	173,921	862,285	—	1,036,206
Net (loss) income	(498,337)	(177,738)	(348,873)	526,611	(498,337)	(1,533,641)	(1,491,565)	(59,429)	1,550,994	(1,533,641)	(569,202)	(375,470)	(63,204)	438,674	(569,202)
Net cash provided by (used in) operating activities	(20,149)	393,847	(139,776)	(322,111)	(88,189)	(17,452)	72,293	—	—	54,841	(30,664)	(108,705)	29,708	—	(109,661)
Net cash (used in) provided by investing activities	(460,663)	(713,653)	(299,774)	1,122,640	(351,450)	(407,297)	(99,172)	(274,409)	642,208	(138,670)	(87,232)	—	(55,292)	136,038	(6,486)
Net cash provided by (used in) financing activities	530,002	392,388	447,708	(800,529)	569,569	329,839	(95,948)	273,393	(642,208)	(134,924)	113,236	98,466	25,937	(136,038)	101,601

The following table presents the roll-forward of deficit of investments in our subsidiaries and the consolidated VIE and its subsidiaries in FY 2019, FY 2020 and FY 2021.

	Investments in Subsidiaries and VIE RMB in thousand
Balance as of October 1, 2018	(1,101,475)
Investment in subsidiaries	346,572
Equity in earnings of the VIE	(177,738)
Equity in earnings of subsidiaries	(348,873)
Foreign exchange impact	(64,894)
Balance as of September 30, 2019	(1,346,408)
Equity in earnings of the VIE	(1,491,565)
Equity in earnings of subsidiaries	(59,429)
Foreign exchange impact	(57,800)
Balance as of September 30, 2020	(2,955,202)
Equity in earnings of the VIE	(375,470)
Equity in earnings of subsidiaries	(63,204)
Foreign exchange impact	121,603
Balance as of September 30, 2021	(3,272,273)

The following table presents the amount due from (due to) our subsidiaries and the consolidated VIE and its subsidiaries in FY 2019, FY 2020 and FY 2021.

Amount due from (due to) subsidiaries and the VIE	The Company	Consolidated VIE	Consolidated Subsidiaries
As of October 1, 2018	344,580	37,124	(381,704)
The Company transferred to the VIE	53,047	(53,047)	—
The Company transferred to the subsidiaries	101,136	—	(101,136)
The subsidiaries transferred to the VIE	—	(299,774)	299,774
Intercompany transactions	—	174,660	(174,660)
Impact of foreign exchange rate	23,361	175	(23,536)
As of September 30, 2019	522,124	(140,862)	(381,262)
The Company transferred to the VIE	143,314	(143,314)	—
The Company transferred to the subsidiaries	263,983	—	(263,983)
The subsidiaries transferred to the VIE	—	(234,911)	234,911
Intercompany transactions	478,081	(29,838)	(448,243)
Impact of foreign exchange rate	(21,688)	(741)	22,429
As of September 30, 2020	1,385,814	(549,666)	(836,148)
Reclassification	—	32	(32)
The Company transferred to the VIE	62,033	(62,033)	—
The Company transferred to the subsidiaries	25,199	—	(25,199)
The subsidiaries transferred to the VIE	—	(48,806)	48,806
Intercompany transactions	—	9,725	(9,725)
Impact of foreign exchange rate	(7,734)	8,602	(868)
As of September 30, 2021	1,465,312	(642,146)	(823,166)

We received comments from the staff of the Division of Corporation Finance of the Securities and Exchange Commission (the “Commission”) in September 2021 and submitted our responses to these comments in November 2021. We have also made applicable changes to reflect our responses to these comments in this annual report. After the Commission reviewed our responses submitted in November 2021, in January 2022, we received additional comments from the staff of the Commission. We have included the disclosure in this annual report pursuant to these additional comments, and are submitting our response letter to these comments to the Commission when filing this annual report.

B Capitalization and Indebtedness

Not applicable.

C Reasons for the Offer and Use of Proceeds

Not applicable.

D Risk Factors

Our business, financial condition and results of operations are subject to various changing business, competitive, economic, political and social conditions. In addition to the factors discussed elsewhere in this annual report, the following are some of the important factors that could adversely affect our operating results, financial condition and business prospects, and cause our actual results to differ materially from those projected in any forward-looking statements.

Summary of Risk Factors

- We have a limited operating history in an emerging and rapidly evolving market, which makes it difficult to evaluate our future prospects and results of operations and may increase the risk that we will not be successful. In addition, our historical growth and financial condition may not be indicative of our future growth, profitability, and financial condition.
- The report of our independent registered public accounting firm on our consolidated financial statements includes an explanatory paragraph questioning our ability to continue as a going concern. We recorded net losses in the past and may not be able to continue as a going concern or achieve or maintain profitability in the future.
- Our business requires significant capital expenditure for sourcing, renovation and maintenance of rental apartments. Inability to access financing on favorable terms in a timely manner or at all would materially and adversely affect our business, results of operations, financial condition and growth prospects.
- We depend on third parties for different aspects of our business and the services that we offer. Our business, results of operation, financial condition and reputation may be materially and adversely affected if the third parties do not continue to maintain or expand their relationship with us, or fail to provide services or products according to the terms of our contracts or otherwise below standard, or by the third parties operational failure.
- The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition. We also face risks related to other health epidemics, natural disasters, civil and social disruptions and other outbreaks and catastrophes, which could materially and adversely affect our results of operations and financial condition.
- Tenants may terminate their leases during lease terms, exposing us to the risk of re-leasing our rental apartments, which we may be unable to do on a timely basis, on favorable terms or at all.
- We have relied on our tenants' rental prepayments to finance our growth. To the extent a lease agreement is terminated during the rental period covered by the prepayment, we need to return the unused prepaid rentals. If a significant number of the lease agreements are terminated early, our liquidity and financial condition may be materially and adversely affected.
- We rely on our cooperation with a limited number of financial institutions.
- Capital and credit market conditions may adversely affect our access to capital and/or the cost of capital, which could impact our future prospects, results of operations and growth prospects.
- Our business is susceptible to China's macro-economic conditions, particularly the long-term apartment rental market and government measures aimed at China's real estate industry and apartment rental industry.
- Our expansion into new markets may present increased risk.

- Strategic investments, acquisitions or new business initiatives may disrupt our ability to effectively manage our business and adversely affect our operating results. In addition, to the extent we fund these business initiatives through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted.
- We have started and may continue to expand our business by acquiring lease contracts and related fixtures and equipment of rental units from other rental service companies, and have engaged and may engage more third-party contractors to manage these rental units. We may not be able to control the quality of sourcing, renovation, marketing, maintenance and other rental unit management activities or participate in the tenant screening process. The third-party contractors may not manage the rental units according to the terms of our contracts or otherwise below standard, or do not continue to maintain or expand their relationship with us. These may materially and adversely affect our business, results of operation, financial condition and reputation.
- We have been, and may from time to time be, subject to claims, controversies, lawsuits and other legal and administrative proceedings, which could have a material adverse effect on our business, results of operations, financial condition and reputation.
- Any negative publicity with respect to us, our employees, business partners, contractors, the VIE and its subsidiaries, the apartment rental industry in general, the rental installment loans, or our cooperation with other parties may materially and adversely affect our business and results of operations.
- If the U.S. Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our ADSs. A trading prohibition for our ADSs, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections.
- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and results of operations.
- Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us.
- We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.
- We rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business.
- The market price for the ADSs may be volatile.
- An active market for the ADSs may not be maintained.
- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for the ADSs and trading volume could decline.
- Conversion of the convertible notes and exercise of the warrants we issued may dilute the ownership interest of existing shareholders, including holders who had previously converted their convertible notes.

Risks Related to Our Business and Industry

We have a limited operating history in an emerging and rapidly evolving market, which makes it difficult to evaluate our future prospects and results of operations and may increase the risk that we will not be successful. In addition, our historical growth and financial condition may not be indicative of our future growth, profitability, and financial condition.

We have a limited operating history in the branded long-term apartment rental industry, which is an emerging and rapidly evolving market in China. In addition, we had experienced some material change to our business, such as the Equity Transfer. We may not continue our growth or maintain our historical growth rates or financial condition. For example, our number of rental units contracted decreased by 17.5% from September 30, 2019 to September 30, 2020 and by 23.6% from September 30, 2020 to September 30, 2021, compared to an increase of 3.2% from September 30, 2018 to September 30, 2019. You should not consider our historical growth or financial condition as indicative of our future performance.

You should consider our future operations in light of the challenges and uncertainties that we may encounter. These risks and challenges include, among other things:

- changes in national, regional or local economic, demographic or real estate market conditions;
- changes in laws and policies on rental housing, including but not limited to rent control laws or tenant protection laws;
- changes in job markets and employment levels on a national, regional and local basis;
- health epidemics, pandemics and similar outbreaks, including COVID-19;
- overall conditions in the rental market, including:
 - macroeconomic shifts in demand for rental homes;
 - inability to lease or re-lease homes to tenants on a timely basis, on attractive terms or at all; and
 - development of branded apartment rental industry in China;
- our ability to integrate strategic investments, acquisitions and new business initiatives;
- failure of tenants to pay rent when due or otherwise perform their obligations in connection with the lease;
- significant number of early terminations of leases;
- level of competition for suitable rental homes;
- our ability to expand and manage our apartment network and maintain rapid business growth;
- our ability to manage our procedures, control and systems under different business models, including for rental apartments managed by our apartment managers or by third-party contractors;
- our ability to maintain high occupancy rate and target rent levels;
- our ability to raise rents;
- costs and time period required to renovate rental homes;
- unanticipated repairs, capital expenditures or other costs;
- our ability to maintain or renew favorable terms with financing partners and other strategic partners;
- our ability to maintain, deepen and broaden cooperation with financial institutions, service providers and other third parties;

- our ability to develop more value-added products and services;
- our ability to effectively control our operating costs and expenses;
- our ability to maintain the proper functioning of our technology systems and infrastructure;
- disputes and potential negative publicity in connection with early termination of leases with landlords, rental collection, eviction proceedings, quality control and other aspects of our business;
- costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental or safety problems;
- decoration and supply capabilities;
- our ability to increase our brand awareness;
- our ability to attract and retain employees; and
- changes in U.S. accounting standards regarding operating leases.
- In addition, we utilize a lease-and-operate model, under which we lease apartments, usually in bare-bones condition, and lease to tenants after renovation. Therefore, we are also subject to the risks inherent in a lease-and-operate model, including:
 - upfront capital outlay for apartment sourcing and renovation;
 - ongoing capital needs to maintain and operate apartments; and
 - mismatch between our lease term with landlords, which generally provides a lease-in contract lock-in period of five to six years, subject to the extension for another two to three years at the option of landlords, and our lease term with tenants, which generally has a contracted term of 12 months and an average lock-in period of 11.4 months in FY 2021.

Any one or more of these factors could adversely affect our business, financial condition and results of operations.

The report of our independent registered public accounting firm on our consolidated financial statements includes an explanatory paragraph questioning our ability to continue as a going concern. We recorded net losses in the past and may not be able to continue as a going concern or achieve or maintain profitability in the future.

We incurred net losses in FY 2019, FY 2020 and FY 2021 of RMB498.3 million, RMB1,533.6 million and RMB569.2 million (US\$88.3 million), respectively. As of September 30, 2021, we had an accumulated deficit of RMB4,378.7 million (US\$679.6 million). Our net cash used in operating activities was RMB88.2 million for FY 2019, our net cash generated from operating activities was RMB54.8 million for FY 2020 and our net cash used in operating activities was RMB109.7 million (US\$17.0 million) for FY2021. Our balance of cash and cash equivalents has fluctuated and amounted to RMB159.8 million, RMB22.9 million and RMB16.3 million (US\$2.5 million) as of September 30, 2019, 2020 and 2021, respectively. As of September 30, 2019, 2020 and 2021, our current liabilities exceeded our current assets by RMB1,100.6 million, RMB1,758.7 million and RMB2,171.0 million (US\$336.9 million), respectively. Furthermore, in July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. To finance this acquisition, in July 2020, we issued series 1 and series 2 convertible notes in the aggregate principal amount of US\$30.050 million at par and warrants to purchase 104,871 ADSs to Key Space (S) Pte Ltd and Veneto Holdings Ltd., and subsequently, from September 2020 to January 2022, we issued additional series 1 and series 2 convertible notes in the aggregate principal amount of US\$20.8 million at par and warrants to purchase 313,966 ADSs to Key Space (S) Pte Ltd, pursuant to the convertible notes and warrant purchase agreements. In May 2021, the remaining consideration for the acquisition consisted of US\$23.2 million in cash and RMB289.7 million worth of our Class A ordinary shares, and we entered into supplemental agreements with the rental service company and its affiliates, pursuant to which we settled the remaining consideration by delivering 186,375,850 Class A ordinary shares to them. They are entitled to sell these Class A ordinary shares in the open market, subject to certain lock-up arrangements. Among the 186,375,850 Class A ordinary shares delivered, we are obliged to (i) make up the

shortfall if the proceeds they receive from the sale of 57,786,458 Class A ordinary shares are lower than US\$0.4014 per share and (ii) repurchase 20,860,749 Class A ordinary shares at US\$0.4015 per share in installments if they do not trade these shares in the open market, subject to the terms and conditions set forth in the agreements with them. We will also issue in installments, to a third-party contractor that manages the rental units as previously announced, up to 99.6 million Class A ordinary shares, subject to certain performance indicators and other terms and conditions set forth in the agreement. In addition, our operations have been affected by the COVID-19 pandemic. See “—The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition. We also face risks related to other health epidemics, natural disasters, civil and social disruptions and other outbreaks and catastrophes, which could materially and adversely affect our results of operations and financial condition.” These factors raise substantial doubt about our ability to continue as a going concern. We have adopted a series mitigation plans and actions as discussed in “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.” However, future financing requirements will depend on many factors, including the scale and pace of the expansion of our apartment network, our efficiency in apartment operation, including apartment renovation and pricing, the expansion of our sales and marketing activities, and potential investments in, or acquisitions of, businesses or technologies, and there can be no assurance that these plans and arrangements will be sufficient to fund our ongoing capital expenditures, working capital, and other requirements. Inability to access financing on favorable terms in a timely manner or at all would materially and adversely affect our business, results of operations, financial condition, and growth prospects.

The report of our independent registered public accounting firm on our consolidated financial statements included elsewhere in this annual report includes an explanatory paragraph questioning our ability to continue as a going concern. Our financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. If we are unable to continue as a going concern or achieve or maintain profitability, we may have to liquidate our assets, and the value we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our audited consolidated financial statements. If we cease operations, it is likely that all of our investors would lose their investment. Our lack of cash resources and our potential inability to continue as a going concern may materially and adversely affect the price of our ADSs and our ability to raise new capital or to continue our operations.

In addition, we will need to generate increased revenue levels in future periods to become profitable, and, even if we do, we may not be able to maintain or improve profitability as we intend to continue to spend significant funds to expand our operations, including expanding our apartment network, developing and enhancing our technology systems and infrastructure, and expanding offerings of other value-added services. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue immediately or significantly to offset our operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this annual report, and unforeseen expenses, difficulties, complications and delays and other unknown events.

Our business requires significant capital expenditure for sourcing, renovation and maintenance of rental apartments. Inability to access financing on favorable terms in a timely manner or at all would materially and adversely affect our business, results of operations, financial condition and growth prospects.

We recorded negative working capital. As of September 30, 2019, 2020 and 2021, our current liabilities exceeded our current assets by RMB1,100.6 million, RMB1,758.7 million and RMB2,171.0 million (US\$336.9 million), respectively. Our capital expenditures totaled RMB172.1 million, RMB138.7 million and RMB6.5 million (US\$1.0 million) in FY 2019, FY 2020 and FY 2021, respectively. We are in need of additional funding to sustain and expand our business, and we have formulated a plan to address our liquidity problem, including but not limited to, obtaining proceeds from our tenants’ rental prepayment, and adoption of a stringent cash management policy. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.” Our management reviews our forecasted cash flows on an on-going basis to ensure that we will have sufficient capital from a combination of internally generated cash flows and proceeds from financing activities, if required, in order to fund our working capital and capital expenditures. We believe that adequate sources of liquidity will exist to fund our working capital and capital expenditures, and to meet our short-term debt obligations, other liabilities and commitments as they become due.

We utilize a lease-and-operate model. Under this model, we may incur substantial upfront capital outlay before we start to generate revenues on the relevant apartments. These include capital outlay for market research and evaluation of the target geographic area for expansion, apartment searching, prepayment of a few months’ rental to our landlords, and renovation of the apartments we lease, which may be in bare-bone condition, to add an additional bedroom and make them suitable for lease-out to tenants. We followed a disciplined and systematic process to expand our apartment network, involving comprehensive market research, site visits and other preparation work, during which period we may incur substantial operating costs and expenses. After we have identified the geographic area to expand into and available apartments to lease, the typical period from the time we enter into a lease agreement with landlords to successfully leasing out the apartment and receiving the first rental payments from tenants is approximately 30 days as of

September 30, 2021, which may be significantly extended due to some factors that are beyond our control, including but not limited to, substantial delay during the renovation period due to third-party contractors' default, and inability to attract and retain tenants in a timely manner due to apartment rental market condition. Inability to timely access financing on favorable terms or at all would materially and adversely affect our apartment sourcing and expansion, which could materially and adversely affect our future business, results of operations, financial condition and growth prospects.

In addition, our rental apartments have infrastructure and appliances of varying ages and conditions. In order to maintain and operate our rental apartments, ongoing renovations and other leasehold improvements, including periodic home cleaning and replacement of furniture, fixtures and equipment, are required. These investments and expenditures also require ongoing funding and, to the extent we cannot fund these expenditures from our existing cash or cash flow generated from operations, we must borrow or raise capital through financing. If we fail to access capital that are necessary to maintain or improve the rental apartments, our rental apartments' attractiveness could be reduced, we could lose market share to our competitors and our occupancy rates may decline.

We cooperated with financial institutions which provide rental installment loans to our tenants to finance their rental prepayments, which have helped us finance our capital expenditure for apartment sourcing, renovation, and ongoing apartment maintenance and operation. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants. As of September 30, 2020, 1.4% of rental payment made by our tenants had been facilitated by rental installment loans. However, the Opinions on Rectification and Normalization of Home-rental Market, which became effective on December 13, 2019, requires that a residential rental company, such as us, shall make sure that the total rental income it receives through rental installment loan does not exceed 30% of the rental income of such company by the end of 2022. Moreover, the Measures on Residential Tenancy (Discussion Draft) published by the Ministry of Housing and Urban-Rural Development of the PRC, or the MOHURD, for public discussion in September 2020, which has not taken effect as of the date of this annual report, state that (i) residential rental operators are prohibited from inducing tenants to utilize rental installment loans by providing rental discounts or by including any term of rental installment loans in the rental agreement; and (ii) commercial banks may extend a rental installment loan only if the lease agreement has been registered with local housing bureau and the term of the loan does not exceed the duration of the tenancy. Furthermore, the Opinions on Strengthening Regulation on Light-asset Residential Rental Enterprises published in April 2021 by, among other government authorities, the Ministry of Housing and Urban-Rural Development of the PRC, or the MOHURD, state that residential rental enterprises shall not conduct any financial business and shall not induce tenants to utilize rental installment loans by providing rental discounts or by including any term of rental installment loans in the rental agreement. We cannot assure you that we can find alternative sources of financing and our business operations, cash flow or financial condition would not be negatively affected by significantly reducing the percentage of our rental income received through rental installment loan.

We depend on third parties for different aspects of our business and the services that we offer. Our business, results of operation, financial condition and reputation may be materially and adversely affected if the third parties do not continue to maintain or expand their relationship with us, or fail to provide services or products according to the terms of our contracts or otherwise below standard, or by the third parties operational failure.

We rely on third parties for different aspects of our business, including apartment sourcing, renovation, leasing out, management and maintenance. Currently, substantially all of our rental units are sourced and managed by third-party contractors. In addition, we rely on third parties for the provision of value-added services to our tenants. Selecting, managing and supervising these third-party service providers requires significant resources and expertise. Poor performance by such third-party service providers or misconduct or fraud on the part of their employees may reflect poorly on us and could significantly damage our reputation among desirable tenants. In the event of fraud or misconduct by a third party, we could also be exposed to material liability and be held responsible for damages, fines or penalties and our reputation may suffer. If we do not select, manage and supervise appropriate third parties to provide these services and products, our reputation and financial results may suffer.

The service or cooperative agreements we have with third party vendors, service providers or strategic partners are subject to a term, and not on an exclusive basis. If the third-party service providers or strategic partners do not continue to maintain or expand their relationship with us, we would be required to seek new service providers or partners, which would cause delays and adversely affect our operations and the range and quality of the products and services that we offer. Moreover, our strategic partner may compete with us or enter into strategic cooperation with our competitors, which may materially and adversely affect our business and competitive position.

For example, we engage outside contractors for apartment sourcing and management functions. As of September 30, 2021, we had 1,680 apartment managers, all of whom was from our outside contractors. Although the apartment managers and agents for apartment sourcing are supervised by our regional supervisors who are our own employees at more senior positions, we cannot assure you that those from outside contractors will provide services that meet our requirements. Besides, the outside contractors may not

continue to maintain or expand their relationship with us, and we may not be able to acquire additional apartment managers or agents for apartment sourcing on a timely manner or at all. These may materially and adversely affect our business, financial condition and results of operation.

Moreover, we engage third-party contractors and suppliers for our rental apartments' renovation. If these contractors or suppliers fail to finish the renovation on schedule or below standard, we may incur additional costs and delay to make our apartment suitable for leasing, and may not be able to rent out the apartments in a timely manner and with favorable terms, or at all. Below quality renovation may also expose us to potential complaints from tenants on the conditions of the apartments, including safety hazards as well as significant maintenance and repair costs. In addition, although it is our third-party contractors and suppliers' responsibility for the salaries of their employees, we may become a target towards which such employees demand their unpaid salaries if our third-party contractors and suppliers withhold or unreasonably deduct their salaries. Pursuant to the PRC Civil Code, where a debtor defaults on its debt obligations, the creditor shall be entitled to retain the already lawfully possessed movable property of the debtor, and have a priority over the movable property in satisfaction of its claim. Despite the fact that the decoration material are legally owned by us, not the third-party contractors or suppliers, we cannot eliminate the possibility that the unpaid employees may retain the decoration materials as a relief they think reasonable. As a result, we request our third-party contractors and suppliers to provide the evidence of payment once the salaries of their employees who have been involved in renovation and maintenance of our rental apartments are paid. However, we cannot assure you that we will not be sued or investigated for our third-party contractors or suppliers' unpaid salaries, or requested by the local governments to compensate such unpaid employees which may materially and adversely affect our reputation, financial condition and results of operation.

Furthermore, we cooperate with third parties for home cleaning, broadband internet access and other products and services to our tenants. Our customer satisfaction may be adversely affected as a result of any disruption or termination of services of our service provider or partners. In addition, our service providers frequently interact with our tenants. Notwithstanding our efforts to implement and enforce strong policies and practices regarding service providers, we may not successfully detect and prevent fraud, misconduct, incompetence, of our service providers including their employees or stability of their services, which may adversely affect our business and reputation.

The COVID-19 outbreak has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition. We also face risks related to other health epidemics, natural disasters, civil and social disruptions and other outbreaks and catastrophes, which could materially and adversely affect our results of operations and financial condition.

We may be subject to social and natural catastrophic events that are beyond our control, such as health epidemics, natural disasters, civil and social disruptions and other outbreaks and catastrophes, which may materially and adversely affect our business, particularly in locations where we operate.

Since December 2019, a novel strain of coronavirus, or COVID-19, has become widespread in China and around the world. In March 2020, the World Health Organization declared the spread of COVID-19 a pandemic after characterizing it as a public health emergency of international concern in January 2020. Since the beginning of 2020, China has taken various restrictive measures to contain the spread of COVID-19, such as quarantines, travel restrictions and home office policies. This has resulted in a material and negative effect on the economy and apartment rental market in China and caused significant loss of our tenants, decrease in our occupancy rates and decrease in average rental rates of our rental units, particularly in the quarters ended March 31, 2020 and June 30, 2020, which in turn resulted in a decrease in our revenue. In FY 2020, our average month-end occupancy rate and the rental spread margin before discount for rental prepayments decreased as compared with FY 2019 mainly due to the impact of the COVID-19, pandemic. In addition, some of our employees and business partners were unable to return to work timely during the COVID-19 pandemic in China, which temporarily interrupted our operation. As a result, our business, results of operations and financial condition have been adversely affected by the COVID-19 pandemic.

In response to the challenges and uncertainties resulting from the COVID-19 pandemic and its impact on our business, we have actively taken actions including, but not limited to, reducing our costs and expenses, controlling our number of rental units contracted by reducing leases with landlords given the decrease in occupancy rate, taking necessary measures to sanitize our working spaces and apartments, modifying and terminating the cooperation with the rental service company owned by a state-owned bank, seeking additional financial support from banks and financial institutions and seeking consolidation opportunities through acquiring high quality assets.

As the COVID-19 pandemic has been under control in China, the apartment rental market and our business have been steadily recovering. However, because the situation of COVID-19 is very fluid, we cannot predict whether or when the spread of COVID-19 may recur in China or worldwide. We have offered, and may continue to offer, promotions to our tenants, such as discounts on the

rentals we charge our tenants for, so as to retain tenants and maintain our occupancy rate. Moreover, we will continue to monitor the quality of our rental units contracted, available rental units and other asset portfolio, and seek additional source of funds and acquisition opportunities. Our business, results of operations, financial conditions and prospects may be materially and adversely affected if another wave of the COVID-19 pandemic or epidemic of another disease occur.

Tenants may terminate their leases during lease terms, exposing us to the risk of re-leasing our rental apartments, which we may be unable to do on a timely basis, on favorable terms or at all.

Our leases with tenants typically have a contracted lease term of 3 to 12 months. In FY 2021, our tenants stayed in our rental units for an average duration of 8.2 months. A majority of our lease-out agreements include a lock-in period (during which termination will result in forfeiture of the security deposit) equals to the contracted lease term. If the market rental rates decline, we anticipate our rental revenues may be affected greater than if our leases were for longer terms. For example, the market rental rates may decline if another wave of COVID-19 outbreak occurs in regions where we operate. Short-term leases may result in high turnover, which involves costs such as restoring the rental apartments, marketing costs and lower occupancy levels. Our estimates on tenant turnover rate and related cost may be less accurate than if we had more operating data upon which to base such estimates. On the other hand, we are subject to a five to six-year lease-in contract lock-in period, during which neither landlords nor us may terminate the lease without paying a penalty equal to the rentals for the remaining lease-in contract lock-in period, and continue to incur rental costs. If our monthly rentals received from tenants decrease or our tenants do not continue to stay with us, our business, results of operations and financial conditions will be materially and adversely affected.

In addition, tenants may terminate the lease during the lock-in period, subject to the forfeiture of their security deposits. In FY 2021, 38.7% of our leases with tenants were terminated before the expiration of the applicable lock-in period, decreased from 72.6% in FY 2020 mainly attributable to gradual recovery from the impact of COVID-19 pandemic in 2021 in China. In FY 2021, 61.3% of our leases with tenants remained in their rental units through the end of the contracted lease term. Our liquidity may be materially and adversely affected by tenants' early termination. See "—We have relied on our tenants' rental prepayments to finance our growth. To the extent a lease agreement is terminated during the rental period covered by the prepayment, we need to return the unused prepaid rentals. If a significant number of the lease agreements are terminated early, our liquidity and financial condition may be materially and adversely affected." To the extent tenants terminate the lease during the lease term, our business, results of operation and financial condition may be materially and adversely affected.

We have relied on our tenants' rental prepayments to finance our growth. To the extent a lease agreement is terminated during the rental period covered by the prepayment, we need to return the unused prepaid rentals. If a significant number of the lease agreements are terminated early, our liquidity and financial condition may be materially and adversely affected.

We subsidize the interests on the rental installment loans, which the tenants use to finance rental prepayments. In the event of rental installment loans, we typically receive from our financial institution partners a lump-sum payment covering the contracted lease term, which we can use to finance our growth without restrictions. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants. These rental prepayments have helped us finance our capital expenditure for apartment sourcing, renovation, and ongoing apartment maintenance and operation.

However, our tenant may terminate the lease agreement during the rental period covered by the prepayment, subject to the forfeiture of his/her security deposit should such termination take place during the lock-in period. In addition, we may terminate the lease agreement with a tenant, for example, if the tenant defaults on the repayment of his/her rental installment loan, which is granted by our financial institution partner and used by the tenant to finance his/her rental prepayment.

To the extent a lease agreement is terminated before the rental period covered by the prepayment, whether by the tenant or by us, we shall, upon such termination, return the unused prepaid rents, typically in a lump sum, to the tenant, or to our financial institution partner where the tenant has used the rental installment loan granted by such financial institution to finance his/her rental prepayment. Since tenants who prepay rental for certain lease period can enjoy rental discount for the applicable lock-in period, and tenants who terminate the lease within the lock-in period are subject to forfeiture of their security deposits, our tenants may be incentivized to terminate their lease around the end or shortly after the expiry of the applicable lock-in period. In FY 2021, 38.7% of our terminated leases with tenants were terminated during the rental period covered by the prepayment. When a significant number of lease agreements are terminated during the rental period covered by the rental prepayments, we may not have sufficient immediate funds to return all unused rents, and we may not be able to timely re possess the apartments and identify new tenants. See "—Our results of operation, financial condition, and reputation would be adversely affected if a significant number of our tenants fail to meet their obligations in connection with the lease." Failure to adequately manage our cash and liquidity could adversely affect our business, financial condition, results of operations and cash flows.

We rely on our cooperation with a limited number of financial institutions.

As of September 30, 2021, we cooperated with three financial institutions, which provide rental installment loans to our tenants to finance their rental prepayments. In line with industry practice, we provide guarantee and may also provide additional credit enhancement in the form of security deposits to our financial institution partners with respect to tenants' repayment of the rental installment loans. As of September 30, 2021, rental payment of 1.4% of our occupied rental units had been facilitated by rental installment loans. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants.

In addition, in August 2018, we started to cooperate with a rental service company owned by a state-owned bank in apartment sourcing and renovation. Under this model, for certain newly sourced apartments, we continue to be responsible for the entire operating process, including identifying potential apartments for rent, rental pricing and procuring and paying for apartment renovation. Once we have finished the renovation, the rental service company reimburses us for our costs incurred for the renovation. We make payments to the rental service company in installments equal to the reimbursed renovation costs plus interest and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to us. Under this arrangement, we also sell leasehold improvements and furniture, fixtures and equipment of certain existing apartments to the rental service company at carrying value and simultaneously lease them back. The cooperation has provided us with access to a stable source of low-cost capital to finance our apartment renovation upfront, which helps us scale in a cost efficient manner. Due to the rising vacancy rate of our rental units caused by the COVID-19 pandemic, we decreased the number of apartment contracted by terminating some of the leases with landlords under this model. In April 2020, we also started to modify this cooperation for apartments in certain cities. For some apartments under this model, we no longer lease in apartments from the rental service company or enter into new lease-out agreements with tenants. Instead, we transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and enters into lease-out agreements with new tenants directly. We are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, we are responsible for hiring and supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, we are required to pay the rental service company this difference. We had transferred 25,375 of our rental units contracted and managed these rental units under this modified cooperation.

If our financial institution partners reduce, discontinue or do not expand their cooperation with us, for example, as a result of changes in regulatory landscape, tightening of the credit market, default by a significant number of our tenants or otherwise, we may not be able to find alternative sources of financing on similar or better terms in a timely manner or at all, and as a result, our business, financial condition and growth prospects may be materially and adversely affected.

Capital and credit market conditions may adversely affect our access to capital and/or the cost of capital, which could impact our future prospects, results of operations and growth prospects.

In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use external financing to fund our expansion and renovation. If sufficient sources of external financing are not available to us on cost-effective terms, we could be forced to limit our expansion and renovation and/or take other actions to fund our business activities. If economic conditions deteriorate or credit market tightens, there can be no assurance that the scope of cooperation with those financial institutions would not be terminated or reduced. To the extent that we are able and/or choose to access capital at a higher cost than we have experienced in recent years, absent changes in other factors, our earnings per share and cash flows could be adversely affected. In addition, the price of our ADSs may fluctuate significantly and/or decline in a high interest rate or volatile economic environment.

In addition, rising interest rates could increase interest costs and could affect our ability to become profitable. We currently have, and may in the future incur floating interest rate debt, which subject us to interest risks. See “—Our outstanding and future indebtedness and capital lease and other financing arrangement payable may adversely affect our available cash flow and our ability to operate our business. In addition, we may not be able to obtain additional capital when desired, on favorable terms or at all.” In addition, we pay the interest on our tenants' rental installment loans, which also exposes us to the risks associated with rising interest. If interest rates increase, our financing costs will also rise and our ability to become profitable could be adversely affected.

Our business is susceptible to China’s macro-economic conditions, particularly the long-term apartment rental market and government measures aimed at China’s real estate industry and apartment rental industry.

We conduct our apartment rental services business in China. Our business depends substantially on conditions of China’s real estate industry, particularly the apartment rental industry. Demand for rental apartments in China has grown steadily in recent years before the outbreak of COVID-19, but the growth is often coupled with volatility and fluctuations in real estate transaction volume and prices as well as the employment rate, and was materially and adversely affected by the COVID-19 pandemic. Fluctuations of supply and demand in China’s real estate industry and apartment rental industry are caused by economic, social, political and other factors outside our control. The Chinese economy has shown slower growth since 2012 compared to the previous decade, and this trend is likely to continue.

We target young people, including recent college graduates, entry level white collar workers and industry workers in cities with strong economic growth, net inflow of people, ambitious urban development plans and favorable policies supporting the development of the apartment rental market. Any severe or prolonged slowdown in China’s economy, and slowdown or discontinuation of urbanization in our target markets may materially and adversely affect our business, financial condition and results of operations. In addition, there may be situations where China’s residential real estate industry becomes over-heated and our platform becomes less appealing to tenants, landlords and our business partners, which could potentially adversely affect our business. Our occupancy levels and rental rates mainly depend on demands from our target tenants in the target markets. We have benefited in recent periods from the growth of the economy, rapid urbanization and geographic concentration affecting the real estate markets and apartment rental markets, including, in particular:

- soaring prices of residential real estates and extremely stringent home-buying requirements in top-tier cities in China that have made it more difficult to purchase apartments, particularly for our target customers;
- favorable rental-related policies and other government support for increased rental options;
- increased number of “non-resident” population in top tier cities in China;
- favorable interest rates for financing and a strong and healthy credit market; and
- mismatch of supply and demand in China’s long-term apartment rental market.

We do not expect these favorable trends in the apartment rental market to continue indefinitely. Lowered apartment purchase prices that make it more accessible to own apartments, unfavorable policies for the apartment rental markets or decrease of “non-resident” population in top tier cities may adversely affect the apartment rental market. A softening of the apartment rental market in our target areas would materially and adversely affect our business, financial condition and results of operations.

In recent years, PRC governmental authorities put forward favorable rental related policies, including but not limited to, increasing rental housing supply, encouraging the development of modern rental companies, and reducing rental income taxes. These policies have in part driven our growth.

Meanwhile, the PRC governmental authorities also enact certain criteria to regulate the apartment rental market. For example, the State Council of the PRC promulgated Several Opinions of the General Office of the State Council on Accelerating the Cultivation and Development of the Home-Rental Market in 2016, which require the local housing authorities to strengthen the administration of the home-rental market participants, including residential tenancy enterprises, intermediary agencies and professionals, in coordination with relevant departments, and keep credit records of relevant market participants. Moreover, the MOHURD published the Measures on Management of Residential Tenancy and Home Sales (Discussion Draft) for public discussion in May 2017, which require the relevant PRC authorities to enhance scrutiny on (i) the terms of duration and rent adjustments in lease agreements, (ii) the filing of lease agreements, and (iii) residential tenancy enterprises. In addition, the Measures on Residential Tenancy (Discussion Draft) published by the MOHURD for public discussion in September 2020, which has not taken effect as of the date of this annual report, state that (i) residential rental operators are prohibited from inducing tenants to utilize rental installment loans by providing rental discounts or by including any term of rental installment loans in the rental agreement; and (ii) commercial banks may extend a rental installment loan only if the lease agreement has been registered with local housing bureau and the term of the loan does not exceed the duration of the tenancy. Furthermore, the Opinions on Strengthening Regulation on Light-asset Residential Rental Enterprises, published in April 2021, set out regulatory measures on various aspects, including standards of qualification, online registration and filing of business operation, limitation and supervision on utilization of loans and monitoring of rents. If the PRC governmental authorities adopt any prohibitive measures or policies with respect to rental housing, or the interpretation of current laws and

regulations relating to the apartment rental market becomes more restrictive and rigorous, they may depress the apartment rental market, dissuade potential tenants from renting apartments, and cause a decline in average rental rates. Frequent changes in government policies may also create uncertainty that could discourage investment in real estate. Our business may be materially and adversely affected as a result of decreased demand of rental apartments that may result from government policies.

Our expansion into new markets may present increased risk.

We plan to expand in our existing cities and enter new cities which we believe have strong growth potential, for example, cities with strong economic growth, net inflow of people, ambitious urban development plans and favorable policies supporting the development of the branded long-term apartment rental market. To the extent our predictions or judgment on the market growth turn out to be inaccurate, we may not have sufficient supply or demand in the market to support our growth or achieve profitability. If we cannot maintain or increase occupancy levels and rental rates in our target markets to keep pace with rising costs of rents, renovation and operations, our business, results of operations, and financial condition may be adversely affected. See “—Our business is susceptible to China’s macro-economic conditions, particularly the long-term apartment rental market and government measures aimed at China’s real estate industry and apartment rental industry.”

We followed a disciplined and systematic process to expand our apartment network, involving comprehensive market research, site visit and other preparation work. In addition, as we expand into new geographic areas, it takes time to ramp up the occupancy rate to our target level. During the ramp up period, we may continue to incur upfront renovation costs and other operating costs and expenses without generating corresponding net revenues.

In addition, we may not be able to replicate our success in existing cities to new cities we target in a timely manner or at all, as they may have different regulatory and competitive landscape. This may adversely affect our results of operations and growth prospects.

For example, to replenish and expand our rental units portfolio, in July 2020, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. Due to our lack of experience and recourses in regions that are new to us, we may not be able to operate and manage these rental units in an efficient and effective way, or at all. This may adversely affect our results of operations and growth prospects.

Strategic investments, acquisitions or new business initiatives may disrupt our ability to effectively manage our business and adversely affect our operating results. In addition, to the extent we fund these business initiatives through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted.

We may acquire or make investments in other companies, business, products, technologies or other assets along our business value chain to complement and expand our business. We may not be able to find suitable acquisition or investment candidates, and we may not be able to complete acquisition and investment on favorable terms, or at all. If we do not complete acquisition and investment as we expect, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisition and investment we complete could be viewed negatively by investors. In addition, to the extent we fund these business initiatives through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. Furthermore, if we fail to successfully integrate such acquisitions or the technologies or other assets associated with such acquisitions into our company, the revenues and operating results of the combined company could be adversely affected. Acquisitions and investments are inherently risky and may not be successful, and they may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to greater-than-expected liabilities and our expenses, and adversely impact our business, financial condition, operating results, and cash flows.

For example, to replenish and expand our rental units portfolio, in July 2020, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. To finance this acquisition, in July 2020, we issued series 1 and series 2 convertible notes in the aggregate principal amount of US\$30.050 million at par and warrants to purchase 104,871 ADSs to Key Space (S) Pte Ltd and Veneto Holdings Ltd., and subsequently, from September 2020 to January 2022, we issued additional series 1 and series 2 convertible notes in the aggregate principal amount of US\$20.8 million at par and warrants to purchase 313,966 ADSs to Key Space (S) Pte Ltd, pursuant to the convertible notes and warrant purchase agreements. In May 2021, the remaining consideration for the acquisition consisted of US\$23.2 million in cash and RMB289.7 million worth of our Class A ordinary shares and we entered into supplemental agreements

with the rental service company and its affiliates, pursuant to which we settled the remaining consideration by delivering 186,375,850 Class A ordinary shares to them. They are entitled to sell these Class A ordinary shares in the open market, subject to certain lock-up arrangements. Among the 186,375,850 Class A ordinary shares delivered, we are obliged to (i) make up the shortfall if the proceeds they receive from the sale of 57,786,458 Class A ordinary shares are lower than US\$0.4014 per share and (ii) repurchase 20,860,749 Class A ordinary shares at US\$0.4015 per share in installments if they do not trade these shares in the open market, subject to the terms and conditions set forth in the agreements with them. We will also issue in installments, to a third-party contractor that manages the rental units as previously announced, up to 99.6 million Class A ordinary shares, subject to certain performance indicators and other terms and conditions set forth in the agreement.

We would need to integrate the rental units from asset acquisitions into our business, including but not limited to, integration of the systems and personnel to operate the rental units. As we lack experience in the integration and operation of rental units in regions that are new to us, we may not be able to integrate the rental units into our business in a cost-effective and timely manner, or at all. This integration also requires our management to allocate resources and time from rental units we currently operate and manage to these rental units. In addition, in the process of integrating these rental units, we may continue to rely on the information systems provided by the rental service company to operate these rental units before we transfer all required operating information to our own systems. We cannot ensure that the system provided by the rental service company, which may collect and store sensitive data of third parties, is secured and reliable. These may adversely impact our business, financial condition, operating results and cash flows.

We have started and may continue to expand our business by acquiring lease contracts and related fixtures and equipment of rental units from other rental service companies, and have engaged and may engage more third-party contractors to manage these rental units. We may not be able to control the quality of sourcing, renovation, marketing, maintenance and other rental unit management activities or participate in the tenant screening process. The third-party contractors may not manage the rental units according to the terms of our contracts or otherwise below standard, or do not continue to maintain or expand their relationship with us. These may materially and adversely affect our business, results of operation, financial condition and reputation.

In July 2020, one of our subsidiaries entered into agreements with a rental service company, Great Alliance Co-living Limited, and its affiliates to acquire lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China to replenish our rental units portfolio. Unlike rental units we directly operate and manage, these rental units had been renovated at the time we acquired the lease contracts. We have carried out due diligence to verify the authenticity and the quality of these rental units, including but not limited to site visits, calls with landlords and tenants of these rental units, and verification of the operating data such as occupancy rate and rental margin of these rental units provided by the rental service company. However, as these rental units are not sourced, renovated or furnished using our system, we did not monitor these processes and therefore we cannot ensure the quality of these rental units.

We have engaged a third-party contractor to manage these rental units, including but not limited to marketing, maintenance, tenant screening, communications with landlords and tenants. We take measures to supervise and control the quality of the contractor's management, including but not limited to monitoring operating data related to these rental units on a daily basis such as the number of new leases with tenants and amount of rental income, and reviewing the performance of these rental units each month. Even though we take these measures, we cannot assure you that the contractor will provide services that meet our requirements or will not have disputes with landlords, tenants or other third parties. Furthermore, as tenants of these rental units are not sourced using our system, we cannot participate in the selection process and ensure the reliability and effectiveness of other systems, and therefore we may not be able to ensure these tenants' creditworthiness. In addition, if the contractor discontinues its relationship with us, we may not be able to find an equivalent on a timely manner, or at all, or manage these rental units by our own team in an effective and efficient way, as we do not have sufficient experience in management of apartments or resources in locations such as Beijing, Chengdu, Changsha, Fuzhou, Hefei, Jinan, Kunming, Ningbo, Nanchang, Nanjing, Nanning, Qingdao, Suzhou, Xi'an, Tianjin, Shijiazhuang and Chongqing. These may materially and adversely affect our business, financial condition and results of operation.

We have been, and may from time to time be, subject to claims, controversies, lawsuits and other legal and administrative proceedings, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

In light of the nature of our business, we are susceptible to potential claims or controversies. We have been, and may from time to time in the future be, subject to or involved in various claims, controversies, lawsuits and other legal and administrative proceedings. Lawsuits and litigations may cause us to incur defense costs, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, any of which could harm our business. Claims arising out of actual or alleged violations of law could be asserted against us by apartment owners, landlords, tenants, third-party contractors and service providers, suppliers, competitors, or governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws in different jurisdiction, including but not limited to internet information services laws, intellectual

property laws, unfair competition laws, data protection and privacy laws, labor and employment laws, securities laws, consumer protection laws, tort laws, contract laws, property laws and employee benefit laws. In addition, as we do not verify the authenticity of the information such as electronic signatures provided by tenants, landlords and other third parties, such information may be misused and not genuine, which may also subject us to claims, lawsuits and other proceedings. We may also receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation.

In particular, we may be exposed to various claims and disputes with our tenants, including but not limited to, those related to the terms set forth in the lease agreements. We take various measures to ensure that our tenants are aware of and understand the terms set forth in the lease agreements. These measures include, but are not limited to, requiring tenants to watch a video regarding important terms before entering into lease agreements, and video recording tenants read out important terms in the lease agreement and confirm they understand the lease agreement. However, our tenants may misunderstand the terms in the lease agreements, such as the length of the lease, upfront payment terms and terms related to rental installment loans. These misunderstandings may lead to disputes between our tenants and us. For example, tenants may claim that they are not aware that the length of the contracted lease term is 3 to 12 months, or do not know their deposits may be forfeited when they terminate the lease during the lock-in period or otherwise breach the term of the lease. In addition, some claims and disputes with tenants may involve accidents, injuries or death in our rental apartments such as lawsuits if a tenant is assaulted or becomes victim of theft or other crime during his or her stay in our rental apartment. See “—Accidents, injuries or death in our rental apartments may adversely affect our reputation and subject us to liability.” Moreover, we may be exposed to claims and disputes with third party suppliers, including but not limited to, those related to the payment for the goods. Furthermore, we may be exposed to claims and disputes with our landlords, including but not limited to, those related to negotiation and renegotiation of rentals, and amendment and termination of the lease-in contracts. Such claims and disputes may be escalated to lawsuits or other legal proceedings and may distract our management, and materially and adversely affect our business and reputation.

Moreover, as of October 26, 2021 immediately before the Equity Transfer, the VIE was involved in eight ongoing legal proceedings, most of which were initiated by suppliers. The amount of the claims arising from these ongoing legal proceedings were RMB33.7 million (US\$5.2 million) in aggregate. Two of these legal proceedings had claims over RMB1.0 million (US\$0.2 million). In particular, one of our suppliers, Shanghai Greenland Construction (Group) Co. Ltd., or Shanghai Greenland, filed a lawsuit against one of the VIE’s subsidiaries, alleging that it should pay Shanghai Greenland the construction fee and other related expenses and fees for the construction of the VIE’s subsidiary’s research and development center in Suzhou pursuant to a construction contract entered into by Shanghai Greenland and the VIE’s subsidiary. The amount of the construction fee and other related expenses and fees was approximately RMB58.0 million (US\$8.5 million), which had been accounted for in the consolidated financial statements for FY 2021. We sold buildings under construction in Suzhou through judicial sales for proceeds of RMB100.3 million. The court assisted us to sell the buildings under construction and collected the proceeds on behalf of us. The proceedings had been settled in December 2021. After the Equity Transfer, we are no longer involved in these legal proceedings.

In addition, in 2020, due to the COVID-19 pandemic, the VIE terminated certain leases with landlords before the end of the original lease terms by sending landlords short messages indicating that the leases would be terminated on the specified dates and we would not assume any liability for the early termination of the leases. We had disputes with some of these landlords. Some landlords filed lawsuits against us for compensation aggregating RMB3.9 million (US\$0.6 million), under which we estimated that we are exposed to the compensation of RMB3.9 million (US\$0.6 million) and recorded the contingent liability in our balance sheet as of September 30, 2021. Certain landlords had expressed their objection to our early termination of leases but did not file lawsuits against us. These landlords had rights to file lawsuits against us within three years from the date of our early termination notice, for a maximum compensation of RMB58.0 million (US\$8.9 million). This amount is equivalent to three months’ rents of these leases, based on relevant trial guidance issued by the high people’s courts in the PRC as advised by our PRC legal counsel, JunHe LLP. The actual compensation amount will be negotiated with each landlord and we did not accrue the contingent liability in our balance sheet as of September 30, 2021. As of October 26, 2021 immediately before the Equity Transfer, a majority of these landlords had expressed their consents to the early termination of leases as set forth in the short messages, or had not raised any objection to the early termination of leases. As advised by our PRC legal counsel, JunHe LLP, pursuant to the PRC laws, the landlords may file lawsuits against the VIE for the early termination of leases with the courts within three months from the date of the early termination notice, otherwise their claims will not be supported by the courts.

Disputes, legal proceedings and potential legal proceedings related to us has materially and adversely affected, and may continue materially and adversely affecting, our financial condition, business and reputation.

There is 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 could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

In addition, after the Equity Transfer, people may still associate us with the claims, controversies, lawsuits and other legal and administrative proceedings against the WFOE and the VIE, which may expose us to negative publicity and adversely affect our operations and reputation. After the Equity Transfer, in January 2022, Shanghai Qingke Public Rental Housing Leasing Management Co., Ltd. (“Qingke Public Rental”), one of the subsidiaries of the VIE, filed the voluntary petition for bankruptcy under the Article 2 of the PRC Enterprise Bankruptcy Law with Shanghai Third Intermediary Court (the “Court”). The Court announced the effectiveness of the petition on January 4, 2022.

We face significant competition in the apartment rental market.

China’s long-term apartment rental market is highly competitive. With the influx of new entrants and the expansion of current participants, we expect competition to continue and intensify, which could harm our ability to increase revenue and attain or sustain profitability. Our competitors include other branded apartment operators and apartment owners who directly rent their apartments to tenants. In addition, in response to increased cooling measures on housing sales, real estate developers may also pivot into standardized rental market. We believe the principal competitive factors in this industry include:

- ability to source suitable and sufficient apartments across multiple regions with favorable terms including contract length, rental free period, rent-in costs, etc.;
- ability to use big data analytics to establish competitive lease terms with both landlords and tenants;
- ability to establish sustainable unit economic model;
- ability to renovate and operate rental apartments in an efficient and cost-effective manner;
- ability to achieve high standardization and manage a complex supply network;
- ability to maintain financial flexibility;
- geographic coverage and customer reach;
- ability to set up IT and internet infrastructure; and
- brand awareness and customer satisfaction, including the availability and range of value-added services to help foster a sense of community and loyalty among tenants.

We face competition for our sourcing of suitable apartments in our target markets. Our competitors may have better access to newer, better located apartments at lower cost. They may also have more rapid access to the information of available apartments, which helps them rent such apartments from owners before we receive such information. Moreover, our competitors may be more resourceful, have a lower cost of funds or better access to funding sources that may not be available to us. In addition, our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of rental apartments. Competition may result in fewer options of apartments available to us, higher rental rates to be paid by us, our acceptance of greater risk, lower yields and a narrower spread of yields over our financing costs. As a result, there can be no assurance that we will be able to identify suitable apartments that are consistent with our tenants’ need, and our failure to accomplish the foregoing could have a material adverse effect on our business and results of operation.

We also face competition for our target tenants. Our competitors may successfully attract tenants with cheaper and more convenient rental units, better incentives, amenities and value-added services, which could adversely affect our ability to obtain quality tenants and lease-out our rental apartments on favorable terms. In addition, our competitors may have better access to tenant information, which helps them identify and acquire quality tenants more quickly. Moreover, some competing housing options may qualify for government subsidies that may make such options more accessible and therefore more attractive than our rental apartments. This competition may affect our ability to attract and retain tenants and may reduce the rental rates we are able to charge.

Furthermore, as a result of the competition for suitable apartments and tenants, we may not be able to maintain the spread or margin between lease-in from landlords and lease-out to tenants, which may adversely affect our results of operations.

If we fail to compete effectively in the market, we would lose our market share, fail to gain additional market share, and our business, results of operation and growth prospects may be materially and adversely affected.

New laws, regulations and policies may be promulgated to strengthen the regulation on the apartment rental industry which may adversely affect our business, results of operations, financial condition and growth prospects.

PRC laws, regulations and policies concerning the apartment rental industry are developing and evolving. Although we have been taking measures to comply with laws, regulations and policies that are applicable to our business operations, the PRC government authority may promulgate new laws and regulations regulating the apartment rental industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws, regulations or policies relating to the apartment rental industry.

In recent years, some tier 1 cities in China have adopted the restrictions on group oriented leasing. Group oriented leasing refers to the practice of renting a single apartment to multiple tenants under separate leases, resulting in the over-crowding of such apartment. In particular, Beijing and Shanghai have expressly banned the lease of rental apartment providing living space of less than five square meters per capita. We typically convert the living room of our rental apartment to add an additional bedroom, which is known as N+1 model. While some local governments, including Shanghai, Hangzhou, Suzhou, Wuhan and Nanjing, do not consider N+1 model as group oriented leasing, governmental authorities in other existing cities may implement restrictions that affect our N+1 model in the future. In addition, we cannot assure you whether any local governments may change its policies or interpret them in a manner that renders our N+1 model non-compliant. If we are deemed to violate local laws, regulations and policies, we may be subject to penalties and may need to adjust our business model, which may have a material and adverse effect on our business, results of operation, financial condition and growth prospects.

Moreover, the PRC government may institute a licensing regime covering our industry at some point in the future. For example, we cannot rule out the possibility that future laws or regulations will require us to register as real estate brokerage enterprise. Under the current PRC laws and regulations, enterprises operating real estate brokerage related business are required to register as real estate brokerage enterprise at local housing authorities. Pursuant to the Real Estate Brokerage Management Methods promulgated by MOHURD, only enterprises providing intermediary and agency services to the landlords in order to facilitate real estate transactions in return for commissions are deemed as a real estate brokerage enterprise, which is different from our business model, as advised by our PRC legal counsel, JunHe LLP. Therefore, we do not believe that our current business constitutes real estate brokerage under PRC laws and regulations and as a result our company shall not be subject to registration as a real estate brokerage enterprise. However, the Measures on Residential Tenancy (Discussion Draft), or the Draft, published by the MOHURD for public discussion in September 2020, if enacted, empowers MOHURD to further set up standards of qualification for residential rental operators on financial position, expertise and managing abilities. The Draft has not taken effect as of the date of this annual report. Furthermore, the Opinions on Strengthening Regulation on Light-asset Residential Rental Enterprises, published in April 2021, set out regulatory measures on various aspects, including standards of qualification, online registration and filing of business operation, limitation and supervision on utilization of loans and monitoring of rents. If any future laws and regulations deem our business as real estate brokerage or any other licensing regime or qualification requirement is introduced, we cannot assure you that we would be able to complete any newly required registration, obtain any newly required license or meet any qualification requirement in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

In addition, under the current PRC legal regime, there is no laws or regulations specifically controlling the rents. The Administrative Measures for Commodity Housing Leasing, promulgated by the MOHURD on December 1, 2010, provides a principle rule that landlords shall not raise the rent unilaterally and randomly during the term of the lease agreements. In addition, on May 19, 2017, the MOHURD published the Measures on Management of Residential tenancy and Home Sales (Discussion Draft), or the Discussion Draft, for public discussion, which was closed on June 19, 2017. The Discussion Draft stipulates that landlords must not unilaterally raise rent if they have not reached a consensus with the tenant on the frequency and range of rent adjustments in the lease agreement. This Discussion Draft also stipulates that the local governments shall establish a system to publicize information on rents in the local markets. The Discussion Draft also stipulates that landlords shall not evict the tenants through violence, threats or other coercive measures. In addition, the Opinions on Strengthening Regulation on Light-asset Residential Rental Enterprises, published in April 2021, set out a principle rule that local governments shall establish a rental monitoring system to gather rental information in large cities where the rental market is in strong demand. Although the final provisions, interpretation, adoption timeline and effective date of the Discussion Draft remain substantially uncertain, our business practices may be subject to stricter governmental supervision in the future, which may adversely affect our business, results of operations, financial condition and growth prospects.

Our business growth depends on our ability to attract and retain tenants. If we are not able to attract or retain sufficient tenants in a timely manner and at a low-cost, our business, financial condition and results of operation may be materially and adversely affected.

We depend on rental income from tenants for substantially all of our revenues. As a result, our success depends upon our ability to attract quality tenants for our rental apartments in a timely manner and at a low-cost. We may not be successful in locating quality tenants to lease the rental apartments as quickly as we have expected or at all due to competition, market condition, delay in renovation or other factors. We incurred loss of tenants and decrease in occupancy rate due to the COVID-19 pandemic, particularly in the first half of 2020. If vacancies continue for a longer period of time than we expect or indefinitely, or another wave of the COVID-19 pandemic or epidemic of other diseases occur, we may suffer reduced revenues, which may have a material adverse effect on us.

In July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. We started to operate these rental units from July 2020. We cannot ensure that, after the original lease terms expire, the existing tenants will enter into new lease contracts with us, or we can acquire new tenants in a timely manner, or at all, which may adversely impact our business, financial condition and operating results.

Our results of operation, financial condition, and reputation would be adversely affected if a significant number of our tenants fail to meet their obligations in connection with the lease.

Our results of operation, financial condition, and reputation would be adversely affected if a significant number of our tenants fail to meet their obligations in connection with the lease. For instance, tenants may default on rental payments or repayment of rental installment loans. If a tenant defaults on his/her payment obligations after the applicable grace period, we may terminate the lease and re possess the apartment pursuant to the lease agreement and the PRC laws and lease the apartment to a new tenant. However, we may not be able to find a new tenant in a timely manner or at all, and the security deposit of the defaulting tenant may not be sufficient to cover our lost rentals for the period in between the leases.

In addition, tenants may use our rental apartments for illegal purposes, damage or make unauthorized structural changes to our rental apartments, refuse to leave the apartment upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, sublet our apartments in violation of our lease or permit unauthorized persons to live in our rental apartments. Damage to our rental apartments may delay re-leasing, necessitate expensive repairs or impair the rental income of the rental apartment resulting in a lower than expected rate of return.

We may not be able to successfully identify, secure and develop additional apartments in a timely fashion.

We plan to operate more rental apartments to further grow our business. We select locations which we believe would provide tenants with convenient access to core districts, major business development zones, and commercial centers, as well as affordability. However, we may not be successful in identifying and leasing additional apartments at the locations as desirable as we anticipated, for example, due to delays in the completion of infrastructure or other facilities surrounding such location, such as subway stations and business centers, and on commercially reasonable terms or at all. We may also incur costs in connection with evaluating apartments and negotiating with their owners, including apartments that we are subsequently unable to lease. We may also lease furnished apartments that we expect to be in good condition from landlords only to discover unforeseen defects and problems afterwards that prevent us from leasing them out to our tenants in a timely manner, or at all. In addition, we may not be able to develop additional rental apartments on a timely basis due to renovation delays. If we fail to successfully identify, secure or develop in a timely fashion additional apartments, our ability to execute our growth strategy could be impaired and our business and prospects may be materially and adversely affected.

We may not be able to renew our existing leases with landlords on commercially reasonable terms, and the rents we pay to landlords could increase substantially in the future, which could materially and adversely affect our operations.

We plan to renew our existing leases with landlords upon expiration. We cannot assure you, however, that we will be able to renew our leases with landlords on satisfactory terms, or at all. In particular, as the lease-in contract lock-in period of 17.3% of our lease-in contracts as of September 30, 2021 would expire by the end of FY 2022 and rents may be re-negotiated, we may incur significant increases in rents. In FY 2021, 24.4% of our leases with landlords, or leases of 20,058 rental units, were terminated as we strategically reduced the number of leases with landlords to reduce the rentals we need to pay to the landlords, in response to the lower tenant demand and thus, lower occupancy rate and revenues from tenants which were not sufficient to cover the rentals we need to pay

to the landlords due to the impact of the COVID-19 pandemic in China. This helped us to mitigate the adverse effect of the COVID-19 pandemic on our business, cash flow and financial conditions. If we fail to renew our leases with landlords or a significant number of our existing leases with landlords are not renewed on satisfactory terms upon expiration, our expansion may be impeded and our costs may increase. If we are unable to pass the increased costs on to our tenants through rental rate increases, our operating margins and earnings could decrease and our results of operations could be materially and adversely affected.

In July 2020, to replenish our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. We started to operate these rental units from July 1, 2020. The existing landlords may not be willing to enter into new lease contracts with us on terms favorable to us and in a timely manner, or at all, upon expiry of the lease. In addition, we cannot assure you that all the landlords have the legal rights to lease the rental units to us, or the rental service company has the legal rights to transfer the related fixtures and equipment to us. These may adversely impact our business, financial condition and operating results.

Early termination of the leases or breach of leasing agreements by landlords may materially and adversely affect our operations.

Our leases with landlords typically provide for a minimum term of five to six years, or lease-in contract lock-in period, some of which may be extended for up to two to three years at the discretion of landlords, with locked in rents for the first two or three years. Landlords may terminate the leasing agreements before the end of their term for various reasons. If the lease with a landlord is terminated before expiration or breached the leasing agreements, making the apartments no longer available, we would have to terminate our lease agreements with our tenants who resided in such apartments and return the residue of pre-paid rents to such tenants or financial institutions in the scenario of rental installment loans. Alternatively, we would facilitate tenants to relocate to another apartments of ours and subsidize their relocation related expenses. In either way, we may incur additional costs and expenses. In addition, although our lease agreements generally provide that landlords shall pay a penalty equal to the rents of the remaining period for early termination, the penalty may be lowered if the court deems the penalty prescribed under our lease agreements to be excessively unfair, i.e., 30% higher than the actual losses we incurred. There can be no assurance that we are able to receive fair compensation for our losses, and our business, results of operations and financial condition could be materially and adversely affected by landlords' early terminations.

Our estimation of potential rents involves a number of assumptions that may prove inaccurate, which could result in us paying too much rents for apartments we lease-in or overestimating the rents to be paid by our tenants.

In determining whether a particular apartment meets our criteria, we make a number of assumptions, including, among other things, assumptions related to estimated time of negotiation with landlord, estimated renovation costs and time frames, annual operating costs, market rental rates, potential rent amounts, time from lease to sublease and tenant default rates. These assumptions may prove inaccurate, particularly since the apartments we rent from landlords vary materially in terms of renovation, quality and type of construction, geographic location. For example, we utilize our proprietary smart pricing system, or the Smart Pricing System, to collect and analyze the average market rental rates of apartments similar to our rental apartments in the surrounding area and gauge the potential rent amounts of our rental apartments, which partially relies on the publicly available information from the internet and may be inaccurate. See “—We are highly dependent on information systems, and if our information systems contain undetected errors and ineffective algorithm, or we fail to properly maintain or promptly upgrade our technology, our results of operations and financial condition may be materially and adversely affected.” As a result, we may pay too much for apartments we lease-in and/or overestimate the rents we may charge our tenants, or our rental apartments may fail to perform as anticipated. See “—We may not be able to successfully identify, secure and develop additional apartments in a timely fashion.”

We assess the financial impact of our underperformed apartments that do not meet the projected operating targets by recognizing impairment loss. We perform an assessment of the carrying value of leasehold improvements and furniture, fixtures and equipment used in each rental apartment at least on a quarterly basis. If the carrying amount of the assets exceeds its expected undiscounted cash flows, we will recognize an impairment loss equal to the difference between the carrying amount and the fair value. In FY 2019, FY 2020 and FY 2021, we incurred impairment loss on long-lived assets of RMB46.2 million, RMB846.8 million and RMB199.6 million (US\$31.0 million), respectively. If a larger number of our apartments underperform, our impairment loss would increase, and our results of operations and financial condition would be materially and adversely affected.

Our legal right to lease certain rental apartments could be challenged by apartment owners or other third parties or subject to government regulation, which may adversely affect our business, results of operations, financial condition and growth prospects.

As we lease our rental apartments from the landlords, we do not hold any land use rights with respect to the land on which our rental apartments are located nor do we own any of the rental apartments we sublease to tenants. Instead, our business model relies on leases with third parties who either own or lease the apartments from the ultimate owners. We may not receive all of our rental apartments due to various reasons, including but not limited to landlords' inability to obtain ownership certificates when the lease agreements were executed. As a result, to the extent the person with whom we enter into a lease-in contract with fails to provide us with the ownership certificate of the rental apartment, we cannot ensure that he or she has the rights with respect to such apartment, including but not limited to leasing such apartment to us and allowing us to lease such apartment to our tenants. While we have performed our due diligence to verify the rights of our landlords to lease such apartments, we cannot assure you that our rights under those leases will not be challenged by other parties including government authorities.

Under the PRC Civil Code, which has taken effect since January 1, 2021, only the owner can have the right, at its full discretion, to possess, use, benefit and dispose of its immovable or movable property pursuant to law. The creation, variation, transfer and extinguishment of immovable real right pursuant to law shall be effective upon registration, unless the law provides the contrary. Accordingly, the local registration authority will issue to the real property owner a property title certificate which clearly indicates the ownership of the property. If the lessee intends to sublease the leased property to a third party, it shall obtain the prior consent regarding such sublease from the owner, otherwise any unauthorized sublease may be unwound by the owner. Therefore, we require the landlords to provide the photocopies of their property title certificates when entering into the lease agreement, to ensure that we will be legitimately entitled to rent out the apartment to our tenants. However, the landlords of the properties offered by the governments to the landlords whose original properties are expropriated or demolished due to public interests may have not obtained the property title certificates in a timely manner due to certain local regulations and practices. In the event that landlords intend to lease their apartments to us before obtaining the property title certificates, as part of our due diligence for verification, we require the landlord to provide evidencing documents that can prove their ownership over the leased properties, including, among other things, (i) housing pre-sale contract, housing purchase agreement and housing purchase invoice, (ii) demolition compensation agreement and demolition settlement agreement, or (iii) the confirmation letter of random draw for demolition settlement properties, confirmation of housing selection, invoice of property management and utilities bills. However, these substitutive documents do not have the same legal force as the property title certificates, and thus it is possible that the party who signs the lease agreement is not the legal and beneficiary owner registered in the title certificate and the lease agreement may be invalidated, which may adversely affect our business, results of operations, financial condition and growth prospects.

In addition, our leased-in apartments may have defects on the land use rights. Under the PRC legal regime regarding the land use right, land shall be used strictly in line with the approved usage of the land. Any change as contemplated to the usages of land shall go through relevant land alteration registration procedures. If any state-owned land is illegally used beyond the approved usage, the land administrative departments of the PRC governments at and above the county level may retrieve the land and impose a fine ranging from RMB10 to RMB30 per square meter of such land. Although we are not the direct subject of such administrative sanction, our business and operation may be adversely affected by such retrieval of land thus incurred.

In the circumstance where our landlords are not the ultimate owners of apartments, no consents or permits were obtained from the owners, the primary lease holders or competent government authorities, as applicable, for the subleases of the apartments to us, which could potentially invalidate our leases or result in the renegotiation of such leases that leads to terms less favorable to us. Some of the apartments we lease from third parties were also subject to mortgages at the time the leases were signed. Where consent to the lease was not obtained from the mortgage holder in such circumstances, the lease may not be binding on the transferee of the apartment if the mortgage holder forecloses on the mortgage and transfers the apartment.

Moreover, under PRC laws, all lease agreements are required to be registered with the local housing bureau. Although failure to do so does not in itself invalidate the leases, lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed timeframe after receiving a notice from the relevant PRC government authorities. While the majority of our standard lease agreements require our landlords to make such registration, most of our leases have not been registered, which may expose both our landlords and us to potential monetary fines ranging from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. We are in the process of registering more-lease agreements. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the contract counterparties. Some of our rights under the unregistered leases may also be subordinated to the rights of other interested third parties.

Any challenge to our legal rights to the apartments we rented to the tenants, if successful, could impair the development or operations of such apartments. We are also subject to the risk of potential disputes with apartment owners or third parties who otherwise have rights to or interests in our rental apartments. Such disputes, whether resolved in our favor or not, may divert management's attention, harm our reputation or otherwise disrupt our business.

We may not be able to effectively control the timing, quality and costs relating to the renovation and maintenance of apartments, which may adversely affect our business, results of operations, financial condition, and growth prospects.

Our success depends on our ability to lease apartments that can be quickly renovated, repaired and leased out with minimal expense and maintained in quality condition. Nearly all of our rental apartments require some level of renovation when we rent them from landlords or following departure of a previous tenant or otherwise. The majority of the apartments we source are in bare-bones condition with cement walls and floors and utility pipes only, which needs decoration and furnishing in a short period of time with heavy work. We may also source apartments that we expect to be in good condition only to discover unforeseen defects and problems that require extensive renovation and costs. Since February 2019, we have started to source decorated and furnished apartments from landlords. Under this model, depending on the decoration quality, we generally only need to add a wall to separate out an additional bedroom from the living room, furnish the additional bedroom, and install smart door locks to the apartment and each bedroom therein, thus substantially reducing our cost for renovation, compared to sourcing bare-bones apartments. Rental cost for furnished apartments, on the other hand, tend to be higher than bare-bones apartments. In addition, from time to time, we may perform ongoing maintenance to our rental apartments. Although we have developed a technology-driven, innovative project management system to centrally manage suppliers and contractors, monitor the renovation process, track delivery schedules, and exert quality control throughout the entire apartment renovation process to control the timing, quality and costs, our system may not work effectively. See “—We are highly dependent on information systems, and if our information systems contain undetected errors and ineffective algorithm, or we fail to properly maintain or promptly upgrade our technology, our results of operations and financial condition may be materially and adversely affected.” As a result, our ability to adequately monitor or manage any such renovations or maintenance may be adversely affected if our system does not work properly.

We retain independent contractors and other third parties to perform renovation and maintenance work and are exposed to all of the risks inherent in apartment renovation and maintenance, including but not limited to, potential cost overruns, increases in labor and materials costs, delays by contractors in completing work and poor workmanship. If our assumptions regarding the costs or timing of renovation and maintenance across our rental apartments prove to be materially inaccurate, our results of operations, financial condition, and growth prospects may be adversely affected. In addition, if we fail to control the quality of renovation and lead to any potential complaints from, or damages to, tenants, we could be exposed to material liability and be held responsible for damages, fines or penalties and our reputation may suffer. See “—We depend on third parties for different aspects of our business and the services that we offer. Our business, results of operation, financial condition and reputation may be materially and adversely affected if the third parties do not continue to maintain or expand their relationship with us, or fail to provide services or products according to the terms of our contracts or otherwise below standard, or by the third parties operational failure.” and “—Environmental and fire hazards may adversely affect us.”

Accidents, injuries or death in our rental apartments may adversely affect our reputation and subject us to liability.

There are inherent risks of accidents or injuries in our rental apartments. One or more accidents or injuries such as fire accident, damage or loss of properties injury or death due to any criminal behavior or other misconducts or acts or omission of our tenants or others, slip and fall, other accidents or suicide, or spread of diseases such as the COVID-19, in any of our rental apartments could adversely affect our reputation among tenants and potential tenants, decrease our overall occupancy rates and increase our costs by requiring us to take additional measures to vet our tenants and make our safety precautions even more visible and effective. If accidents, injuries or death occur at any of our rental apartments, we may be held liable for costs related to the injuries. Please also refer to “—We do not maintain any insurance for our business, which could expose us to significant costs and business disruption.”

In addition, if any incidents, particularly fire accidents, occur in any of our rental apartments that do not possess the relevant licenses, permits, title certificate or fire safety inspection certificate, or is located on properties where the actual use and the designated land or property use are inconsistent, there could be substantial negative publicity, thereby triggering large scale government actions that impact all of our rental apartments, which in turn will have a material adverse impact on our business, results of operations and financial condition.

Environmental and fire hazards may adversely affect us.

Compliance with new or more stringent environmental laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We may be subject to environmental laws or regulations or technical standards relating to the renovation of our rental apartments, such as those concerning poisonous volatile organic compounds or other issues. For example, under the relevant PRC laws, regulations and technical standards, we shall ensure that our rental apartments meet certain environmental standards, including the air quality and environmental protection standards for preventing the indoor environmental hazards generated by construction materials and decorative building materials. We may be subject to civil liabilities or administrative fines for our failure in compliance with all the environmental laws or regulations or technical standards relating to renovation of our rental apartments. Under the PRC laws, if the leased apartment imposes a threat to the safety or health of the tenant, then once the tenant is fully aware that the apartment is not of a satisfactory quality, the tenant is entitled to dissolve the lease agreement at any time. Therefore, we take measures to avoid environmental and fire hazards, including air quality monitoring after renovation and fire precaution measures. However, we cannot assure you that future laws, ordinances or regulations will not impose any material environmental or fire safety liability or that the current environmental condition of our rental apartments will not be affected by the activities of residents, existing conditions of the land, operations in the vicinity of the apartments or the activities of unrelated third parties. In addition, we may be required to comply with various fire, health, life-safety and similar laws and regulations. Failure to comply with applicable laws and regulations could result in fines and/or damages, suspension of the construction project, civil liability or other sanctions.

A significant portion of our costs and expenses are fixed, and we may not be able to optimize our cost structure to offset declines in our revenue, which would adversely affect our financial condition and results of operations.

A significant portion of our operating costs and expenses, including but not limited to, overhead costs associated with the hiring of agents for apartment sourcing and apartment managers for apartment leasing out and management, employee base salaries, and rents we pay to our landlords, is fixed. Accordingly, a decrease in revenues could result in a disproportionately higher decrease in our earnings because our operating costs and expenses are unlikely to decrease proportionately. For example, the Chinese New Year holidays generally account for a lower portion of our annual revenues than other periods as people are less likely to move into new apartments or stay in rented apartments during that period, but our expenses do not vary as significantly with changes in occupancy and revenues as we need to continue to pay rents and salary and make regular repairs, maintenance and renovations throughout the year to maintain the attractiveness of our rental apartments. Furthermore, our apartment development and renovation costs may increase as a result of an increase in the cost of materials. However, we have limited ability to pass increased costs to tenants through rental rate increases as our rental in lease with our tenants are fixed during the lease term. Therefore, our costs and expenses may remain constant or increase even if our revenues decline, which would adversely affect our net margins and results of operations.

Our outstanding and future indebtedness and capital lease and other financing arrangement payable may adversely affect our available cash flow and our ability to operate our business. In addition, we may not be able to obtain additional capital when desired, on favorable terms or at all.

As of September 30, 2021, we had RMB759.7 million (US\$ 117.9 million) bank borrowings, RMB18.1 million (US\$2.8 million) rental installment loans from certain financial institutions, and RMB1,024.9 million (US\$159.1 million) accrued expenses and other current liabilities. In August 2018, we started to cooperate with a rental service company owned by a bank to source and renovate apartments in Shanghai, Hangzhou and Wuhan, and we account for the arrangement as a capital lease and other financing arrangement. In FY 2021, we terminated the cooperation with the rental service company owned by a state-owned bank. For further information, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.” Recent interest rates in China have been at historically low levels, and any increase in these rates would increase our interest expense and reduce our funds available for renovation, operations and other purposes. Our current level of indebtedness increases the possibility that we may be unable to pay the principal amount of our indebtedness and other obligations when due. Our outstanding and future loans, combined with our other financial obligations and contractual commitments, could have negative consequences on our business and financial condition.

We believe that our cash, cash equivalents and restricted cash on hand will be sufficient to meet our current and anticipated needs for general corporate purposes for at least the next 12 months. However, we need to make continued investment for our expansion and in facilities, hardware, software, technological systems and to retain talents to remain competitive. Due to the unpredictable nature of the capital markets and our industry, such as tenants’ unwillingness to prepay rental or utilize the rental installment loans, there can be no assurance that we will be able to raise additional capital on terms favorable to us, or at all, if and when required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited. If we raise additional funds or otherwise fund our operation or investment through the issuance of equity or

convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may have rights, preferences or privileges senior to those of existing shareholders.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately and timely report our financial results or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.

We are a public company listed in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to include a report of management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the second fiscal year after the completion of the IPO. In addition, once we cease to be an “emerging growth company” as such term is defined under the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. In the course of preparing and auditing our consolidated financial statements included in this annual report, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to lack of sufficient accounting and financial reporting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to (a) formalize and carry out key controls over financial reporting, (b) properly address complex accounting issues and (c) prepare and review consolidated financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements, and lack of a comprehensive accounting policy manual and closing procedure manual for its finance department to convert its primary financial information prepared under accounting principles generally accepted in the PRC into U.S. GAAP. We established an audit committee in November 2019. We have also engaged an internal control consultant to help us establish and improve our internal controls, hired additional accounting staff with appropriate understanding of U.S. GAAP and SEC reporting requirements, trained the existing financial reporting personnel and engaged an independent third party consultant to assist in establishing processes and oversight measures to comply with the requirements of Sarbanes-Oxley Act. We are in the process of implementing a number of measures to address the material weakness that has been identified, including formalizing a set of comprehensive U.S. GAAP accounting manuals, hiring more qualified internal auditors to strengthen our overall governance, providing relevant training to our accounting personnel and upgrading our financial reporting system to streamline monthly and year-end closings and integrate financial and operating reporting systems. We also plan to take other steps to strengthen our internal control over financial reporting, including enhancing our internal audit function independently led by audit committee. Although we plan to implement these measures to address the material weakness, implementation of these measures may not fully remediate the material weakness in a timely manner.

Our management concluded that our internal control over financial reporting is not effective as of September 30, 2021. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, as we are a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Moreover, our internal control over financial reporting may not prevent or detect all errors and fraud. A control system, no matter how well it is designed and operated, it cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of the ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

We are highly dependent on information systems, and if our information systems contain undetected errors and ineffective algorithm, or we fail to properly maintain or promptly upgrade our technology, our results of operations and financial condition may be materially and adversely affected.

Our business relies heavily on our technology-driven, end-to-end systems that are highly technical and complex. Our website, mobile app and internal systems highly depend on the ability of such information systems to store, retrieve, process and manage immense amounts of data throughout each step of our operational process, including, but not limited to, apartment sourcing, price evaluation, room decoration, room display, contract signing and tenant services. For example, tenants need to use our proprietary mobile apps to sign agreements with us, pay rents, open the doors of the rental apartments and their bedrooms, reserve house-keeping services, etc. We also utilize our Smart Pricing System to evaluate the rents of our apartments. In addition, in July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China. In the process of integrating these rental units into our business, we may continue to rely on the information systems provided by the rental service company to operate these rental units before we transfer all required operating information to our own systems. Although we have taken measures such as manually verifying and reconciling data in the information systems provided by the rental service company with the journal accounts, we cannot ensure that these information systems are effective, reliable and efficient as they have not been fully controlled and monitored by us. The information systems on which we rely has contained, and may now or in the future contain, undetected errors or bugs. Errors, ineffective algorithm or other design defects within the information systems on which we rely may result in a negative experience for our tenants, landlords, third-party service providers, third-party contractors and our employees, delay introductions of new features or enhancements, result in errors or compromise our ability to protect user data or our intellectual property. Any errors, bugs or defects discovered in the information systems on which we rely could result in harm to our reputation, loss of tenants or landlords or liability for damages, any of which could adversely affect our business, results of operations and financial condition.

Security breaches, failure to maintain the integrity of internal or third-party data, cyber-attacks and other disruptions could compromise our information systems and expose us to costs, liabilities, fines or lawsuits, which would cause our business and reputation to suffer. In addition, actual or alleged failure to comply with data privacy and protection laws and regulations could have a serious adverse effect on our reputation.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyberattacks. In the ordinary course of our business we acquire and store sensitive data, including our intellectual properties, our proprietary business information and personally identifiable information, such as names, identification card numbers, contacts and electronic signatures, of landlords, tenants, employees and third-party contractors and service providers. The secure processing and maintenance of such information is critical to our operations and business strategy. Our landlords, tenants, employees and third-party contractors and service providers expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect and to take adequate security measures to safeguard such information. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by computer hackers, foreign governments or cyber terrorists or breached due to employee error, malfeasance or other unauthorized access or disruptions. Any such breach could compromise our networks and the information stored therein could be accessed, publicly disclosed, misused, lost or stolen. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our proprietary internal and third-party data change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques.

The laws and regulations applicable to security and privacy are becoming increasingly important in China. Any unauthorized access, disclosure, misuse or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, any of which could adversely affect our results of operations, reputation and competitive position.

Cybersecurity and data privacy and security issues are subject to increasing legislative and regulatory focus in China. The Data Security Law of the People's Republic of China, which took effect on September 1, 2021, requires that data collection must be conducted in a legitimate and proper manner, and in order to safeguard data, data processing activities must be conducted to comply with respective graded protection systems for cybersecurity. On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (the "PIPL"), which will take effect on November 1, 2021. The PIPL further emphasizes processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. In December 2021, the CAC promulgated the amended Measures of Cybersecurity Review, which will take effect on February 15, 2022. The amended Measures of Cybersecurity Review expands the scope of cybersecurity review to include (i) critical information infrastructure operators (the "CIIOs") who purchase network products and

services, which affects or may affect national security; (ii) operators who engage in data processing activities, which affects or may affect national security; and (iii) operators that are in possession of more than 1 million users' personal information seeking a listing in a foreign country. On July 30, 2021, the State Council of the PRC promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. The regulations require, among others, that certain competent authorities shall identify critical information infrastructures. If any critical information infrastructure is identified, they shall promptly notify the relevant operators and the Ministry of Public Security. The new cybersecurity regime in the legislative process may increase compliance standards on our business operation, and thus have a substantial impact on our business.

We leverage a wide array of internet technologies to achieve management and operation efficiency and effectiveness, which depend upon the performance and reliability of the internet infrastructure and telecommunications networks in China.

Our business depends on the performance and reliability of the internet infrastructure in China. Substantially all access to the internet is maintained through state-controlled telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. In addition, the national networks in China are connected to the internet through international gateways controlled by the PRC government. These international gateways are generally the only websites through which a domestic user can connect to the internet. We cannot assure you that a more sophisticated internet infrastructure will be developed in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's internet infrastructure. In addition, the internet infrastructure in China may not support the demands associated with continued growth in internet usage.

We also rely on third party providers to provide us with data communications capacity primarily through local telecommunications lines and internet data centers to host our servers. We do not have access to alternative services in the event of disruptions, failures or other problems with the fixed telecommunications networks of the third-party providers, or if the third-party providers otherwise fail to provide such services. Any unscheduled service interruption could disrupt our operations, damage our reputation and result in a decrease in our revenues. Furthermore, we have no control over the costs of the services provided by third party providers. If the prices that we pay for telecommunications and internet services rise significantly, our gross margins could be significantly reduced. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may cause our revenues to decline.

We depend significantly on the strength of our brands and reputation. If we, our employees, agents, third-party contractors, suppliers, financial institutions or other third parties that we cooperate with engage, or are perceived to engage, in misconduct, fraudulent acts or wrongdoing, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities.

Our continued success in maintaining and enhancing our brands and image depends to a large extent on our ability to satisfy the needs of agents, real estate buyers and other market participants by further developing and maintaining quality of services across our operations, as well as our ability to respond to competitive pressure.

We have a team of agents for apartment sourcing and apartment managers to manage our apartments and tenants. In addition, we have engaged a third-party contractor to manage rental units in Beijing, Chengdu, Changsha, Fuzhou, Hefei, Jinan, Kunming, Ningbo, Nanchang, Nanjing, Nanning, Qingdao, Suzhou, Xi'an, Tianjin, Shijiazhuang and Chongqing after acquiring lease contracts with landlords and tenants and related fixtures and equipment for these rental units from another rental service company. Our agents for apartment sourcing and the contractors may directly reach to landlords, including but not limited to, negotiating the lease agreements with landlords, and our apartment managers and the contractor may directly reach out to tenants, including but not limited to, negotiating the lease agreements with tenants, regular communication with our tenants and inspecting the apartments. As a result, our success of business largely rely on their professionalism. If our agents for apartment sourcing and apartment managers and contractors have any misconduct, such as misrepresentation of the terms and conditions in the agreements when engaging landlords or tenants, our business or reputation could be harmed and we could be exposed to legal proceedings, costs and liabilities.

In addition, third parties that we cooperate with may be subject of various allegations. For example, there have been media reports where our tenant alleged that we and our financial institution partner failed to properly inform him when he entered into a rental installment loan agreement, even though we were not a party to the rental installment loan agreement and there were records showing that the tenant entered into the rental installment loan agreement knowingly. Although we and our financial institution partners have taken measures to avoid similar allegations, including requiring tenants to confirm that they fully understand they are entering into the rental installment loan agreement with a financial institution, we cannot assure you that incidences like this will not happen in the future. Moreover, the contractor we have engaged to manage rental units may have disputes with us, landlords, tenants or other third parties which may lead to negative media reports and litigations and harm our brand and reputation. Media reports of allegations

against us or our partners, whether or not proven or with basis, could harm our reputation and impair our ability to attract and retain landlords and tenants. If we are unable to maintain a good reputation, further enhance our brand recognition, continue to cultivate user trust and increase the positive awareness of our website, mobile app and WeChat public accounts, our reputation, brand, financial condition and results of operations may be materially and adversely affected.

Any negative publicity with respect to us, our employees, business partners, contractors, the VIE and its subsidiaries, the apartment rental industry in general, the rental installment loans, or our cooperation with other parties may materially and adversely affect our business and results of operations.

The reputation of our brand is critical to our business and competitiveness. Factors that are vital to our reputation include, but are not limited to, our ability to:

- maintain the reliability of our system;
- provide well maintained apartments to tenants;
- provide appropriate and explicit terms, including rental, to landlords and tenants;
- timely and effectively manage and resolve tenants and landlords inquiries, requests and complaints, such as returning the deposit and unused rental in a timely manner after the lease with tenant is terminated; and
- effectively protect personal information and privacy of our tenants, landlords, employees and third-party contractors and service providers.

Any malicious or negative allegation made by the media, tenants, landlords or other parties about the foregoing or other aspects of our company, including but not limited to, our management, employees, business partners, contractors, business, compliance with law, financial condition and prospects, whether with merit or not, could severely compromise our reputation and harm our business and operating results.

In addition, negative publicity about the long-term rental market, such as negative publicity about entering into rental installment loan agreements without tenants' acknowledgement, could harm our reputation and materially and adversely affect our business and results of operations.

If we fail to comply with governmental laws and regulations, or obtain or keep licenses, permits or approvals applicable to our business, our business and operations may be restricted and we may incur liabilities, financial penalties and other governmental sanctions.

Our business is subject to various compliance and operational requirements under PRC laws. For example, we are required to file the lease contract with the local real estate administration department. See "Item.—4 B. Business overview—Regulations—Regulations Relating to Leasing." Furthermore, new regulations may be adopted in the future to increase our compliance efforts at significant costs. For example, national or local regulations requiring companies engaged in apartment rental to register as "apartment rental enterprise" are likely to be promulgated in our existing cities. As of the date of this annual report, all of our PRC subsidiaries that engaged in apartment rental have registered as apartment rental enterprises. We may not be in full compliance with all of the applicable requirements if they are adopted and become effective. Such failure to comply with applicable environmental, health and safety laws and regulations related to our business and apartment rental operation or obtain required permits may subject us to potential monetary damages and fines or the suspension of operations of our company.

In addition, pursuant to PRC regulations, the registered address of a PRC company should be the place where it mainly operates its business, and a PRC company is required to establish branch offices where it operates its business. We seek to register branch offices where we have business operations. However, we have not been able to establish branch offices in some of our existing locations, such as some districts in Beijing, Wuhan and Nanjing, and no penalties had been imposed by the relevant PRC regulatory authorities, as of the date of this annual report. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, and our business operations may be adversely affected.

Moreover, under PRC advertising laws and regulations, we shall ensure that our advertising content is true and accurate and in compliance with applicable laws and regulations. See "Item. 4—B. Business overview—Regulations—Regulations on Consumer Protection." In addition, where a special government review is required for specific types of advertisements prior to internet posting,

we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including imposition of fines, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. While we have made significant efforts to ensure that our advertisements are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements is true and accurate and in compliance with laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition, and results of operations.

Failure to diversify our revenue streams and expand the market acceptance of our products and services may adversely affect our growth.

Most of our revenue in FY 2019, FY 2020 and FY 2021 was generated from rental income collected from our tenants. However, we cannot assure you that our efforts to derive non rental revenue may be successful. Our success depends on our cooperation with third parties and effectiveness of algorithm. See “—We depend on third parties for different aspects of our business and the services that we offer. Our business, results of operation, financial condition and reputation may be materially and adversely affected if the third parties do not continue to maintain or expand their relationship with us, or fail to provide services or products according to the terms of our contracts or otherwise below standard, or by the third parties operational failure.” and “—We are highly dependent on information systems, and if our information systems contain undetected errors and ineffective algorithm, or we fail to properly maintain or promptly upgrade our technology, our results of operations and financial condition may be materially and adversely affected.” Failure to diversify our business may expose our business to concentration risks and harm our operations. Furthermore, we may have limited or no experience in the development, provision, or marketing of non-rental services. As a result of the foregoing, our business may be placed at a disadvantaged position, and our business, financial condition, and results of operations may be adversely affected.

We use internet search engines, online marketplaces, WeChat and other social media to promote our brand, list our rental apartments and direct traffic to our website, mobile app and WeChat public accounts. If we fail to successfully implement these initiatives, we would not be able to attract sufficient tenants and our business would be adversely affected.

We have relied on internet search engines, online marketplaces, WeChat and other social media to promote our brand, list our rental apartments and direct traffic to our website, mobile app and WeChat public account and intend to further increase our usage on such channels in the future to attract more tenants. For example, we use search engine advertising services to promote our brand and rental apartments. We also list our available rental apartments on third-party online marketplaces and the potential tenant may make an appointment to visit and reserve such apartment by calling the number we post on such online marketplace. However, the search result rankings of our rental apartments’ information through online marketplaces are beyond our control. Our competitors may cause their apartments’ information to receive a higher search result ranking than ours in online marketplaces, or online marketplaces could revise their methodologies in a way that would adversely affect search result rankings of our rental apartments’ information, which may adversely affect our results of operation. In addition, internet search engine providers could provide listings and other apartment rental information directly in search results or choose to align with our competitors. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future.

We plan to integrate our business with our WeChat public accounts and other social media applications to promote our brand and products. WeChat and other social media may make changes to their policies, which could hinder or impede potential tenants from being directed to our website or information of our rental apartments. Any reduction in the number of visitors directed to our website and mobile apps through our WeChat public accounts and other social media could also harm our business and operating results.

Any failure to protect our patents, trademarks, computer software copyright and other intellectual property rights could have a negative impact on our business.

Our business heavily relies on our intellectual properties and information systems throughout each step of our business. Our protection for our intellectual property and proprietary rights may not be adequate, and our business may suffer if third parties infringe on our intellectual property and proprietary rights.

We may not have sufficient intellectual property rights in all countries and regions where unauthorized third-party copying or use of our proprietary technology may occur and the scope of our intellectual property might be more limited in certain countries and regions. As of the date of this annual report, we had five computer software copyrights registered with the Copyright Protection Center of China. However, our existing and future computer software copyrights and/or patents may not be sufficient to protect our products,

services, technologies or designs and/or may not prevent others from developing competing products, services, technologies or designs. We cannot predict the validity and enforceability of our copyrights and other intellectual property with certainty. Litigation or other proceedings may be necessary to enforce our intellectual property rights. Initiating infringement proceedings against third parties can be expensive and time-consuming, and divert management's attention from other business concerns. We may not prevail in litigation to enforce our intellectual property against unauthorized use.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could materially disrupt our business.

We cannot be certain that our services, information systems, information provided on our website, WeChat public accounts and mobile apps, as well as third-party systems and apps we use do not or will not infringe patents, copyrights or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights.

The validity, enforceability and scope of intellectual property rights protection in internet-related industries, particularly in China, are uncertain and still evolving. For example, as we face increasing competition and litigation is frequently used to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Pursuant to relevant laws and regulations, internet service providers may be held liable for damages if such providers have reasons to know that the works uploaded or linked infringe the copyrights of others. In cases involving the unauthorized posting of copyrighted content by users on websites in China, there have been court proceedings but no settled court practice as to when and how hosting providers and administrators of a website can be held liable for the unauthorized posting by third parties of copyrighted material. Any such proceeding could result in significant costs to us and divert our management's time and attention from the operation of our business, as well as potentially adversely impact our reputation, even if we are ultimately absolved of all liability.

Our inability to use software licensed from third parties, including open source software, could negatively affect our ability to offer our services and subject us to possible litigation.

A portion of the technologies we use incorporates open source software, and we may incorporate open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. These licenses may subject us to certain unfavorable conditions, including requirements that we offer our services that incorporate the open source software for no cost, that we make publicly available source code for modifications or derivative works we create based upon, incorporating, or using the open source software, or that we license such modifications or derivative works under the terms of the particular open source license.

Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose or provide at no cost any of our source code that incorporates or is a modification of such licensed software. If an author or any third party that distributes open source software that we use or license were to allege that we had not complied with the conditions of the applicable license, we may need to incur significant legal expenses defending against such allegations and could be subject to significant damages and enjoined from providing services that contained the open source software. Any of the foregoing could result in disruptions to our business, or delays in the development of future enhancements of our existing platform, which could materially and adversely affect our business and results of operations.

Failure to attract, motivate and retain quality personnel at a reasonable cost could jeopardize our competitive position. We also depend on the continued efforts of our senior management. We have experienced a leadership transition and this transition, along with the possibility that we may in the future be unable to retain and recruit qualified senior management team members and directors, may delay our development efforts or otherwise harm our business.

We have, from time to time in the past, experienced, and we expect in the future to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. There may be a limited supply of qualified individuals in some of the cities in China where we have operations and other cities into which we intend to expand. As a result, we may need to offer higher compensation and other benefits in order to attract and retain quality personnel in the future, which may increase our labor costs and adversely affect our business.

We must hire and train qualified managerial and other employees on a timely basis to keep pace with our growth while maintaining consistent quality of services across our operations in various geographic locations. We offer structured training programs to our managerial and other employees so that they are equipped with up-to-date knowledge of various aspects of our operations and

can meet our demand for high-quality services. If we fail to do so, the quality of our services may decline in one or more of our existing markets, which in turn may cause a negative perception of our brand and adversely affect our business.

We have experienced a leadership transition. Mr. Bing Xiao resigned as our director, effective April 22, 2021. Mr. Guangjie Jin resigned as our chief executive officer, chairman of the board of directors, director, chairman and member of the compensation committee and chairman and member of the nominating and corporate governance committee, effective January 28, 2021. Ms. Qiong Hong resigned as our director and member of the nominating and corporate governance committee, effective January 28, 2021. Mr. Zhaochun Zheng, Ms. Kaiyu Yao and Mr. Wing Cheung Ryan Law resigned as our directors, effective January 28, 2021. Mr. Chengcai Qu, our vice president, director and chief operating officer, was appointed as our chief executive officer, chairman of the board of directors, chairman and member of the compensation committee and chairman and member of the nominating and corporate governance committee effective January 28, 2021. On January 28, 2021, all outstanding share capital of Yijia Inc., which beneficially owns 180,389,549 Class B ordinary shares, was transferred from an affiliate of Mr. Guangjie Jin to High Gate Investments Ltd., which is beneficially owned by Mr. Edmund Koon Kay Tang, as reported in the Schedule 13D filed by High Gate Investments Ltd., among others, on February 2, 2021. Upon completion of this transfer, High Gate Investments Ltd. beneficially owns 180,389,549 Class B ordinary shares, representing 12.6% of the total outstanding ordinary shares and 59.0% of the aggregating voting power in our company.

We place substantial reliance on the experience and the institutional knowledge of members of our management team and directors. Our members of the management team are particularly important to our future success due to their substantial experiences in real estate, apartment rental and other related industries. Finding suitable replacements for our members of our management team could be difficult, and competition for such personnel of similar experience is intense. The loss of the services of one or more members of our management team due to their departures or otherwise could hinder our ability to effectively manage our business and implement our growth strategies. In addition, in the event that any dispute arises between us, on one hand, and any of our senior management, directors and qualified key personnel, on the other hand, our business, results of operation, financial condition and reputation may be materially and adversely affected.

We have granted, and may continue to grant, options, restricted share units and other types of awards, which may result in increased share-based compensation expenses.

We have granted, and may continue to grant, options, restricted share units and other types of awards to our employees and other persons who contributed to the success of our operations. We account for the compensation costs for our share-based incentives using a fair value-based method and recognize expenses in our consolidated statements of comprehensive loss in accordance with U.S. GAAP. As of the date of this annual report, we issued 86.0 million ordinary shares to Yijia Inc., which are reserved for share-based awards we have granted, or may grant in the future. As of the date of this annual report, we had granted an aggregate number of 70.0 million share options to certain management, employees and non-employees, 35.8 million of which had been forfeited as of the date of this annual report. As of the date of this annual report, the remaining 34.2 million shares options are outstanding. The expense we had recognized for these outstanding share options is US\$2.8 million as of the date of this annual report. As of the date of this annual report, no RSU is outstanding. In addition, in September 2019, our board of directors approved our 2019 share incentive plan, or the 2019 Plan, to provide incentives to employees, officers, directors and consultants and promote the success of our business. The 2019 Plan became effective immediately upon the completion of our initial public offering. The maximum number of shares that may be issued under the 2019 Plan is 10% of the total outstanding shares as of the date of the consummation of our initial public offering. As of the date of this annual report, we have issued 25,000,000 RSUs under the 2019 Plan, all of which have been exercised.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to them in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, the ownership interests of our shareholders could be significantly diluted if we issue ordinary shares for share-based compensation.

Increases in labor costs and raw materials and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and financial condition.

Labor costs in China have risen in recent years as a result of the enactment of new labor laws and social development. Given that substantially all of our employees are currently located in China, rising labor costs in China will increase our personnel expenses. In addition, we have witnessed growing inflation rates in many areas of the world, and particularly in China, where we procure our raw materials for renovation of apartments, which adversely affects our costs of raw materials. We may not be able to pass on rising costs as a result of higher labor costs and increasing raw material prices to our tenants in the form of higher rents. Accordingly, our financial condition may be adversely affected if labor costs and raw material prices continue to rise in the future.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at our existing locations. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment.

In addition, we have been subject to stricter regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, as amended, or the Labor Contract Law, and its implementation rules, employers are subject to various requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

Under the PRC Social Insurance Law and the Administrative Measures on Housing Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing funds, and employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees. Employers that fail to make adequate social insurance and housing fund contributions may be subject to fines and legal sanctions. We could be deemed to have failed to pay certain social insurance and housing fund contributions under the relevant PRC laws and regulation. If the relevant PRC authorities determine that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we are subject to fines or other legal sanctions, such as order of timely rectification, and our business, financial condition and results of operations may be adversely affected.

Furthermore, as the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Our financial condition and results of operations may fluctuate due to seasonal variations in the demand of rental apartments.

Our revenues were generally higher during the three months ended September 30 of each year, as many students search for apartments in the cities where they are employed after graduation from universities. In addition, during and around the Chinese New Year holidays, which usually fall in January or February, our revenues were generally lower than the other period of the year as people are less likely to move into new apartments or stay in rented apartments during and around Chinese New Year holidays. As a result, even though our revenues rebound in March due to higher demand as labor forces come back to cities in search of jobs after the Chinese New Year holidays, our revenues were generally lower during the three months ended March 31 of each year. Additionally, the COVID-19 pandemic has adversely affected our seasonality pattern. For these reasons, our results of operations may not be comparable from quarter to quarter and have been and may continue to be subject to seasonality.

We do not maintain any insurance for our business, which could expose us to significant costs and business disruption.

We do not have any business disruption insurance, litigation insurance coverage, insurance policies covering damages to our IT infrastructure or information system, insurance on properties or tenant safety insurance, or insurance for the contractors. Any disruption to our IT infrastructures or systems, business disruption, litigation or natural disaster could result in substantial cost to us and diversion of our resources, as well as significantly disrupt our operations, and have a material adverse effect on our business, financial position and results of operations.

Moreover, to improve our performance and to prevent disruption of our business, we may have to make substantial investments to deploy additional servers and backup our databases, which could increase our expenses.

Risks Related to Doing Business in China

Recent regulatory developments in China may subject us to additional regulatory review and disclosure requirements, expose us to government interference, or otherwise restrict or completely hinder our ability to offer securities and raise capitals outside China, all of which could materially and adversely affect our business, and cause the value of our securities to significantly decline or become worthless.

As we mainly conduct our business in China, we may be subject to PRC laws relating to, among others, data security and restrictions over foreign investments in value-added telecommunications services and other industry sectors set out in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Edition). Specifically, we may be subject to PRC laws relating to the collection, use, sharing, retention security, and transfer of confidential and private information, such as personal information and other data. These PRC laws apply not only to third-party transactions, but also to transfers of information between us and our wholly foreign-owned enterprises in China, and other parties with which we have commercial relations. These PRC laws and their interpretations and enforcement continue to develop and are subject to change, and the PRC government may adopt other rules and restrictions in the future.

We are exposed to legal and operational risks associated with our operations in China. The PRC government has significant authority to exert influence on the ability of a company with operations in China, including us, to conduct its business. Changes in China's economic, political or social conditions or government policies could materially and adversely affect our business and results of operations. We are subject to risks due to the uncertainty of the interpretation and the application of the PRC laws and regulations, including but not limited to the risks of uncertainty about any future actions of the PRC government on U.S. listed companies. We may also be subject to sanctions imposed by PRC regulatory agencies, including CSRC, if we fail to comply with their rules and regulations. Any actions by the PRC government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in companies having operations in China, including us, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our securities to significantly decline or become worthless. These China-related risks could result in a material change in our operations and/or the value of our securities, or could significantly limit or completely hinder our ability to offer securities to investors in the future and cause the value of such securities to significantly decline or become worthless.

The PRC government may exert, at any time, substantial intervention and influence over the manner our operations. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews and new laws and regulations related to data security, and expanding the efforts in anti-monopoly enforcement. In December 2021, the CAC promulgated the amended Measures of Cybersecurity Review which require cyberspace operators with personal information of more than one million users to file for cybersecurity review with the CRO, in the event such operators plan for an overseas listing. The amended Measures of Cybersecurity Review provide that, among others, an application for cybersecurity review must be made by an issuer that is a "critical information infrastructure operator" or a "data processing operator" as defined therein before such issuer's securities become listed in a foreign country, if the issuer possesses personal information of more than one million users, and that the relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine an operator's cyber products or services, data processing or potential listing in a foreign country affect or may affect China's national security. The amended Measures of Cybersecurity Review will take effect on February 15, 2022.

Under the current PRC cybersecurity laws in China, critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the cybersecurity review. On July 30, 2021, the State Council of the PRC promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. The regulations require, among others, that certain competent authorities shall identify critical information infrastructures. If any critical information infrastructure is identified, they shall promptly notify the relevant operators and the Ministry of Public Security.

Currently, the cybersecurity laws and regulations have not directly affected our business and operations, but in anticipation of the strengthened implementation of cybersecurity laws and regulations and the expansion of our business, we face potential risks if we are deemed as a critical information infrastructure operator under the Cybersecurity Law. In such case, we must fulfill certain obligations as required under the Cybersecurity Law and other applicable laws, including, among others, storing personal information and important data collected and produced within the PRC territory during our operations in China, which we are already doing in our business, and we may be subject to review when purchasing internet products and services. When the amended Measures of Cybersecurity Review take effect in February 2022, we may be subject to review when conducting data processing activities, and may

face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. As of the date of this annual report, we have not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect. Based on the foregoing, we and our PRC legal counsel, JunHe LLP, do not expect that, as of the date of this annual report, the current applicable PRC laws on cybersecurity would have a material adverse impact on our business.

On September 1, 2021, the PRC Data Security Law became effective, which imposes data security and privacy obligations on entities and individuals conducting data-related activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. As of the date of this annual report, we have not been involved in any investigations on data security compliance made in connection with the PRC Data Security Law, and we have not received any inquiry, notice, warning, or sanctions in such respect. Based on the foregoing, we do not expect that, as of the date of this annual report, the PRC Data Security Law would have a material adverse impact on our business.

On July 6, 2021, the relevant PRC governmental authorities publicated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions were recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions from the CSRC or any other PRC government authorities. Based on the foregoing and the currently effective PRC laws, we and our PRC legal counsel, JunHe LLP, are of the view that, as of the date of this annual report, these opinions do not have a material adverse impact on our business.

On December 24, 2021, the CSRC published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or, collectively, the Draft Overseas Listing Regulations, which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in overseas markets. The Draft Overseas Listing Regulations, among others, stipulate that Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and that an initial filing shall be submitted within three working days after the application for an initial public offering is submitted, and a second filing shall be submitted within three working days after the listing is completed. Moreover, an overseas offering and listing is prohibited under circumstances if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as reviewed and determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. The Draft Overseas Listing Regulations, among others, stipulate that when determining whether an offering and listing shall be deemed as “an indirect overseas offering and listing by a Chinese company”, the principle of “substance over form” shall be followed, and if the issuer meets the following conditions, its offering and listing shall be determined as an “indirect overseas offering and listing by a Chinese company” and is therefore subject to the filing requirement: (i) the revenues, profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; and (ii) the majority of senior management in charge of business operation are Chinese citizens or have domicile in PRC, and its principal place of business is located in PRC or main business activities are conducted in PRC. As advised by our PRC legal counsel, the Draft Overseas Listing Regulations were released only for soliciting public comment at this stage and their provisions and anticipated adoption or effective date are subject to changes, and thus their interpretation and implementation remain substantially uncertain. It is uncertain whether the Draft Overseas Listing Regulations apply to the follow-on offerings or other offerings of the Chinese companies that have been listed overseas. We cannot predict the impact of the Draft Overseas Listing Regulations on us at this stage.

Since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and conduct follow-on offerings, and listing or continuing listing on a U.S. or other

foreign exchanges. In addition, the PRC government has recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding any other industry including the industry in which we operate, which could adversely affect our business, financial condition and results of operations.

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

Substantially all of our operations are located in China and all of our revenue is sourced from China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has generally experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control on the apartment rental industry. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, and since 2012, the Chinese economy has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to us.

The PRC legal system is based on written statutes and prior court decisions or legal cases have limited value as precedents. Since these laws, regulations and rules are relatively new and the PRC legal system continues to rapidly evolve, the application and interpretations of these laws, regulations and rules are not always uniform, are ambiguous and may be interpreted and applied inconsistently between different government authorities, and enforcement of these laws, regulations and rules involves uncertainties.

Developments in the apartment rental industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict us, which could materially and adversely affect our business and operations. See “—New laws, regulations and policies may be promulgated to strengthen the regulation on the apartment rental industry which may adversely affect our business, results of operations, financial condition and growth prospects.”

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules in a timely manner until sometime after the violation.

Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

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

The Foreign Investment Law was enacted by the second session of the thirteenth National People's Congress of the PRC on March 15, 2019. On December 12, 2019, the Implementation Regulations of Foreign Investment Law was promulgated by the State

Council, which simultaneously came into force with the Foreign Investment Law on January 1, 2020. The Foreign Investment Law, together with the Implementation Regulations of Foreign Investment Law, replaced, in their entirety, the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. This law is the legal foundation for foreign investment in the PRC. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Implementation Regulations of Foreign Investment Law provide detailed rules for the principles of investment protection, promotion and management set forth in the Foreign Investment Law.

However, uncertainties still exist in relation to interpretation and implementation of the Foreign Investment Law, especially in regard to, including, among other things, the nature of “variable interest entity” structure, the promulgation schedule of both the “negative list”, or the Negative List, under the Foreign Investment Law and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. As a result, the Foreign Investment Law may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

The Foreign Investment Law, may also adversely impact our corporate governance practice and increase our compliance costs. For instance, the Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from an investment information report required at each investment, and investment amendment reports, which shall be submitted upon alteration of investment specifics, it is mandatory for entities established by foreign investors to submit an annual report, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities. In addition, the Foreign Investment Law allows foreign-invested enterprises established according to the existing laws regulating foreign investment to maintain their current structure and corporate governance during the five-year transition period. This infers that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in the transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements may lead to regulatory noncompliance and hence materially and adversely affect our current corporate structure, corporate governance and business operations.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We only have contractual control over the entities which own the domain name of our website or are registered as the owner of the mobile apps. We do not directly own the website or mobile apps due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet information provision services. This may significantly disrupt our business, subject us to sanctions, or have other harmful effects on us.

The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, the MIIT, and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross ministry regulatory matters in relation to the internet industry.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies including but not limited to those relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses,

and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

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

We are a holding company, and we rely on dividends and other distributions on equity paid by our PRC subsidiary for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, our PRC subsidiary, as a wholly foreign-owned enterprise in China, may pay dividends only out of its accumulated after tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Our PRC subsidiaries generate primarily all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us.

In response to the persistent capital outflow and the Renminbi's depreciation against the U.S. dollar in the fourth quarter of 2016, the PBOC and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures over recent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiary's dividends and other distributions may be subjected to tighter scrutiny in the future. Any limitation on the ability of our PRC subsidiary to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also "—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders."

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are incorporated.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds we receive from our offshore financing activities to make loans to or make additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiary, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiary are subject to the requirement of making necessary filings and registration with other governmental authorities in China. In addition, (a) any foreign loan procured by our PRC subsidiary is required to be registered with the SAFE, or its local branches, and (b) our PRC subsidiary may not procure loans which exceed the statutory limitation. Any medium or long-term loan to be provided by us to the VIE must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiary. If we fail to complete such recording or registration, our ability to use the proceeds we receive from our initial public offering and other offshore financing activities and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

In 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises, or SAFE Circular 142, which used to

regulate the conversion by foreign-invested enterprises of foreign currency into Renminbi by restricting the usage of converted Renminbi. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015 and superseded SAFE Circular 142 on the same date. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the Renminbi fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by bank), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the proceeds we receive from our offshore financing activities, which may adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the price of the ADSs.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Substantially all of our revenue and costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Governmental control of currency conversion may limit our ability to utilize our net revenues effectively and affect the price of the ADSs.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiary is able to pay dividends in foreign currencies to us without prior approval from the SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. But approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting processes are put in place by the SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

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

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

The M&A Rules discussed in the preceding risk factor and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOC be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise. For example, the M&A rules require that the MOC be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time honored brand. The approval from the MOC shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOC when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOC, 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 could be time-consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiary’s ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

The SAFE promulgated the Circular on Relevant Issues Relating to PRC Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC residents or entities, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE Circular 37 is issued to replace the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments through Overseas Special Purpose Vehicles, or SAFE Circular 75.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to

us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiary. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with the requirements of SAFE Circular 37 or other applicable laws and regulations. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 37 or other applicable laws and regulations. Failure by such shareholders or beneficial owners to comply with SAFE Circular 37, other related regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiary's ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

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

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose vehicles. In the meantime, our directors, executive officers and other employees who are PRC citizens, subject to limited exceptions, and who have been granted share incentive awards by us, may follow the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plan of Companies Listed Overseas, promulgated by the SAFE in 2012, or the 2012 SAFE Notice. Pursuant to the 2012 SAFE Notice, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any share incentive plan of an overseas publicly-listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of share incentive awards and the purchase or sale of shares and interests. As a public company listed on NASDAQ, we and grantees of our share incentive awards who are PRC citizens or who reside in the PRC for a continuous period of no less than one year will be subject to these regulations. Failure to complete the SAFE registrations may subject the grantees of share incentive awards to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors, executive officers and employees under PRC law.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day to day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. See "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation" for more details. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that Q&K International Group Limited or any of our subsidiaries

outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then Q&K International Group Limited or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, as described in the risk factor immediately below, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends we pay with respect to the ADSs or ordinary shares and gains realized on the sale or other disposition of our ADSs or ordinary shares may be subject to PRC tax, and it is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on the investment in the ADSs or ordinary shares.

Dividends payable to our foreign investors and gains on the sale of ADSs or ordinary shares by our foreign investors may become subject to PRC tax.

Under the PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are Non-Resident Enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our ordinary shares or the ADSs, and any gain realized from the transfer of our ordinary shares or the ADSs, may be treated as income derived from sources within the PRC and may as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such dividends or gains are deemed to be from PRC sources. If we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of the ADSs or ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of the ADSs or ordinary shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in the ADSs or ordinary shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the SAT issued the Circular on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Circular 7, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the SAT on December 10, 2009. Pursuant to this Circular 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Circular 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable

tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor is required to declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the SAT promulgated the Bulletin of SAT on Issues Concerning the Withholding of Non-Resident Enterprise Income Tax at Source, or Bulletin 37, which became effective on December 1, 2017, and SAT Circular 698 then was repealed with effect from December 1, 2017. Bulletin 37, among other things, simplified procedures of withholding and payment of income tax levied on Non-Resident Enterprises.

There is uncertainty as to the application of Circular 7 and Bulletin 37. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions under Circular 7 or Bulletin 37. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under Circular 7 or Bulletin 37. As a result, we may be required to expend valuable resources to comply with Circular 7 or Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with Circular 7 and Bulletin 37, or to establish that our company should not be taxed under Circular 7 and Bulletin 37, which may have a material adverse effect on our financial condition and results of operations.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the annual report based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands, and we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, most of our senior executive officers reside in China for a significant portion of the time and most of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside mainland China. It may also be difficult for you to enforce in the United States courts judgments obtained in the United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors who reside and whose assets are located outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of the United States courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

If the U.S. Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our ADSs. A trading prohibition for our ADSs, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections.

The U.S. Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted into law on December 18, 2020. Under the HFCA Act, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years (beginning with this annual report on Form 20-F), the SEC will prohibit our securities, including our ADSs, from being traded on a U.S. national securities exchange, including NASDAQ, or in the over-the-counter trading market in the U.S. The process for implementing trading prohibitions pursuant to the HFCA Acts will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate completely as a result of a position taken by a non-U.S. government, or the Relevant Jurisdiction, and such identified auditors, the PCAOB Identified Firms. The first list of PCAOB Identified Firms was included in a release by the PCAOB on December 16, 2021, or the PCAOB December 2021 Release. The SEC will review annual reports filed with it for fiscal years beginning after December 18, 2020 to determine if the auditor used for such reports was so identified by the PCAOB, and such issuers will be designated as “Commission Identified Issuers” on a list to be published by the SEC. If an issuer is a Commission Identified Issuer for three consecutive years (which will be

determined after the third such annual report), the SEC will issue an the trading order that will implement prohibitions described above.

If we are unable to retain a PCAOB-registered auditor subject to PCAOB inspection and investigation, a trading prohibition for our ADSs could be issued shortly after our filing of the third consecutive annual report on Form 20-F for which we have retained a PCAOB Identified Firm. Our current independent accounting firm, Marcum Bernstein & Pinchuk LLP, whose audit report is included in this annual report on Form 20-F, is headquartered in Manhattan, New York, and was not included in the list of PCAOB Identified Firms in the PCAOB December Release. However, given that all PCAOB-registered firms in China were included on that list, our ability to retain an auditor subject to PCAOB inspection and investigation may depend on the relevant U.S. and PRC regulators reaching an agreement to permit these inspections and investigations. Recent developments with respect to audits of China-based companies create uncertainty about the ability of Marcum Bernstein & Pinchuk LLP to fully cooperate with a PCAOB request for audit working papers without the approval of the Chinese authorities. Marcum Bernstein & Pinchuk LLP's audit working papers related to us are located in China. The PCAOB has not requested Marcum Bernstein & Pinchuk LLP to provide the copies of these audit working papers and as a result, Marcum Bernstein & Pinchuk LLP has not sought permission from the Chinese authorities to provide copies of these materials to the PCAOB, but there is no assurance that they would be able to obtain such permission. More broadly, the PCAOB entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections of the PCAOB-registered audit firms that audit Chinese companies that trade on U.S. exchanges. However, in the PCAOB December 2021 Release, the PCAOB identified problems in implementing these agreements and a lack of cooperation. Accordingly, we can offer no assurance that we will be able to retain an auditor that would allow us to avoid a trading prohibition for our securities under the HFCA Act.

In June 2021, the United States Senate passed a bill that would amend the HFCA Act to accelerate the imposition of trading prohibitions once an issuer is identified from three years to two years, and a companion bill was introduced in the U.S. House of Representatives on December 14, 2021. If this bill amending the HFCA Act is approved by both houses of Congress and signed by the President, our securities could be subject to a trading prohibition following our filing of a second consecutive annual report on Form 20-F in which our auditor for such reports is a PCAOB Identified Firm.

If our ADSs are subject to a trading prohibition under the HFCA Act, the price of our ADSs may be adversely affected, and the threat of such a trading prohibition would also adversely affect their price. If we are unable to be listed on another securities exchange that provides sufficient liquidity, such a trading prohibition may substantially impair your ability to sell or purchase our ADSs when you wish to do so. Furthermore, if we are able to maintain a listing of our ordinary shares on a non-U.S. exchange, investors owning our ADSs may have to take additional steps to engage in transactions on that exchange, including converting ADSs into ordinary shares and establishing non-U.S. brokerage accounts.

The HFCA Act also imposes additional certification and disclosure requirements for Commission Identified Issuers, and these requirements apply to issuers in the year following their listing as Commission Identified Issuers. The additional requirements include a certification that the issuer is not owned or controlled by a governmental entity in the Relevant Jurisdiction, and the additional requirements for annual reports include disclosure that the issuer's financials were audited by a firm not subject to PCAOB inspection, disclosure on governmental entities in the Relevant Jurisdiction's ownership in and controlling financial interest in the issuer, the names of Chinese Communist Party, or CCP, members on the board of the issuer or its operating entities, and whether the issuer's article's include a charter of the CCP, including the text of such charter.

In addition to the issues under the HFCA discussed above, the PCAOB's inability to conduct inspections in China and Hong Kong prevents it from fully evaluating the audits and quality control procedures of the independent registered public accounting firm. Our current independent registered public accounting firm, Marcum Bernstein & Pinchuk LLP, is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a regular basis with the last inspection in 2018 and an ongoing inspection that started in November 2020. However, as noted above, recent developments create uncertainty as to the PCAOB's continued ability to conduct inspections of our independent accounting firm, Marcum Bernstein & Pinchuk LLP. Moreover, our former independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, which was included as a PCAOB Identified Firm in the PCAOB December 2021 Release, is not currently inspected fully by the PCAOB. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of a China-based independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in the stock to lose confidence in the audit procedures and reported financial information and the quality of our financial statements.

Proceedings instituted by the SEC against the “big four” PRC-based accounting firms, including our former independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the “Big Four” accounting firms (including the mainland Chinese affiliate of our former independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC’s internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the Chinese accounting firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the Chinese accounting firms reached a settlement with the SEC whereby the proceedings were stayed. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents would normally be made to the CSRC. The Chinese accounting firms would receive requests matching those under Section 106 of the Sarbanes-Oxley Act of 2002, and would be required to abide by a detailed set of procedures with respect to such requests, which in substance would require them to facilitate production via the CSRC. The CSRC for its part initiated a procedure whereby, under its supervision and subject to its approval, requested classes of documents held by the accounting firms could be sanitized of problematic and sensitive content so as to render them capable of being made available by the CSRC to US regulators.

Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice at the end of four years starting from the settlement date, which was on February 6, 2019. Despite the final ending of the proceedings, the presumption is that all parties will continue to apply the same procedures: i.e. the SEC will continue to make its requests for the production of documents to the CSRC, and the CSRC will normally process those requests applying the sanitization procedure. We cannot predict whether, in cases where the CSRC does not authorize production of requested documents to the SEC, the SEC will further challenge the four PRC-based accounting firms’ compliance with U.S. law. If additional challenges are imposed on the Chinese affiliates of the “big four” accounting firms, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these accounting firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

Future developments in respect of the issues discussed above are uncertain, including because the legislative developments are subject to the legislative process and the regulatory developments are subject to the rule making process and other administrative procedures. However, if any of the administrative proceedings, legislative actions or regulatory changes discussed above were to proceed in ways that are detrimental to China-based issuers, it could cause us to fail to be in compliance with U.S. securities laws and regulations, we could cease to be listed on NASDAQ or another U.S. exchange, and U.S. trading of our shares and ADSs could be prohibited. Any of these actions, or uncertainties in the market about the possibility of such actions, could adversely affect our access to the U.S. capital markets and the price of our ADSs and ordinary shares and could result in adverse consequences under our outstanding borrowings.

If our former independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements audited by our former independent registered public accounting firm, our financial statements audited by our former independent registered public accounting firm could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from the NASDAQ Global Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the United States.

Risks Related to the American Depositary Shares

The market price for the ADSs may be volatile.

Since the ADSs became listed on NASDAQ on November 5, 2019 to the date of this annual report, the trading price of our ADSs has ranged from US\$0.268 to US\$20.44 per ADS. The trading prices of the ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation

in the market prices or the underperformance or deteriorating financial results of other listed internet or other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in their trading prices. The trading performances of other Chinese companies' securities after their offerings, including internet and e commerce companies, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of the ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material adverse effect on the market price of the ADSs.

In addition to the above factors, the price and trading volume of the ADSs may be highly volatile due to multiple factors, including, among others, (i) regulatory developments affecting us, our tenants, our landlords, third-party service providers, financial institutions, or our industry, (ii) market conditions in the apartment rental industry, (iii) changes in the performance or market valuations of other apartment rental platforms, (iv) announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments, (v) actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results, or changes in financial estimates by securities research analysts, (vi) negative publicity about us, our management or our industry, (vii) additions to or departures of our directors and senior management, and (viii) sales or perceived potential sales of additional ordinary shares or ADSs. Furthermore, as a result of the narrow band of our ADSs publicly available for trading, small trades can cause significant percentage changes in valuation in a short time period. Such volatility may affect the attitude of investors towards our securities, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

If we fail to meet the applicable listing requirements, NASDAQ may delist our ADSs from trading on its exchange in which case the liquidity and market price of our ADSs could decline and our ability to raise additional capital would be adversely affected.

Our ADSs are currently listed for trading on the NASDAQ Global Market. There are a number of requirements that must be met in order for our ADSs to remain listed on the NASDAQ Global Market, including but not limited to the minimum bid price of at least US\$1.00 per ADS, and the failure to meet any of these listing standards could result in the delisting of our ADSs from NASDAQ. On September 28, 2021, NASDAQ notified us that our company did not maintain a minimum bid price of US\$1 per ADS and provided our company a compliance period of 180 calendar days in which to regain compliance. We cannot assure you that we will be able to regain compliance within the 180-day period or comply with all Nasdaq Listing Rules at all times in the future, or regain compliance in a timely manner in case of a default and avoid any subsequent adverse action taken by NASDAQ, including but not limited to delisting.

Any potential delisting of our ADSs from the NASDAQ would make it impossible for our shareholders to sell our ADSs in the public market and will result in decreased liquidity, limited availability of market quotations for our ADSs, limited availability of news and analyst coverage on us and decrease in our ability to issue additional securities.

An active market for the ADSs may not be maintained.

The ADSs began trading on NASDAQ in November 2019, and we can provide no assurance that we will be able to maintain an active trading market on NASDAQ or any other exchange in the future. If an active market for the ADSs is not maintained, it may be difficult for the ADS holders to sell the ADSs without depressing the market price for the ADSs, or at all. An inactive market may also impair our ability to raise capital by selling ADSs and may impair our ability to acquire other businesses or property using our ADSs as consideration.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for the ADSs and trading volume could decline.

The trading market for the ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our ADSs or publish inaccurate or unfavorable research about our business, the market price for the ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of the ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in the ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which the ADS holders purchased the ADSs. You may not realize a return on your investment in the ADSs and you may even lose your entire investment in the ADSs.

Conversion of the convertible notes and exercise of the warrants we issued may dilute the ownership interest of existing shareholders, including holders who had previously converted their convertible notes.

The conversion of some or all of the convertible notes and the exercise of some or all of the warrants will dilute the ownership interests of existing shareholders and existing holders of our ADSs. Any sales in the public market of the ADSs issuable upon such conversion of the notes and exercise of the warrants could adversely affect prevailing market prices of our ADSs. In addition, the existence of the convertible notes and warrants may encourage short selling by market participants because the conversion of the convertible notes and the exercise of the warrants could depress the price of our ADSs.

Provisions of the convertible notes we offered could also discourage an acquisition of us by a third party.

Certain provisions of the convertible notes could make it more difficult or more expensive for a third party to acquire us, or may even prevent a third party from acquiring us. For example, in terms of the convertible notes we initially offered in July 2020, upon the occurrence of a fundamental change, holders of the convertible notes may require us to redeem their convertible notes at the specified fundamental change repurchase price, which includes a premium. By discouraging an acquisition of us by a third party, these provisions could have the effect of depriving the holders of our ordinary shares and holders of our ADSs of an opportunity to sell their ordinary shares and ADSs, as applicable, at a premium over prevailing market prices.

Substantial future sales or perceived potential sales of ADSs in the public market could cause the price of the ADSs to decline.

Sales of the ADSs in the public market, or the perception that these sales could occur, could cause the market price of the ADSs to decline. As of the date of this annual report, we had 1,655,048,760 ordinary shares outstanding, including 638,607,300 Class A ordinary shares are represented by ADSs. We have charged 77,100,000 Class A ordinary shares, which are our treasury shares, to a third party. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Credit Facilities” for more details. All our ADSs are freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares outstanding are subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of the ADSs could decline.

Certain holders of our ordinary shares may cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of ADSs representing these registered shares in the public market could cause the price of the ADSs to decline.

We have granted equity-based awards to certain management, employees and non-employees. In addition, we adopted a share incentive plan in 2019, or the 2019 Plan, under which we may have the discretion to grant a range of equity-based awards to eligible participants. We intend to register all ordinary shares that we have issued or that we may issue in connection with any employee share-based awards. Once we register these ordinary shares, ADSs representing them can be freely sold in the public market upon issuance,

subject to volume limitations applicable to affiliates and the lock up agreements described in the “Underwriting” section of the final prospectus dated November 4, 2019 for our initial public offering. If ADSs representing a large number of our ordinary shares or securities convertible into our ordinary shares are sold in the public market after they become eligible for sale, the sales could reduce the trading price of the ADSs and impede our ability to raise future capital. In addition, any ordinary shares that we issue under our share incentive plan would dilute the percentage ownership held by investors who purchase the ADSs.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying ordinary shares which are represented by your ADSs.

As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which attach to the underlying ordinary shares which are represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary, as the holder of the underlying ordinary shares which are represented by your ADSs. If we ask for your instructions, upon receipt of your voting instructions, the depositary will endeavor to vote the underlying ordinary shares in accordance with your instructions. You will not be able to directly exercise any right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our amended and restated memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is ten (10) days. When a general meeting is convened, you may not receive sufficient advance notice to enable you to withdraw the underlying shares which are represented by your ADSs and become the registered holder of such shares prior to the record date for the general meeting to allow you to attend the general meeting or to vote directly with respect to any specific matter or resolution which is to be considered and voted upon at the general meeting. In addition, under amended and restated memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying shares represented by your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, the depositary will, if we request, and subject to the terms of the deposit agreement, endeavor to notify you of the upcoming vote and to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying shares which are represented by your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct the voting of the underlying shares which are represented by your ADSs, and you may have no legal remedy if the underlying shares are not voted as you requested.

The deposit agreement may be amended or terminated without your consent.

Under the deposit agreement, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended. See “Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares” for more details.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make such rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act.

Accordingly, you may be unable to participate in our rights offerings in the future and may experience dilution in your holdings.

You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities underlying your ADSs, after deducting its fees and expenses. You will receive these distributions

in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of the ADSs.

ADSs holders may not be entitled to a jury trial with respect to claims arising out of or relating to our shares, the ADSs or the deposit agreement, which could result in less favorable outcomes to the plaintiffs in any such action.

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and the depositary. If a lawsuit is brought against either or both of us and the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Certain judgments obtained against us may not be enforceable.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within the United States upon these individuals, or to bring an action against us or against these individuals in the United States in the event that you believe your rights have been infringed under the U.S. federal

securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any reexamination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty, and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands. The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our director and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Companies Law (2018 Revision) of the Cayman Islands (the “Company Law”) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our amended and restated memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder resolution or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

Our dual class share structure with different voting rights limits your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and the ADSs may view as beneficial.

We have a dual class share structure. As of the date of this annual report, High Gate Investments Ltd. beneficially owns all of our issued Class B ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share based on our proposed dual

class share structure. Each Class B ordinary share is convertible into one (1) Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares.

As of the date of this annual report, High Gate Investments Ltd. beneficially owns 180,389,549 Class B ordinary shares representing 55.0% of the aggregate voting power of our company due to the disparate voting powers associated with our dual class share structure. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” As a result of the dual class share structure and the concentration of ownership, High Gate Investments Ltd. has considerable influence over matters such as decisions regarding change of directors, mergers, change of control transactions and other significant corporate actions. It may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. This concentrated control limits your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial. In addition, the significant concentration of share ownership may adversely affect the trading price of the ADSs due to investors’ perception that conflicts of interest may exist or arise. For more information regarding our principal shareholders and their affiliated entities, see “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

Our memorandum and articles of association contain anti-takeover provisions that could discourage a third party from acquiring us and adversely affect the rights of holders of our ordinary shares and the ADSs.

Our third amended and restated memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders and ADS holders of the opportunity to sell their shares or ADSs at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

We are an emerging growth company and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period. As a result of this election, our future financial statements may not be comparable to other public companies that comply with the public company effective dates for these new or revised accounting standards.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

- Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;

- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each financial year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NASDAQ Global Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NASDAQ Global Market corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NASDAQ Global Market corporate governance listing standards.

As a Cayman Islands company listed on the NASDAQ Global Market, we are subject to the NASDAQ Global Market corporate governance listing standards. However, NASDAQ Global Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ Global Market corporate governance listing standards. Currently, we follow our home country practices and rely on certain exemptions provided by the NASDAQ Global Market corporate governance listing standards to a foreign private issuer, including exemptions from the requirements to have:

- majority of independent directors on our board of directors;
- a minimum of three members in our audit committee;
- only independent directors being involved in the selection of director nominees and determination of executive officer compensation;
- regularly scheduled executive sessions of independent directors;
- a quorum of annual general meeting which is no less than 33 1/3% of our outstanding shares; and
- shareholder approval prior to an issuance of securities in connection with (i) acquisition of the stock or assets of another company, (ii) change of control, (iii) equity compensation, and (iv) transactions other than public offerings.

As a result of our reliance on the corporate governance exemptions available to foreign private issuers, you do not have the same protection afforded to shareholders of companies that are subject to all of NASDAQ Global Market corporate governance listing standards.

We may become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in the current or a future taxable year, which could subject U.S. investors in ADSs or Class A ordinary shares to significant adverse U.S. federal income tax consequences.

A non-U.S. corporation will be a “passive foreign investment company”, or PFIC, if, in any particular taxable year, either (a) 75% or more of its gross income for such year consists of certain types of “passive” income or (b) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. Because the PFIC tests must be applied each year, and the composition of our income and assets and the value of our assets may change, and because the treatment of our VIE for U.S. federal income tax purposes is not entirely clear, it is possible that we may become a PFIC in the current year or in a future year. In particular, because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs, fluctuations in the market price of the ADSs may cause us to become a PFIC. In addition, the treatment of our rental income as active for purposes of these tests depends upon whether we conduct sufficient marketing or other activities with respect to the rented properties in each taxable year to meet the requirements for an active rental business under applicable Treasury regulations, which may be uncertain.

If we are a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of the ADSs or Class A ordinary shares and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the federal income tax rules, and such U.S. Holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds ADSs or Class A ordinary shares, we generally will continue to be treated as a PFIC for all subsequent years during which such U.S. Holder holds our ADSs or Class A ordinary shares unless we cease to be a PFIC and the U.S. Holder makes a special “purging” election on Internal Revenue Service (“IRS”) Form 8621. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules” for more details.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”

As a public company, we expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the NASDAQ Global Market, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.07 billion in net revenues for our last financial year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We began our operation through Qingke Fashion Life Service Co., Ltd., or Q&K Fashion, which was established on November 8, 2007 by certain individuals related to our founder and former chief executive officer, Mr. Guangjie Jin, who transferred all voting rights to Mr. Guangjie Jin by proxy agreements. We substantially commenced our apartment rental business in 2012. During the period from 2007 to 2014, Q&K Fashion undertook several rounds of equity financing in the PRC. Mr. Guangjie Jin held more than 50% controlling interests over Q&K Fashion since the date of its incorporation.

On August 2, 2013, Q&K Fashion incorporated Shanghai Qingke E commerce Co., Ltd, or Q&K E-commerce. On March 17, 2015, Q&K E-commerce incorporated Shanghai Qingke Equipment Rental Co., Ltd., or Q&K Equipment Rental. From 2013 to 2015, Q&K Fashion transferred all of its shareholding over Q&K E-commerce to several investors and our founder and former chief executive officer, Mr. Guangjie Jin, allowing the latter to obtain control through majority equity ownership.

To facilitate financing and offshore listing, we underwent a series of reorganization, or the Reorganization as follows. We incorporated Q&K International Group Limited in the Cayman Islands as our offshore holding company in August 2014. In April 2015, Shanghai Qingke Investment Consulting Co., Ltd., or Q&K Investment Consulting, was incorporated as Q&K International Group Limited's wholly owned subsidiary in the PRC. Shortly thereafter, Q&K International Group Limited issued ordinary shares to the offshore entities designated by then shareholders of Q&K Fashion in proportion to these shareholders' then shareholding percentage in Q&K Fashion. In April 2015, Q&K Investment Consulting entered into a series of contractual arrangements with the VIE, Guangjie Jin, Bing Xiao, and Xiamen Siyuan Investment Management Co., Ltd. The contract arrangements enable us to obtain control over the VIE and its subsidiaries. The contractual arrangements consist of shareholder voting proxy agreements and powers of attorney, exclusive technology service agreement, exclusive option agreement, equity interest pledge agreement and spousal consent letter. In the meantime, Q&K Fashion transferred all its net assets to Q&K Equipment Rental, a subsidiary of our VIE. Both Q&K International Group Limited and Q&K Fashion were controlled by Mr. Guangjie Jin before and after the Reorganization, and therefore we consider the Reorganization as a reorganization of entities under common control.

In November 2015, we effected a one-for-ten share split of our ordinary shares and preferred shares.

On November 5, 2019, our ADSs commenced trading on the Nasdaq under the symbol "QK." We raised from our initial public offering, after underwriters exercised their over-allotment option in full, approximately US\$44.5 million in net proceeds after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

To fund our acquisition of certain lease contracts and other related assets, in July 2020, we issued series 1 and series 2 convertible notes in the aggregate principal amount of US\$30.050 million at par and warrants to purchase 104,871 ADSs to Key Space (S) Pte Ltd and Veneto Holdings Ltd., and subsequently, from September 2020 to January 2022, we issued additional series 1 and series 2 convertible notes in the aggregate principal amount of US\$20.8 million at par and warrants to purchase 313,966 ADSs to Key Space (S) Pte Ltd, pursuant to the convertible notes and warrant purchase agreements.

On October 26, 2021, we transferred all of our equity interest in the WFOE to Wangxiancai Limited, which is beneficially owned by the legal representative and executive director of one of our subsidiaries, a related party, for nominal consideration (the "Equity Transfer"). The WFOE had a series of contractual arrangements with the VIE, through which we carried out certain rental apartment operation business prior to the Equity Transfer. The WFOE and the VIE, on a consolidated basis, had been loss making. According to the contractual arrangements, the VIE agreed to pay service fees equivalent to no less than 100% of its annual net profit to the WFOE. However, the VIE had never paid any service fee to the WFOE under the contractual arrangement as it had been loss making. The Equity Transfer was performed to dedicate our business resources to operate higher-quality rental apartments through our subsidiaries in China. As a result of the Equity Transfer, we no longer conduct any operation through a variable interest entity.

Our principal executive offices are located at Suite 1607, Building A, No.596 Middle Longhua Road, Xuhui District, Shanghai, 200032, People's Republic of China. Our telephone number at this address is +86-21-6417-9625. Our registered office in the Cayman Islands is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1 1111, Cayman Islands.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our main website is www.qk365.com. The information contained on our website is not a part of this annual report.

SEC maintains an internet site (<http://www.sec.gov>), which contains reports, proxy and information statements, and other information regarding us that file electronically with the SEC.

B. Business Overview

We are a leading technology-driven long-term apartment rental platform in China, offering young, emerging urban residents conveniently located, ready to move in, and affordable branded apartments as well as facilitating a variety of value-added services. We are one of the pioneers in providing branded rental apartments in China. Under our dispersed lease-and-operate model, we lease apartments from landlords and transform these apartments, mostly from bare-bones condition, into standardized furnished rooms to lease to people seeking affordable residence in cities, following an efficient, technology-driven business process. Our period-average occupancy rates was 83.8% and 89.9% in FY 2020 and FY 2021, respectively.

Driven by the rapid urbanization, rising housing prices, millennial mindsets of sharing economy, and supportive government policies, branded long-term rental apartment service is an underpenetrated, fast-growing industry in China. An increasing number of young people in China move to cities for education or work and seek affordable long-term rental apartments. Traditionally, tenants rely on rental agencies or deal with individual landlords to rent apartments and have to contact individual landlords, who at times may not be responsive, for maintenance and repair during the lease. In the meantime, landlords need to handle apartment maintenance and repair and collect rentals all by themselves. In recent years, branded apartment operators have emerged to provide a one-stop, more efficient and hassle-free rental experience for tenants as well as landlords. In addition, central and local governments in China have adopted policies to incentivize and support the growth of the apartment rental sector, including offering equal access to public services and schools to both renters and homeowners, reducing income tax, and medical insurance and social security payment ratio for individuals with monthly income below RMB10,000.0 (US\$1,472.8) our target customer group.

Branded long-term apartment rental platforms operate under either a centralized or dispersed model. Under the centralized model, an operator sources and operates a whole building or a few floors therein through purchasing or leasing from, or cooperating with, property owners. Under the dispersed model, an operator sources apartments from individual landlords in different locations and manage them centrally, leveraging advanced IT and mobile technologies. Compared to the centralized model, the dispersed model enjoys certain advantages, including a more abundant and flexible supply of apartments and less initial capital outlay, and is easier to achieve a nation-wide brand awareness. As a result, the dispersed model is more scalable.

We strategically focus on sourcing apartments under the dispersed model in relatively inexpensive yet convenient locations, typically near subway stations, to provide our tenants value for money. We do not own our rental apartments but lease them from our landlords under long-term leases. Our leases with landlords usually provide for a minimum term of five to six years, or lease-in contract lock-in period, and can be extended for up to two to three years. During the lease-in contract lock-in period, neither landlords nor us may terminate the lease without paying a penalty equal to the rentals for the remaining lease-in contract lock-in period. For leases with landlords entered into in April 2019 or after, if the monthly rentals (after discount for rental prepayment) that we receive from tenants are lower than our monthly rental to landlords for six consecutive months, we have the right to renegotiate for a lower monthly rental to landlords or terminate the relevant leases with landlords. We typically convert a leased-in apartment to add additional bedroom, or the N+1 model, and rent each bedroom separately to individual tenants after standardized decoration and furnishing. The N+1 model further increases affordability and provides flexibilities and co rental efficiency for tenants. Each of our rental apartments typically has three rental units. Our leases with tenants typically have a contracted lease term of 3 to 12 months. In FY 2021, the average contracted lease term of our terminated leases with tenants was 11.4 months. In the same period, tenants of 61.3% of our leases remained in their rental units through the end of the contracted lease term. If a tenant chooses to terminate the lease during the lock-in period, except for termination during the first week of the lease, the tenant's security deposit will be forfeited. After the lock-in period, the tenant may terminate the lease anytime without penalty. In FY 2021, tenants on average stayed in our rental units for 8.2 months.

Technology is at the core of our business. We apply technology in every step of our operational process from apartment sourcing, renovation, and tenant acquisition, to property management. This enables us to operate a large, dispersed and fast-growing portfolio of apartments with high operational efficiency, delivering superior user experience. For example, we utilize big data analytics to establish a fair and efficient pricing mechanism. This mechanism also provides clear guidance to our apartment sourcing staff and ensures certain rental spread can be achieved during the lease term. We have also developed a technology-driven, innovative project management system to centrally manage our suppliers and contractors for apartment renovation, cleaning and maintenance, monitor the work process, track the work schedules, and exert quality control. Moreover, our intuitive mobile applications allow our tenants, landlords, and third-party service providers to execute transactions or provide services in a streamlined paperless environment. Our focus on technologies has enabled us to operate efficiently and grow rapidly while maintaining quality control.

We cooperate with third parties, including professional home service providers, e-commerce companies, and other service providers to manage the rental units as well as facilitate a wide array of value-added services for our tenants, such as broadband internet. These initiatives cater to tenants' lifestyle demand and help them live more conveniently and comfortably. This, in turn, helps improve our brand loyalty and increase revenue per tenant. Revenue from value-added services and others as a percentage of our net revenues decreased from 11.7% in FY 2019 to 8.5% in FY 2020, and then increased to 9.4% in FY 2021.

In early 2020, we started to expand our business to Sichuan and Chongqing by acquiring lease contracts with landlords and tenants and related fixtures and equipment for approximately 47,000 rental units in Sichuan and Chongqing from another rental service company. Pursuant to the agreement with this rental service company, we were required to pay a consideration of RMB580.0 million, consisting of cash and our Class A ordinary shares, subject to adjustments based on the quality of the assets according to the agreements, to this rental service company by the end of 2020. However, given the closing conditions were not fulfilled by September 30, 2020, this acquisition has been terminated in substance pursuant to the agreement. We did not pay any consideration, and the deposit of RMB200.0 million we paid in January 2020 was fully returned to us. We have agreed to pay back the RMB8.0 million that this rental service company paid us before the termination of this acquisition.

In July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. Unlike rental units we directly operate and manage, these rental units had been renovated at the time we acquired the lease contracts. We have carried out due diligence to verify the authenticity and the quality of these rental units, including but not limited to site visits, calls with landlords and tenants of these rental units, and verification of the operating data such as occupancy rate and rental margin of these rental units provided by the rental service company. We have engaged a third-party contractor to manage these rental units, including but not limited to marketing, maintenance, tenant screening, communications with landlords and tenants. We take measures to supervise and control the quality of the contractor's management, including but not limited to monitoring operating data related to these rental units on a daily basis such as the number of new leases with tenants and amount of rental income, and reviewing the performance of these rental units each month. We are in the process of integrating these rental units into our system. To finance this acquisition, in July 2020, we issued series 1 and series 2 convertible notes in the aggregate principal amount of US\$30.050 million at par and warrants to purchase 104,871 ADSs to Key Space (S) Pte Ltd and Veneto Holdings Ltd., and subsequently, from September 2020 to January 2022, we issued additional series 1 and series 2 convertible notes in the aggregate principal amount of US\$20.8 million at par and warrants to purchase 313,966 ADSs to Key Space (S) Pte Ltd, pursuant to the convertible notes and warrant purchase agreements. We paid US\$5.8 million to the transferor to settle the first installment of the consideration. In May 2021, the remaining consideration for the acquisition consisted of US\$23.2 million in cash and RMB289.7 million worth of our Class A ordinary shares and we entered into supplemental agreements with the rental service company and its affiliates, pursuant to which we settled the remaining consideration by delivering 186,375,850 Class A ordinary shares to them. They are entitled to sell these Class A ordinary shares in the open market, subject to certain lock-up arrangements. Among the 186,375,850 Class A ordinary shares delivered, we are obliged to (i) make up the shortfall if the proceeds they receive from the sale of 57,786,458 Class A ordinary shares are lower than US\$0.4014 per share and (ii) repurchase 20,860,749 Class A ordinary shares at US\$0.4015 per share in installments if they do not trade these shares in the open market, subject to the terms and conditions set forth in the agreements with them. We will also issue in installments, to a third-party contractor that manages the rental units as previously announced, up to 99.6 million Class A ordinary shares, subject to certain performance indicators and other terms and conditions set forth in the agreement.

For the risks associated with being based in or having the majority of our operations in China, see "Part I—Risks Associated with Being Based in or Having the Majority of the Operations in China." For the risks associated with the HFCA Act, see "Part I—Risks Associated with the Holding Foreign Companies Accountable Act."

Our Apartment Network

We started the apartment rental business in 2012 in Shanghai, one of the most prosperous cities in China with the largest migrant population. Leveraging the experience and knowledge accrued in managing rental apartments in Shanghai, we have expanded to other top-tier cities, including Shanghai's adjacent Suzhou market in 2013 and Hangzhou in 2016, and subsequently Nanjing, Wuhan and Beijing in late 2017. In December 2019, we started to expand our apartment network to Tianjin. In FY 2021, 24.4% of our leases with landlords, or leases of 20,058 rental units, were terminated as we strategically reduced the number of leases with landlords to reduce the rentals we need to pay to the landlords, in response to the lower tenant demand and thus, lower occupancy rate and revenues from tenants which were not sufficient to cover the rentals we need to pay to the landlords due to the COVID-19 pandemic in China. This helped us to optimize our portfolio and mitigate the adverse effect of the COVID-19 pandemic on our business, cash flow and financial conditions. We had also actively seeking high quality apartments in FY 2021. In July 2020, we expanded our apartment

network by acquiring lease contracts with landlords and tenants and related fixtures, equipment and other assets from a rental service company for approximately 72,000 rental units in various cities across China, and now our rental units locate in to Beijing, Chengdu, Changsha, Fuzhou, Hefei, Jinan, Kunming, Ningbo, Nanchang, Nanjing, Nanning, Qingdao, Suzhou, Xi'an, Tianjin, Shijiazhuang and Chongqing. As of September 30, 2021, we had 62,757 available rental units under management spread across China.

We have been focused on, and will continue to target, markets with multiple demand generators, such as proximity to transportation corridors (e.g., locations along the coastal lines or the Yangtze River, or in the intersection of multiple high-speed railways), strong economic prospects (e.g., top 50 in China in terms of GDP), abundant job opportunities, high home ownership costs, large and increasing inflow of migrants (e.g., with population over 8 million), solid suburban development plans, and favorable government policy on apartment rental, etc.

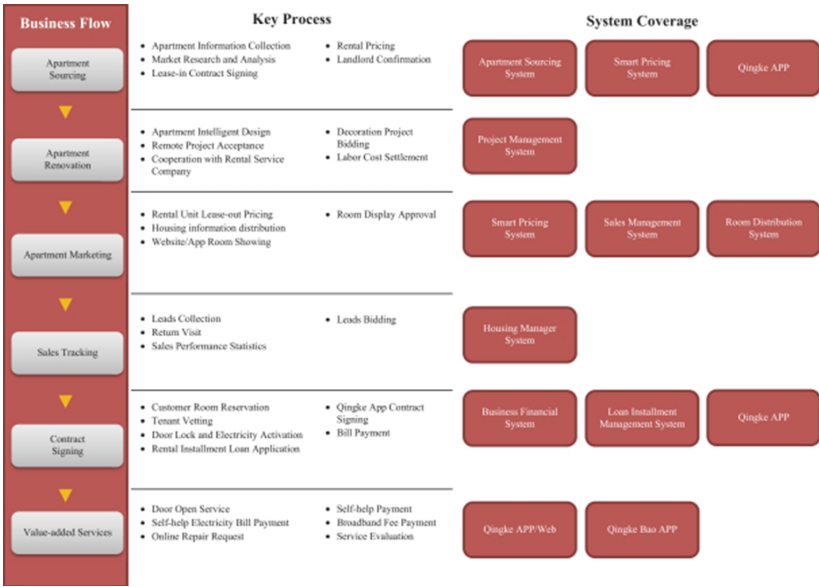
Within our target markets, our apartments are strategically located in neighborhoods near subway stations in the metropolitan areas. These locations provide tenants with convenient access to an entire city, including major business districts and commercial centers, and hence strong demand potential and ample space for rental increase (driven, for example, by opening of a new subway line or extension of an existing subway line, a new commercial center etc.).

Our Technology-Driven Business Model

We utilize an efficient and scalable lease-and-operate model, under which we lease individual apartments from apartment owners and rent out to individual tenants after necessary renovation. Our highly efficient business process and centralized management of a large dispersed portfolio of rental apartments are built on, and enabled by, our technology-driven, end-to-end, and extensible systems.

We apply technology in every step of our operation from apartment sourcing, renovation, and tenant acquisition, to property management. These include our dynamic pricing system for fair, transparent, and efficient rental pricing, innovative project management system to centrally manage, monitor, and control renovation process, and intuitive mobile applications to reduce customer acquisition and property management cost. Our focus on technology has enabled us to operate efficiently and grow rapidly while maintaining quality control and optimizing user experience.

The following diagram illustrates the key modules of our technology-driven, end-to-end systems. All of these modules are web-based or mobile-based information systems, and developed in-house.



Apartment Sourcing

Overview

We have followed a disciplined and systematic process to expand our apartment network. This involves comprehensive market research of macro factors and local government policies on apartment rental, in depth analysis of local market supply and demand dynamics through collecting and analyzing relevant data, including housing sales transaction information, residential building vacancy rate, rental demand, and rental price development. We conduct in-person visits to relevant neighborhoods and real estate agencies nearby to get first-hand experience of traffic flow, e.g., proximity to a subway station or other local traffic or commercial hub; competitive landscape, including the presence of any other branded long-term apartment operators or individual landlords; and abundance of available-for-rent apartments with ample room for revitalization and optimization, such as existence of a newly developed property complex for people re locating from previously owned properties in urban planning.

We gather information of available for rent apartments from both online and offline channels. Online channels include our mobile APP, which can be used by property owners to submit information of their available for rent apartments, and third-party channels including classified ads websites. Our sourcing staff also gather leads of available for rent apartments from local neighborhood committees and property managers, and real estate agencies nearby during their field visits to the relevant neighborhoods.

We use a mobile-based apartment sourcing system to manage the sourcing process, and a technology-driven Smart Pricing System for efficient and fair rental pricing. Through these systems, our sourcing staff submit detailed information of potential apartments for our centralized approval, as well as signing lease contracts and managing relationships with landlords, etc.

We have a dedicated sourcing team which is incentivized to achieve not only the targeted number of apartments to be sourced, but also the quality of the apartments they source, aligning their interests with our long-term goals.

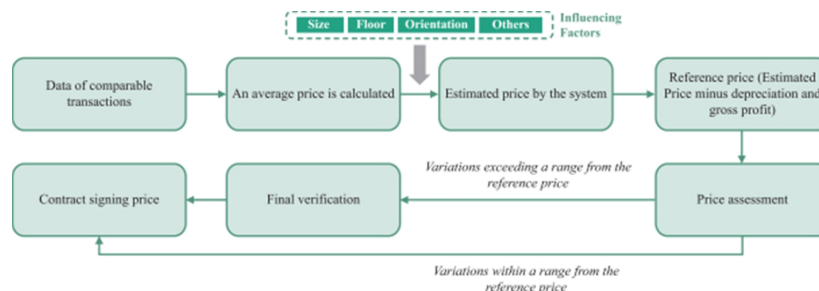
In July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company, Great Alliance Co-living Limited, and its affiliates to acquire lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China. We have carried out due diligence to verify the authenticity and the quality of these rental units, including but not limited to site visits, calls with landlords and tenants of these rental units, and verification of the operating data such as occupancy rate and rental margin of these rental units provided by the rental service company.

Rental Pricing

A key element for our apartment sourcing is establishing the right rental pricing to expand our apartment portfolio and gain greater market share, while at the same time meeting our strategic and financial return criteria.

We use big data to establish a fair and efficient rental pricing mechanism, our proprietary technology-driven Smart Pricing System, to provide clear guidance to our apartment sourcing staff to ensure satisfactory financial return during the lease term. Our sourcing staff input the basic information including location, residential compound name, floor, size, and number of bedrooms etc., into our Smart Pricing System. Our Smart Pricing System estimates appropriate rental cost and price by selecting and parsing rentals from recent comparable transactions in adjacent area from our own transaction data and public market data, and automatically adjusts the level of the rentals based on multiple influencing factors, including size, orientation, and floor. Our Smart Pricing System helps mitigate losses arising from inaccurate manual pricing techniques and reduces reliance on sourcing staff's personal judgment, as well as streamlining the pricing process. When we expand into a new city, the Smart Pricing system is replicable with some adjustments in parameters, enabling faster expansion at a lower cost.

The diagram below illustrates our dynamic, smart pricing process.



Our Lease-in Contracts

The transparent pricing mechanism enabled by our Smart Pricing System has helped us in our sales pitches to landlords and tenants to negotiate favorable rents and lease terms. In July 2020, to replenish and expand our rental units portfolio, we acquired lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China from another rental service company. Since July 2020, the term of our leases with landlords has been typically five years, or the lease-in contract lock-in period. Before July 2020 and from 2017, we typically entered into a lease with a landlord with a minimum term of six-year period, or lease-in contract lock-in period, which shall be extended for up to two years, at the landlord's discretion. Before 2017, we typically entered into a lease with a landlord with a minimum term of five-year lease-in contract lock-in period, which shall be extended for up to three years, at the landlord's discretion. During the lease-in contract lock-in period, neither landlords nor us may terminate the lease without paying a penalty equal to the rentals for the remaining lease-in contract lock-in period. As of September 30, 2021, our average lease-in contract lock-in period was 49.5 months and a majority of our apartments contracted were less than two years into leases with landlords. We typically manage to obtain a rental free period of 30 to 90 days from our landlords. Additionally, we generally lock in the lease-in cost for the first two years. Below is the expiration table of our leases with landlords as of September 30, 2021 assuming all landlords terminate the lease upon the expiry of the lease-in contract lock-in period.

	Total leases with landlords	Leases expiring by the end of									
		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031 and after
Number of rental apartments with	62,757	10,870	15,723	18,929	9,746	3,466	1,050	1,520	1,093	145	215
Average annual straight-lined rental cost represented by (RMB in million)	50.1	75.4	134.0	153.4	78.0	26.9	8.5	12.6	9.0	1.3	2.4
Percentage of total annual straight-lined rental cost (%)	100%	5.0%	17.9%	30.7%	20.8%	9.0%	3.4%	5.9%	4.8%	0.8%	1.6%

We usually do not need to prepay security deposits to landlords. After the rent free period, we usually prepay rentals on a quarterly basis. As we expand and our reputation grows, an increasing number of landlords no longer require us to pay security deposits. If a landlord terminates the lease during the lease-in contract lock-in period, he or she is required to compensate us for the amount equivalent to the rental income of the remaining period of the lease. At the end of the lease term, we may take all non-fixtures such as electric appliances that we have installed in the apartment. Landlords generally give representations on the authority to rent out the apartment and apartment condition. For leases with landlords entered into in April 2019 or after, if the monthly rentals (after discount for rental prepayment) that we received from tenants are lower than our monthly rental to landlords for six consecutive months, we have the right to renegotiate for a lower monthly rental to landlords or terminate the relevant leases with landlords.

Since February 2019, we have started to source decorated and furnished apartments from landlords. Under this model, depending on the decoration quality, we generally only need to add a wall to separate out an additional bedroom from the living room, furnish the additional bedroom, and install smart door locks to the apartment and each bedroom therein, thus substantially reducing our cost for renovation, compared to sourcing bare-bones apartments. In addition, we are exploring a model under which our landlords would fund the upfront costs for apartment outfitting. These initiatives help reduce our upfront capital outlay so that we can scale up more rapidly.

Apartment Renovation

Our apartment renovation process typically involves converting the living room in a leased-in apartment to add an additional bedroom, or the N+1 model, following the guidance in the applicable local regulations; and decorating and furnishing the leased-in apartments, which are often kept in bare-bones condition (cement walls and floors and utility pipes only) and unfurnished. In addition, depending on the condition of the apartment after a tenant moves out, we may conduct light renovation to ensure consistent standard and quality across our lease-out apartments. We have developed a standardized process to renovate the apartments, which includes measuring, designing, reviewing and budgeting, reconstruction, installation, and inspection and review, and further break down the key steps into pre-set modules, such as design packages and distinctive construction orders to improve efficiency.

We have independently developed a technology-driven, innovative project management system to centrally dispatch job requests, manage suppliers and contractors, monitor the renovation process, track delivery schedules, and exert quality control throughout the entire apartment renovation process. Our project management system enables modularization, standardization and digitization of the renovation process. This has allowed us to efficiently manage a fast-growing number of suppliers and contractors to sustain our business growth while ensuring consistency in quality.

We perform centralized purchasing for construction materials (except low-cost and heavy materials such as cement, and materials that need to be customized, such as doors, which need to be tailored based on the relevant floor-to-ceiling height), sanitary ware, furniture, electronic appliances etc. We are able to bulk purchase directly from manufacturers at competitive prices as we scale up. We exert stringent control on the materials used in the renovation process to ensure that our rental apartments comply with the relevant safety and environmental standards such as residual levels of formaldehyde and other chemicals.

The following are the key steps in our apartment renovation process. We outsource the renovation process, such as designing, reconstruction, installation, and inspection to qualified third-party contractors, who bid for blueprint drawing, construction, installation, and inspection orders. Contractors are selected and constantly evaluated based on multiple factors, including their qualifications, quality of work, and capability to meet our deadlines, for optimal allocation of the job requests.

Measuring. Measuring involves onsite measuring of the property. We have developed our proprietary measurement robot based on advanced technology. The robot can be operated by our staff onsite to measure the room size and structure of our apartments and generate a floorplan and an elevation in about 40 minutes. Our onsite professionals then upload the full room scan to our cloud server. This enhances measurement accuracy, reduces time needed and saves labor costs.

Designing. Designing involves readjusting and construction drawing. We have developed a unique blueprint drawing process to break down one comprehensive set of blueprints into more than 20 distinctive renovation processes or steps under six design packages. This shortens the drawing process to 24 hours, and eliminates potential capacity bottlenecks.

Reviewing and Budgeting. Once the drawings are done, our system produces a detailed budget and work plan with the list of materials and products needed, the delivery schedule and construction work schedule, against which we track actual progress to avoid delays.

Reconstruction. Reconstruction involves demolition and renovation, reconstruction of water and electricity installation, plastering, wood-working and painting. We separate the reconstruction processes into distinctive construction orders, and contractors bid for each construction order through our project management system.

Installation. Installation involves installation of furniture and electric appliance. Contractors bid for installation orders, and to ensure the quality and timely completion of installation work, contractors are required to take pictures and record videos of the working sites at the end of every working day and upload them to the system for our remote approval.

Inspection and Review. To ensure the quality and timely completion of construction work, contractors are required to take pictures and record videos of the working sites upon completion of each step and upload them to our system for our remote approval. Our staff from our engineering department may also conduct onsite inspection on a selective basis. In addition, following the

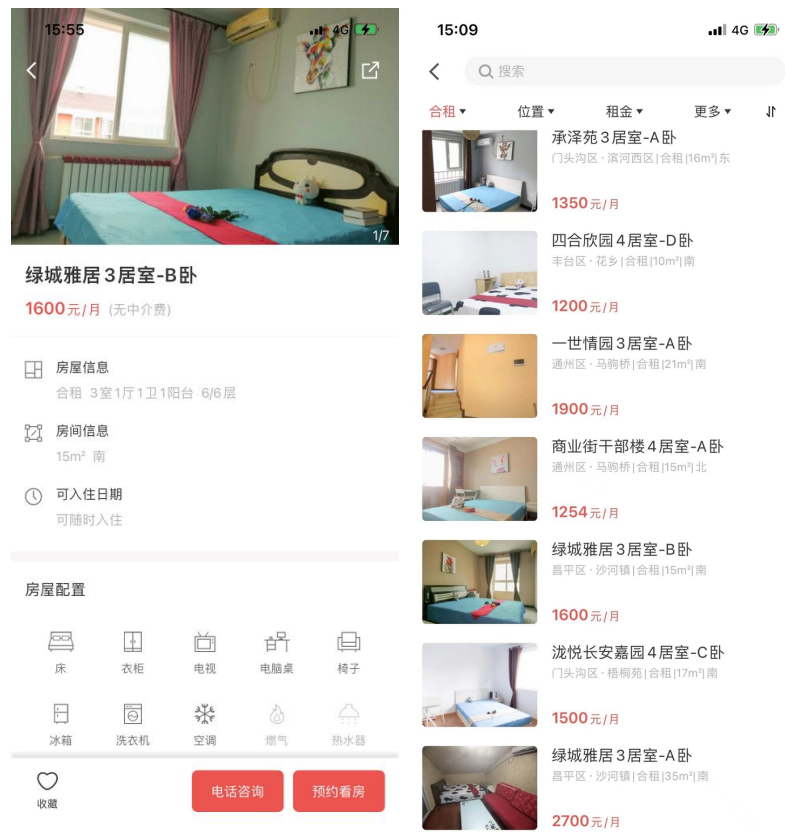
completion of the construction and installation, our staff from our engineering department will conduct an onsite check of air quality, and if formaldehyde tested exceeds the national permitted level in the PRC, we would air the room and conduct a follow-up check in a few days until the formaldehyde falls below the permitted level.

Apartment Marketing and Leasing

Apartment Marketing

We conduct the majority of our marketing and sales process online, which improves our efficiency and provides a more convenient and transparent rental experience for tenants. We list the apartments on our website and mobile applications. Prospective tenants can search and view an apartment, and sign the lease online or via our interactive APP. Leveraging our data analytics, our APP displays available apartments in tenants’ vicinity matching their inferred location and budget based on the price tiers of their smartphones, and the tenants may further fine tune the search results using various criteria including location, rental price, proximity to subway line etc., making apartment searching more efficient. As of the date of this annual report, for a majority of our listings, in addition to pictures, we also provide a 360 degree video of the apartments to give potential tenants a better view and to improve the efficiency of apartment viewing. Besides the searching and viewing functions, our APP also allows tenants to make appointments for in-person apartment viewing and interact with our sales staff live.

Mobile Map-based Apartment Search Interface on our APP



In addition to our website and APP, we use third-party platforms to promote our apartment rooms and acquire potential tenants, including search engines, online classified information platforms, online rental listing websites, and agents’ WeChat corporate accounts.

In FY 2021, substantially all of our tenants were sourced online.

Sales Management and Rental Pricing

We use a mobile-based, automated sales management system for our sales staff, who are our apartment managers, to bid for available rooms and tenant leads from call centers, track leasing process, manage rented rooms, etc. on their mobile phones or tablets. The system also allows us to track and evaluate their performance, including the number of visits completed, and the number of leases signed.

We apply our Smart Pricing System to price our lease-out rental through an automated, dynamic process, which takes into account data points including rent-in cost, decoration cost, historical transaction data (e.g., price and occupancy rate), demand fluctuations (e.g. low demand around the Chinese New Year holiday period and high demand in July and August with new college graduates moving out of campus), target occupancy rate, and market prices for apartments in similar conditions.

We have adopted a compensation structure for our sales staff, designed to better align their interest with ours to achieve a higher rental spread and reduce tenant acquisition costs. Our sales staff are generally paid a base salary plus performance-linked bonuses and other incentives to encourage full price sales and longer term leases.

Tenant Vetting Process

We require our tenants to go through our standardized tenant vetting process before we enter into a lease with him or her. Our tenant vetting process mainly includes identity authentication, criminal background checks and collection and verification of tenants' basic information. We are one of the earliest apartment rental platforms in China that utilize face recognition technology to verify the identity of a tenant. We are connected to the systems of the public security bureau to conduct tenant background checks and may reject lease applications if the background check results are unsatisfactory.

Tenant Relations and Property Maintenance

We provide after-rent services including bi-weekly cleaning of the common spaces and repair services as requested by tenants via our APP, our call centers and local property management office. Leveraging our technology platform, we have developed a number of services to improve the efficiency of our property maintenance practices and maximize tenant satisfaction. These include:

Smart door lock service. All our apartment and bedroom doors are equipped with smart digital locks and tenants can enter by tapping a digital access card. Some of our smart digital locks are equipped with Bluetooth function so that tenants can enjoy key-less apartment and bedroom access by logging into our APP with their accounts and passwords and pressing "I want to unlock a door" button in our APP. Our APP then sends a signal via Bluetooth to the digital locks on the apartment and bedroom doors. Alternatively, by tapping digital access cards or calling our call center, tenants may open the apartment and bedroom doors when their mobile phones run out of battery or lose internet access. In addition, through our digital locks, we have the ability to control the access to our apartments and bedrooms and may take over the relevant property if a tenant defaults on payment after sufficient warning pursuant to our lease agreement and the relevant PRC laws.

Repair request and service evaluation. Tenants may submit repair and maintenance requests on our APP, such as reporting a malfunctioning home appliance. Our service center will schedule appointments with tenants within 24-48 hours based on the urgency of such requests. To ensure the quality of the repair provided by our service providers, we ask our tenants to fill out a service evaluation questionnaire on our APP after the appointments.

We outsource the cleaning, maintenance and repair services to qualified third-party service contractors, who compete for orders on our bidding system. To ensure the quality of the cleaning and repair services, contractors are required to upload pictures of work sites after completion of each service for our inspection and approval.

Our apartment managers regularly visit our apartments to inspect their condition, paying particular attention to potential safety hazards as well as potential causes of damage that could result in significant maintenance costs if left unaddressed, assess and document interior and exterior condition, and determine whether the tenant is adhering to the terms of their lease. They also schedule periodic in-person checks on service contractors' work quality. In addition, our apartment managers conduct inspections prior to scheduled tenant move outs to notify tenants of any repairs they may need to undertake prior to moving out of the property, in order to avoid forfeiture of part or all of their security deposit. These inspections also allow us to begin preparing a scope of work and budget

for the turnover work we undertake to prepare our apartments to be re-leased to a new tenant, and increase our ability to pre-market our apartments.

Self-help rental and bill payment. Our tenants may pay rental and utility bills via our APP. Our APP consolidates all outstanding bills and connects to tenants’ bank accounts. Once we receive the authorization from the tenants, our APP will automatically deduct the authorized amounts from the tenants’ accounts to settle the bills.

We make tenant safety and security our priority. We engage third-party service contractors to inspect safety facilities and appliances in our rental apartments on a bi-weekly basis to identify any potential safety hazards. In addition, we may forfeit all or part of a tenant’s security deposits or terminate the lease pursuant to the terms of the lease, if he or she violates the rules for our rental community in a serious way, such as causing nuances or otherwise jeopardizing other tenants or damaging our rental apartments or facilities.

In July 2020, to replenish and expand our rental units portfolio, we acquired lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China. We have engaged a third-party contractor to manage these rental units, including but not limited to marketing, maintenance, tenant screening, communications with landlords and tenants. We take measures to supervise and control the quality of the contractor’s management, including but not limited to monitoring operating data related to these rental units on a daily basis such as the number of new leases with tenants and amount of rental income, and reviewing the performance of these rental units each month. For the management of these rental units, we are in the process of integrating these rental units into our proprietary system and APP, and before this process completes, some of these rental units are still managed using the third-party contractor’s system.

Our Apartments and Services

Our Rental Units

Our rental units typically had net area (excluding common spaces) from 10 square meters to 15 square meters, with monthly rental from RMB350 to RMB18,200 in FY 2021, depending on factors including location and type of housing. Our rental units are generally fitted with standardized interior styles, and are equipped with air conditioners and basic furniture including a bed, a wardrobe, a desk and a chair. Bathrooms and kitchens are equipped with standardized electrical appliances. We install a digital lock and separate electricity meter for each bedroom. All our apartments have pre-installed broadband internet access including Wi Fi.

The following are pictures of our standard bedrooms, bathroom and kitchen.

Standard Bedrooms



Standard Kitchen and Bathroom



When a new tenant moves in, our apartment managers conduct a tenant orientation, during which we revisit the terms of the lease, outline what aspects of the apartment's upkeep are the tenant's responsibility, walk through all of the home's major systems in order to familiarize the tenant with their safe and proper operation. During the move-in orientation, each tenant is provided with a "refrigerator list" and encouraged to keep a record of any non-emergency service items noted after moving into the apartment. By conducting an in-person move-in orientation, we are able to ensure that tenants understand their obligations under the terms of their lease, as well as how to safely and properly operate the apartment's systems, reducing both the likelihood of misaligned expectations and unnecessary wear and tear on the apartment.

The following is a summary of the key terms in a typical lease with tenant.

Contracted lease term. Typically 3 to 12 months. Rental is fixed through the term of the lease. During the contracted lease term, typically, termination will result in forfeiture of the security deposit. On September 30, 2021, the average contracted lease term of our outstanding leases was 11.4 months.

Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants. Before this, if a tenant's rental installment loan application was approved, his or her lease would be subject to a lock-in period of 12 months or longer. If the rental installment loan application was denied, his or her lease would not be subject to such lock-in period and he or she might move out after all prepaid rents were used or enter into a new lease with us with an agreed lock-in period. On September 30, 2021, none of our tenants was in the process of applying for rental installment loans.

In FY 2019, FY 2020 and FY 2021, tenants on average stayed in our rental units for 7.8 months, 8.8 months and 8.2 months, respectively.

Security deposit. Usually one to two months' rental to cover damages to the apartment, potential loss, tenant default and certain early termination as described below.

Rental prepayment and payment frequency. Tenants are required to pay for the rental in advance every three months during the contracted lease term. We subsidize the interest payment for rental installment loan offered by our financial institution partners. The rental prepayment helps us finance our expansion and operation.

Upon termination of the lease, we will return the unused portion of any prepaid rental to the tenant, or the financial institution where the tenant utilized the proceeds from the rental installment loan granted by the financial institution to prepay the rental. It is common for tenants to terminate the leases before the expiration of the lease term. In FY 2021, 38.7% of our terminated leases with tenants were terminated before the expiration of the contracted lease term.

Tenants' initial stays. To encourage prospective tenants to try out our apartments, we have put in place a policy to allow tenants to cancel leases within three days from the move-in date, and we will return all rental, deposits and fees penalty free. If a new tenant cancels the lease on the fourth to seventh day, we will return all unused rental, deposit and fees penalty free. In FY 2021, approximately 3.7% of our leases with tenants were terminated during the first week of their leases.

Termination. If a tenant chooses to terminate the lease during the lock-in period, except for termination during the first week of the lease, the tenant's security deposit will be forfeited and other fees may apply. After the lock-in period, the tenant may terminate

the lease anytime without penalty. If we choose to terminate the lease before the expiry of the lease term, except for termination upon tenant’s default, we will generally facilitate tenant relocation and subsidize relocation related expenses.

Utilities and internet access. Tenants are usually required to prepay utilities including water and electricity. We typically charge tenants a flat monthly fee for broadband internet access.

Other covenants of the tenants. Tenants shall not, without approval from us, sublease or allow unauthorized person to live in the apartments. Pets are not allowed in the apartments. Tenants shall abide by our tenant convention which includes requirements such as noise control, proper use of public area, paying bills in a timely manner, etc.

Our Value-added Services

We are committed to not just providing a room but a home to our tenants, and improving their overall quality of life. To that end, we offer a wide variety of value-added products and services through our engaging online and mobile platform and frequent offline group activities to alleviate the hassles and stress associated with moving into a new apartment and settling in a big city. These initiatives cater to tenants’ lifestyle demand and foster a strong sense of community among our tenants, enhancing their brand loyalty.

We cooperate with third-party service providers to offer complementary bi-weekly cleaning of common spaces, and broadband internet and bedroom cleaning at a charge. Tenants can subscribe to the broadband internet service package or book the bedroom cleaning service through our APP.

Cooperation with Third-party contractors to Manage Rental Units

We started to expand our cooperation with third-party contractors to manage rental units. In July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China. We have engaged a third-party contractor to manage these rental units, including but not limited to marketing, maintenance, tenant screening, communications with landlords and tenants. We take measures to supervise and control the quality of the contractor’s management, including but not limited to monitoring operating data related to these rental units on a daily basis such as the number of new leases with tenants and amount of rental income, and reviewing the performance of these rental units each month. We are in the process of integrating these rental units into our system.

Our Data Analytics and Data Security

Our Data Analytics

We have accumulated extensive data from apartment rental and other related activities, including apartment information data, project management data, and data on landlord and tenants’ attributes. We have optimized our database structure to make it more suitable for AI and machine learning processes. The data we have accumulated are continuously fed into and refine our data analytics, which are the backbone of our business. Our big data analytic capabilities enable us to achieve data fusion across business scenarios upon our core database to drive our operation efficiency and additional revenue opportunities. As of September 30, 2021, our research and development team of eight data scientists and engineers worked continually to optimize our proprietary analytical models and improve our analytic capabilities.

For example, once information of available for rent apartments is input into our system, we store, cleanse, structure and encrypt the data, including landlord information, apartment information including price, location, residential compound name, floor, layouts, size, etc., for modeling exercise in an aggregated and anonymized fashion. Our technology-driven Smart Pricing System estimates appropriate rental cost and price by selecting and parsing historical rentals from recent comparable transactions in adjacent area from our own transaction data and public market data collected from third parties, and then automatically adjusts the level of the rentals based on multiple influencing factors, including size, orientation, and floor (high, medium or low). Our data analytics enable us to effectively manage occupancy rates and rental rates and implement and adjust our marketing strategy based on real-time data feedback.

Our data analytics also help us manage a fast-growing number of suppliers and contractors efficiently. Our contractors and suppliers can bid for renovation requests and maintenance service orders in real-time in our dynamic bidding system. We grade the contractors and suppliers based on their track record of project fulfillment and other criteria, and constantly update the grading based on the feedback from our systems for more efficient work allocation and better quality control.

We have also accumulated valuable data on our tenants from the apartment leasing process and after-rent services. Leveraging these data insights and our data algorithms, we are able to predict tenants' interests to construct big data recommendation engines. This enables us to implement more tailored marketing and explore additional revenue opportunities.

Data Privacy and Security

Data privacy is of utmost importance to us. We dedicate significant resources to the goal of strengthening our user privacy protection, promoting a safe environment, and ensuring the security of user data.

Our tenants or landlords are required to register an account on our APP and sign up to a user agreement in the registration process. The user privacy section of the user agreement describes our data use practices and how privacy works. Specifically, we undertake to manage and use the data collected from users in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss, or leak of user data and will not disclose sensitive user data to any third party without users' approval except under legal requirement or certain circumstances specified in the user agreement. In addition, we use a variety of technologies to protect the data with which we are entrusted and have a team of privacy professionals dedicated to the ongoing review and monitoring of data security practices. For example, we store all user data in encrypted format and strictly limit the number of personnel who can access those servers that store user data. Only our senior management team and employees whose work is directly related have access to the data, and all of our employees must acquire prior approval to download any data. For our external interfaces, we also utilize firewalls to protect against potential attacks or unauthorized access.

We are committed to maintaining a secure information technology infrastructure. We have been granted a Level 3 data protection certification for our system by the relevant PRC regulatory authority, the highest level achievable by a non-financial institution in China. We have built a firewall that monitors and controls incoming and outgoing traffic and will automatically take reactive measures against threats. We also have a firewall between our private cloud services and public cloud services. We segregate our internal databases and operating systems from our external-facing services and intercept unauthorized access. We encrypt our data transmission, especially user data transmission, using sophisticated security protocols and algorithms to ensure confidentiality. We back up our user data and operating data on a daily basis in separate back-up systems to minimize the risk of user data loss or leakage. In particular, we have adopted comprehensive policies and measures to comply with the relevant PRC secrecy laws and regulations. We also provide personal information security protection training to our relevant employees, and require them to report any information security breach. Upon the occurrence of an information security breach, we will follow pre-determined procedures and systems to respond to any such incident in accordance with our policies and measures. We have also adopted and implemented a comprehensive set of rules and policies relating to information system integrity to prevent physical and cyberspace security breach, such as running code tests before applying new codes. We perform periodic reviews of our information technology infrastructure, identifying and mitigating problems that may undermine our system security.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information and important data worldwide is rapidly evolving in PRC and is likely to remain uncertain for the foreseeable future. Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, the PRC Cybersecurity Law, which became effective in June 2017, established China's first national-level data protection for "network operators," which may include all organizations in China that connect to or provide services over the internet or other information network. The PRC Data Security Law, which was promulgated by the Standing Committee of PRC National People's Congress, or the SCNPC, on June 10, 2021 and became effective on September 1, 2021, outlines the main system framework of data security protection.

In December 2021, the CAC promulgated the amended Measures of Cybersecurity Review which require cyberspace operators with personal information of more than one million users to file for cybersecurity review with the CRO, in the event such operators plan for an overseas listing. The amended Measures of Cybersecurity Review provide that, among others, an application for cybersecurity review must be made by an issuer that is a "critical information infrastructure operator" or a "data processing operator" as defined therein before such issuer's securities become listed in a foreign country, if the issuer possesses personal information of more than one million users, and that the relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine an operator's cyber products or services, data processing or potential listing in a foreign country affect or may affect China's national security. The amended Measures of Cybersecurity Review will take effect on February 15, 2022. In August 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law which became effective on November 1, 2021. The Personal Information Protection Law provides a comprehensive set of data privacy and protection requirements that apply to the processing of personal information and expands data protection compliance obligations to cover the processing of personal information of persons by organizations and individuals in China, and the processing of personal information of persons outside of China if such processing is for purposes of providing products and services to, or analyzing

and evaluating the behavior of, persons in China. The Personal Information Protection Law also provides that critical information infrastructure operators and personal information processing entities who process personal information meeting a volume threshold to be set by Chinese cyberspace regulators are also required to store in China personal information generated or collected in China, and to pass a security assessment administered by Chinese cyberspace regulators for any export of such personal information. Moreover, pursuant to the Personal Information Protection Law, persons who seriously violate this law may be fined for up to RMB50 million or 5% of annual revenues generated in the prior year and may also be ordered to suspend any related activity by competent authorities.

In November 2021, the CAC released the Regulations on Network Data Security (draft for public comments) and accepted public comments until December 13, 2021. The draft Regulations on Network Data Security provide more detailed guidance on how to implement the general legal requirements under laws such as the Cybersecurity Law, Data Security Law and the Personal Information Protection Law. The draft Regulations on Network Data Security follow the principle that the state will regulate based on a data classification and multi-level protection scheme, under which data is largely classified into three categories: general data, important data and core data. Under the current PRC cybersecurity laws in China, critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the cybersecurity review. On July 30, 2021, the State Council of the PRC promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. The regulations require, among others, that certain competent authorities shall identify critical information infrastructures. If any critical information infrastructure is identified, they shall promptly notify the relevant operators and the Ministry of Public Security.

Currently, the cybersecurity laws and regulations have not directly affected our business and operations, but in anticipation of the strengthened implementation of cybersecurity laws and regulations and the expansion of our business, we face potential risks if we are deemed as a critical information infrastructure operator under the Cybersecurity Law. In such case, we must fulfill certain obligations as required under the Cybersecurity Law and other applicable laws, including, among others, storing personal information and important data collected and produced within the PRC territory during our operations in China, which we are already doing in our business, and we may be subject to review when purchasing internet products and services. When the amended Measures of Cybersecurity Review take effect in February 2022, we may be subject to review when conducting data processing activities, and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. As of the date of this annual report, we have not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect. Based on the foregoing, we and our PRC legal counsel, JunHe LLP, do not expect that, as of the date of this annual report, the current applicable PRC laws on cybersecurity would have a material adverse impact on our business.

On September 1, 2021, the PRC Data Security Law became effective, which imposes data security and privacy obligations on entities and individuals conducting data-related activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. As of the date of this annual report, we have not been involved in any investigations on data security compliance made in connection with the PRC Data Security Law, and we have not received any inquiry, notice, warning, or sanctions in such respect. Based on the foregoing, we do not expect that, as of the date of this annual report, the PRC Data Security Law would have a material adverse impact on our business.

On July 6, 2021, the relevant PRC governmental authorities publicated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions require the relevant regulators to coordinate and accelerate amendments of legislation on the confidentiality and archive management related to overseas issuance and listing of securities, and to improve the legislation on data security, cross-border data flow and management of confidential information. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions were recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions from the CSRC or any other PRC government authorities. Based on the foregoing and the currently effective PRC laws, we and our PRC legal counsel, JunHe LLP, are of the view that, as of the date of this annual report, these opinions do not have a material adverse impact on our business.

As there are still uncertainties regarding these new laws and regulations as well as the amendment, interpretation and implementation of the existing laws and regulations related to cybersecurity and data protection, we cannot assure you that we will be able to comply with these laws and regulations in all respects. The regulatory authorities may deem our activities or services non-compliant and therefore require us to suspend or terminate our business. We may also be subject to fines, legal or administrative

sanctions and other adverse consequences, and may not be able to become in compliance with relevant laws and regulations in a timely manner, or at all. These may materially and adversely affect our business, financial condition, results of operations and reputation.

Technology Systems and Infrastructure

Our technology-driven, end-to-end systems are built on a highly-scalable and reliable public and proprietary cloud-based technology infrastructure. We have invested heavily in standardization of our technology systems, which are in continuous maintenance and upgrade processes and built to have scalability to support our growth. Our information technology system includes (i) front end mobile applications such as our APP and mini program on WeChat; (ii) business management systems for each step of a rental transaction, such as our smart pricing and contractor bidding systems, (iii) support and management systems to provide back office and operational management support, such as management reporting and performance evaluation and (iv) Internet of things technology to remotely manage our dispersed apartments, e.g. our smart electric meters and smart door locks.

We have built an efficient, scalable and stable information technology infrastructure to provide strong computing ability for our information systems. Our technology infrastructure has been fully integrated with our computer environments and business requirements to serve as a powerful engine for business operation. As of September 30, 2021, our information technology infrastructure included seven data centers and about 211 servers, with over 391 access nodes and with storage capacity of over 739 terabytes.

- *Real-time analytics.* We ingest a large amount of data through multiple highly optimized points and analyze them using both offline batch processing and online real-time processing through streaming technologies. This architecture allows us to combine multiple data dimensions and apply various machine learning algorithms in real-time to our data, including in rental pricing and contractor bidding for renovation projects. For example, our system analyzes potential tenants' traits simultaneously while they are searching for rental units on our APP, and recommends relevant rental units based on their location and budget, etc. as inferred by our data analytics. In addition, we adjust the number of new apartments to be leased in simultaneously according to our real-time lease-out operating data.
- *Scalability.* With modular architecture that is built to be horizontally scalable, our technology systems can be easily expanded as data storage and processing requirements increase to support our centralized management of a large dispersed portfolio of apartments. For example, our third party servers can be expanded within a few minutes by simply submitting an expansion request. Our data repositories are clustered and our data processing architecture is distributed in several cities in China, which supports efficient expansion. When need arises, we can easily add servers and integrate them into our existing server clusters as either data nodes or processing nodes.
- *Stability.* Our technology layers have built in software and hardware redundancy and will automatically switch if any error is detected. We implement a real-time data backup mechanism to ensure the reliability of our information technology infrastructure. Our system adopts modular architecture that consists of multiple connected components, each of which can be separately upgraded and replaced without compromising the functioning of other components. In addition, we have implemented a disaster recovery plan that involves hosting our information technology infrastructure in separate locations in China, including third party backup data servers for disaster recovery. We believe our information technology infrastructure is highly stable. We have not experienced any major interruption of our information technology infrastructure since inception.

Risk Management

We face various types of risk in our business ranging from broad economic, rental market and interest rate risks, to more specific factors, such as re-leasing of properties and competition for properties, credit risk related to our tenants, and cash management risk where we are required to return the rental prepayment upon termination of a lease, either by tenants or by us due to, for example, tenant default.

We believe that our technology-driven systems and business processes allow us to monitor, manage and ultimately navigate these risks. For example, we seek to reduce the impact of increase in rental cost and shortage in supply by entering into long-term leases with landlords, with an agreed rent control period and a rent increase schedule. This provides us with a stable supply of properties as well as visibility into cost fluctuation.

We cooperate with a number of financial institutions, which provide rental installment loans to our tenants, and we provide guarantee. We may also provide additional credit enhancement in the form of security deposits, usually no more than 5% of the total outstanding loan balance with the relevant financial institutions with respect to our tenants' repayment of the loans. We seek to prevent and minimize the risk of tenant default through our robust, standardized tenant screening process (which includes credit checks, evaluations of household income and criminal background checks), and technology, including the installation of smart digital locks on each of our apartment and bedroom doors to deny apartment and bedroom access if a tenant defaults on payment after sufficient warning, and our efficient sales management system to reduce the turnaround time to rent out a vacated apartment. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our results of operation, financial condition, and reputation would be adversely affected if a significant number of our tenants fail to meet their obligations in connection with the lease."

We encourage tenants to prepay rental and have used the prepayments to finance our operation and expansion. To the extent a lease is terminated before the rental period covered by the prepayment, we shall, upon such termination, return the unused prepaid rents, typically in a lump sum, to the tenant, or to our financial institution partner where the tenant has used the rental installment loan granted by such financial institution to finance his/her rental prepayment. To manage potential liquidity risks arising from such early termination, we have adopted a stringent cash management policy, which involves monitoring the level of outstanding rental installment loan on the one hand, and our expenses and other capital requirements and available sources of financing on the other hand on a monthly basis to determine the maximum scale of rental installment loan for the following month. We also regularly monitor our current and expected liquidity requirements to ensure that we maintain sufficient cash balances of at least one month's rental cost to meet our liquidity needs.

Research and Development

We invest substantial resources in research and product development. Our research and development efforts are focused primarily on improving our technology and developing new systems that are complementary to existing ones including our pricing system and project management system. As of September 30, 2021, we had a research and development team of eight employees, representing more than 20.0% of our total employees.

Intellectual Property

Our copyrights, trademarks, trade secrets, domain names and other intellectual properties are important to our business and we devote significant time and resources to their development and protection. We rely on intellectual property laws and confidentiality agreements to protect our intellectual property rights. In addition, we generally control access to and use of our proprietary and other confidential information through the use of internal and external controls, such as use of confidentiality agreements with our employees and outside consultants.

As of the date of this annual report, we had five copyrights and eight trademarks registered in China, and one patent and five trademarks registered outside China. Our intellectual properties are complementary and indispensable to each other to form the basis of our services and solutions and our operational systems. We intend to file additional intellectual property applications as we continue to innovate through our research and development efforts, and to pursue additional intellectual property protection to the extent we deem it beneficial and cost-effective.

From time to time, we incorporate certain intellectual property licensed from third parties, including under certain open source licenses. Even if any such third party technology did not continue to be available to us on commercially reasonable terms, we believe that alternative technologies would generally be available as needed. For additional information about our intellectual property and associated risks, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could materially disrupt our business."

Competition

- China's long-term apartment rental market is highly competitive. We believe the principal competitive factors in the apartment rental market include:
- ability to source suitable and sufficient apartments across multiple regions with favorable lease terms, including contract length, rental free period, rent-in costs, etc.;

- ability to use big data analysis to establish competitive lease terms with both landlords and tenants;
- ability to establish sustainable unit economic model;
- ability to renovate and operate rental apartments in an efficient and cost-effective manner;
- ability to achieve high standardization and manage a complex supply network;
- ability to maintain financial flexibility;
- geographic coverage and customer reach;
- ability to establish comprehensive IT and internet infrastructure to manage a large and fast-growing portfolio of rental apartments; and
- brand awareness and customer satisfaction, including the availability and range of value-added services to help foster a sense of community and loyalty among tenants.

In particular, our competitors in sourcing apartments are companies with business similar to us, which may be large participants in the apartment rental market and may have greater resources than we do. These competitors may rent apartments that meet our requirements before we do as they have rapid access to the information of available apartments. In addition, our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of rental apartments. Our primary competitors in renting out rental apartments include other companies with business similar to us and apartment owners who directly rent their apartments to tenants. Our competitors' apartments may be newer, better located, at more affordable rents, with better incentives, amenities and value-added services and more attractive to tenants than our rental apartments may be. Our competitors may have higher rates of occupancy than we do, better access to tenant information or may have superior access to capital and other resources, which may result in our competitors more easily locating tenants and leasing available apartments at lower rental rates than we might offer at our rental apartments. Moreover, some competing housing options may qualify for government subsidies that may make such options more accessible and therefore more attractive than our rental apartments. However, we believe that our concentration on and experience in the apartment rental business, and our advanced system, and technology utilized in our apartment sourcing, renovation, operation and maintenance, provide us with competitive advantages.

Insurance

In line with general market practice, we do not maintain any business interruption insurance, which is not typical in our industry or mandatory under PRC laws. We do not maintain key-man life insurance or insurance policies covering damages to our IT infrastructure or information technology systems. We also do not maintain insurance policies against risks relating to the contractual arrangements. We do not maintain insurance policies for landlords, tenants or contractors.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance, childbirth insurance, work-related injury insurance, employment injury insurance, maternity insurance, and unemployment insurance.

Legal Proceedings

We have been, may from time to time be, subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. Please refer to Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings.

Seasonality

Please refer to Item 5. Operating and Financial Review and Prospects A. Operating Results Key Factors Affecting Our Results of Operations General Factors Affecting Our Results of Operations Seasonality.

Regulations

We operate in an increasingly complex legal and regulatory environment. We are subject to a variety of PRC and foreign laws, rules and regulations across numerous aspects of our business. This section sets forth a summary of the principal PRC laws, rules and regulations relevant to our business and operations in the PRC.

Regulations Relating to Foreign Investment

Companies established and operating in the PRC shall be subject to the Company Law of the PRC, or the PRC Company Law, which was promulgated on December 29, 1993 and newly amended on December 28, 2013 and October 26, 2018. The PRC Company Law provides general regulations for companies set up and operating in the PRC, including foreign-invested companies. Unless otherwise provided in the PRC foreign investment laws, the provisions in the PRC Company Law shall prevail.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Special Administrative Measures (Negative List) for the Access of Foreign Investment, or the Negative List, the latest version of which was promulgated by the NDRC and the PRC Ministry of Commerce, or the MOFCOM on June 23, 2020 and became effective as of July 23, 2020 and Catalogue of Industries for Encouraging Foreign Investment, or the Encouraging Catalogue, the latest version of which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and became effective as of January 27, 2021. The Negative List and the Encouraging Catalogue jointly categorize the industries into three categories: encouraged industries, restricted industries and prohibited industries. Establishment of wholly foreign-owned enterprises is generally allowed in industries outside of the Negative List. For the restricted industries within the Negative List, some are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. Foreign investors are not allowed to invest in industries in the Negative List. Industries not listed in the Negative List are generally open to foreign investment unless specifically restricted by other applicable PRC regulations. The Negative List expands the scope of permitted industries by reducing the number of industries that fall within the previous negative list where restrictions on the shareholding percentage or requirements on the composition of board or senior management still exists.

The Foreign Investment Law became effective on January 1, 2020 and has replaced the trio of three previous laws regulating foreign investment in China, or the Three FIE Laws, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations, as the legal foundation for foreign investment in the PRC. Generally speaking, the PRC Company Law or the PRC Partnership Law shall apply with respect to an FIE's organization. This is aimed to put an end to any discrepancy between the Three FIE Laws and the Company Law.

The Foreign Investment Law mainly stipulates four forms of foreign investors, which includes: (a) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within PRC; (b) a foreign investor acquires stock shares, equity shares, interests in assets, or other like rights and interests of an enterprise within PRC; (c) a foreign investor, individually or collectively with other investors, invests in a new project within PRC; and (d) foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council. Compared with the Three FIE Laws, the Foreign Investment Law is profoundly different in the following aspects:

- Application of a pre-establishment national treatment. According to the Foreign Investment Law, the PRC governments shall govern foreign investment according to the system of pre-establishment national treatment, which requires treatment given to foreign investors and their investments during the market access stage shall not be inferior to treatment afforded to PRC domestic investors and their investment except where a foreign investment falls into the orbit of the Negative List.
- Application of an updated Investment Management. Pursuant to the Foreign Investment Law, the State shall establish a foreign investment information report system. Foreign investors or FIEs shall submit investment information to the competent department for commerce through the enterprise registration system and the enterprise credit information publicity system. The content and scope of information subject to the reporting obligations shall be determined under the principle of necessity. In addition, the State shall establish a security review system for foreign investment, under which a security review shall be conducted for any foreign investment affecting or having the possibility to affect the state security.

In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their policy commitments to the foreign

investors and perform all contracts entered into in accordance with the law; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; foreign investors' funds are allowed to be freely transferred out and into the territory of PRC, which run through the entire lifecycle from the entry to the exit of foreign investment; and providing an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law, which means that foreign-invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

On December 12, 2019, the State Council promulgated the Implementation Regulations of Foreign Investment Law, or the Implementation Regulations, which simultaneously came into force with the Foreign Investment Law from January 1, 2020. The Implementation Regulations provides specific operation rules for the principles of investment protection, investment promotion and investment management in the Foreign Investment Law.

Regulations Relating to Foreign Investment in the Value-added Telecommunication Services

The Telecommunications Regulations of the People's Republic of China, which was promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, categorizes all telecommunications businesses in China as either basic telecommunications businesses or value-added telecommunications businesses. Further, according to the Catalog of Telecommunications Business, attached to the Telecommunications Regulations and last amended by the MIIT on December 28, 2015, information services provided via fixed network, mobile network and Internet fall within value-added telecommunication services.

The State Council promulgated the Administrative Rules on Foreign-invested Telecommunications Enterprises in December 2001, as last amended on February 6, 2016, or the FITE Regulations. The FITE Regulations set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. These administrative rules require a foreign-invested value-added telecommunications enterprises in mainland China to be established as Sino-foreign joint ventures, which the foreign investors may acquire up to 50% of the equity interest of such enterprise.

In July 2006, MIIT publicly released the Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business, or the MIIT Notice, which reiterates certain provisions under the FITE Regulations. According to the MIIT Notice, if any foreign investor intends to invest in a PRC telecommunications business, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the relevant telecommunications business licenses. Under the MIIT Notice, domestic telecommunications enterprises are prohibited from renting, transferring or selling a telecommunications license to foreign investors in any form, and from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China.

Regulations Relating to Residential Tenancy

The laws and regulations governing residential tenancy in China are still developing and evolving. Most of them are in the form of government opinions, rules or circulars issued by different government agencies at the national or local level rather than detailed legislations. These government opinions, rules or circulars are aimed at encouraging, facilitating and guiding the development of residential tenancy market. The following provides a summary.

On January 6, 2015, the Ministry of Housing and Urban-rural Construction, or MOHURD, released Guidelines on the cultivation and development of residential tenancy market, which encourage the establishment of residential tenancy organizations. Residential tenancy organizations are encouraged to purchase or lease homes for long-term, and re decorate the homes before renting out to the public.

Furthermore, on May 17, 2016, the State Council released Several Opinions of the General Office of the State Council on Accelerating the Cultivation and Development of the Home-Rental Market, which set forth the following principles:

- Transformation on properties for rental is allowed. Commercial properties are allowed to be transformed to rental homes with land use duration and plot ratio unchanged, the purpose of land use shall be adjusted from commercial to residential, and after the adjustment, the prices of utilities like water, electricity, and gas shall follow residential

standards. Transformation on residential properties for rental according to the national and local housing design standards is allowed, and the transformation shall not alter existing fire proof compartmentation, emergency evacuation or fire separation facilities so as to ensure the intactness and validation of fire protection facilities.

- Preferential policies encouraging individuals to rent out homes shall be implemented and individuals shall be encouraged to rent out their proprietary properties in accordance with the laws. Leasing of residential properties by individuals shall be regulated. Individuals are encouraged to entrust their homes to home-rental enterprises or intermediary agencies for rental.
- Local governments shall adopt preferential policies and measures to support leasing of residential properties by individuals, and guide urban residents to resolving housing issues through residential tenancy. Laws and regulations on residential tenancy shall clearly define the rights and obligations of the parties in residential tenancy, regulate market conducts, and stabilize landlord-tenant relationship. Exemplary residential lease texts and online execution of contract shall be implemented, and the residential lease registration and recordation system shall be implemented.
- Provincial-level governments shall strengthen the administration of home-rental market within their respective administrative regions. Municipal governments shall take the general charge of the administration of the home-rental market within their respective administrative regions, establish a regulatory system with the cooperation of multiple departments. Local governments shall establish a residential tenancy information service and regulatory system to promote information sharing between government agencies.
- Local housing authorities shall be responsible for the administration and coordination of the home-rental market, strengthen the administration of residential tenancy market in coordination with relevant departments, improve the credit administration system of residential tenancy enterprises, intermediary agencies and professionals, and keep credit records of relevant market participants which shall be incorporated into the national credit information sharing platform for the regulation and punishment of market participants with serious loss of credit. The public security authorities shall strengthen the public security administration of rented properties, residential tenancy and the residence registration in rental homes residential tenancy, urge and guide neighborhood committees, villagers committees, property service enterprises and other administration entities in screening for potential safety risks. All related government agencies shall, according to their powers, duties and division of work, investigate and prosecute the engagement in illegal activities in rented homes.

On May 19, 2017, the MOHURD published for public discussion the Measures on Management of Residential Tenancy and Home Sales (Discussion Draft), the deadline of receiving comments of which was June 19, 2017 and as of the date of this annual report, the MOHURD has not yet promulgated and made public any further rules, regulations, notices or circulars in this regard. However, it reflects, to certain extent, the regulatory thinking with regard to residential tenancy as follows:

- Landlords shall ensure the safety and basic function of rented homes. Residential tenancy enterprises shall screen the identity of tenants and keep a truthful record thereof. Landlords shall not evict the tenants through violence, threats, or other coercive methods to repossess the properties.
- Landlords shall ensure that each room in the rented homes conforms to certain standards regarding maximum of tenants and minimum floor space in a single room. Such standards shall be promulgated by local authorities. Non-residence space such as kitchens, bathrooms, balconies and basement storage space shall not be rented for residential purpose.
- Leases shall contain a duration clause. Duly executed leases that last over three years are encouraged and shall receive support by local governments.
- Landlords and tenants shall register signed leases at the local housing authorities within 15 days after the execution of the leases.
- Residential tenancy enterprises shall, within 30 days of its establishment, report to local housing authorities. Housing authorities shall publish information of residential tenancy enterprises in a timely manner and inspect residential tenancy enterprises.

On July 18, 2017, the MOHURD, the National Development and Reform Commission, or the NDRC, and the Ministry of Public Security, or the MPS, jointly released Notice of Accelerating the Development of Residential Tenancy Industry in Large to Medium Sized Cities with Positive Population Influx, which states the following:

- Institutionalized residential tenancy enterprises are encouraged. Home developers, realtors and property management enterprises are encouraged to expand its business into residential tenancy industry.
- Housing authorities shall establish an online lease recordation system. Housing authorities shall also regulate and supervise the rental process in the residential tenancy industry including ensuring the truthfulness of residential tenancy advertisements and standardizing the residential tenancy process.
- To increase the supply of rental homes, local governments are encouraged to provide new land zoned for residential tenancy properties. Financial institutions are encouraged to extend more loans to residential tenancy enterprises with controllable risks and sustainable business operation.
- Different departments in local governments shall jointly enforce laws and regulations regarding residential tenancy and maintain the order of the residential tenancy market.

Since 2017, local governments of major cities in the PRC, including but not limited to Shanghai, Beijing, Hangzhou, Suzhou, Wuhan, Nanjing have promulgated notices regarding the measures to implement policies released by the state council and Ministry of Housing and Urban-rural Construction, which mainly include (i) tax and financial support to residential tenancy industry; (ii) improvement of local rules on residential tenancy; (iii) standards regarding maximum tenants and minimum floor space in a single rented room. To further illustrate this point, we summarize the standards regarding maximum tenants and minimum floor space in a single rented room adopted by the local governments in Beijing, Shanghai, Hangzhou, Suzhou, Wuhan and Nanjing as below:

- Beijing: non-residence space such as kitchens, bathrooms, balconies and basement storage space is not allowed to be rented for residential purpose; a room is not allowed to be divided into smaller sections for rental; the minimum rented floor space per capita is five square meters; a single rented room is not allowed to accommodate more than two persons. Only a room designed for residential purpose, including a living room, can be leased as a unit for rental and such room cannot be segmented into more rooms for rental.
- Shanghai: residential tenancy are banned if: (i) a single room is divided into smaller sections for rental; (ii) non-residence space such as kitchens, bathrooms, balconies and basement storage space is rented for residential purpose; (iii) rented floor space per capita is below five square meters; or (iv) a single rented room accommodates more than two persons. Living rooms are allowed to be rented only if the floor space exceeds 12 square meters.
- Hangzhou: non-residence space such as dining rooms, kitchens, bathrooms, balconies, corridors, storage room and basement storage space is not allowed to be rented for residential purpose; a single room is not allowed to be divided into smaller sections for rental; living rooms are allowed to be rented for residence purpose; the minimum rented floor space per capita is four square meters.
- Suzhou: non-residence space such as kitchens, bathrooms, balconies, garage and basement storage space is not allowed to be rented for residential purpose; a single room is not allowed to be divided into smaller sections for rental; living rooms with floor space over 12 square meters are allowed to be rented for residence purpose; the minimum rented floor space per capita is four square meters; a single rented room is not allowed to accommodate more than two persons.
- Wuhan: non-residence space such as dining rooms, kitchens, bathrooms, balconies, corridors, storage room and basement storage space is not allowed to be rented for residential purpose; a single room is not allowed to be divided into smaller sections for rental; living rooms with floor space over 12 square meters are allowed to be rented for residence purpose; the minimum rented floor space per capita is five square meters; a single rented room is not allowed to accommodate more than two persons.
- Nanjing: non-residence space such as kitchens, bathrooms, balconies, garage and basement storage space is not allowed to be rented for residential purpose; a room is not allowed to be divided into smaller sections for rental; the minimum rented floor space per capita is 15 square meters; a single rented room is not allowed to accommodate more than two persons.

On December 13, 2019, the MOHURD, NDRC, MPS, State Administration for Market Regulation, or the SAMR, China Banking and Insurance Regulatory Commission, or the CBIRC, and Cyberspace Administration of China promulgated Opinions on Rectification and Normalization of Home-Rental Market, which states, among others:

- Rental loans shall be released by banks at same intervals as the payment of rent by tenants. Banks shall screen tenants applying for rental loans regarding their ability to repay loans and avoid the formation of cash pool by home-rental enterprises. Home-rental enterprises shall not require or solicit tenant to apply for rental loan by concealment, fraud, coercion or by offering discounts in rent.
- For home-rental enterprises, the aggregate amount of rental loans shall not exceed 30% of their total rental income. Any non-compliance in this regard shall be rectified by the end of 2022.

In September 2020, the MOHURD published Measures on Residential Tenancy (Discussion Draft) for public discussion, which states, among others:

- Residential rental operators are prohibited from inducing tenants to utilize rental installment loans by providing rental discounts or by including any terms of rental installment loans in the rental agreement.
- Commercial banks may extend a rental installment loan only if the lease agreement has been registered with local housing bureau and the term of the loan does not exceed the duration of the tenancy.
- MOHURD is empowered to set standards of qualification for residential rental operators on financial position, expertise and managing abilities.
- Municipal governments are empowered to promulgate local policies to regulate rental income and deposits received by residential rental operators with a regulatory focus on high risk circumstances where (1) the rent paid to the landlord is higher than the rent received from the tenants; and (2) the credit term of rent payment to landlords are longer than the credit term of receiving rent payment from the tenants.

In April 2021, the MOHURD, along with relevant government authorities, published the Opinions on Strengthening Regulation on Light-asset Residential Rental Enterprises, which set out regulatory measures on various aspects, including standards of qualification, online registration and filing of business operation, limitation and supervision on utilization of loans and monitoring of rents.

Regulations Relating to Leasing

In May 2020, the National People's Congress, or the NPC, passed the PRC Civil Code, of which Chapter 14 governs lease contracts. According to the PRC Civil Code, subject to the consent of the lessor, the lessee may sublease the leased item to a third party. Where the lessee subleases the leased item, the leasing contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the contract if the lessee subleases the leased item without the consent of the lessor.

Under the Law on Urban Real Estate Administration promulgated by the Standing Committee of National People's Congress, or the SCNPC, which took effect in January 1995 and amended in August 2009 and the Administrative Measures for Commodity House Leasing promulgated by the Ministry of Housing and Urban-rural Construction, which took effect in February 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract prescribing such provisions as the leasing terms, use of the premises, rental price, rental payment and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to file the lease contract with the local real estate administration department. Pursuant to these laws and regulations and various local regulations, if the lessor and lessee fail to go through the recordation procedure in the prescribed period, both lessor and lessee may be subject to administrative penalties, and the leasing interest therein will be subordinated to third parties' rights.

Furthermore, according to the Law on Urban Real Estate Administration, the leasing of residential premises shall correspond with the rules and policies stipulated by the people's government of the State and the region where these residential premises are located.

In Shanghai, since January 2015, several qualified institutions have been encouraged to engage in the long-term lease and sublease of the vacant premises or accept commission from the owners or other holders to lease their properties. Each of these institutions shall be registered as an independent enterprise legal entity and be approved to conduct "real estate agency" business.

Regulations Relating to Decoration Projects

Under the Law on Construction promulgated by the SCNPC, which took effect in November 1997 and amended in July 2011 and the Regulations on the Quality Management of Construction Projects, or the Construction Projects Regulations, which took effect in January 2000 and amended in October 2017, in the case of a decoration project involving a change of the main structure or load-bearing structure of a building, the owner of this project shall be obliged to acquire the design scheme from the original design entity or another design entity with the corresponding qualification grade prior to its implementation and operation. If the decoration project is carried out without the qualified design scheme, the owner may be required to amend this and subject to administrative fines. Pursuant to the Construction Projects Regulations, where the owner of a construction project, commits any of the following acts, it shall be ordered to make corrections, and shall be imposed a fine of not less than 2% but not more than 4% of the contractual project price; if any losses have been caused, it shall be liable for making compensation including (i) arbitrarily delivering the project for use before organizing the acceptance inspection, (ii) arbitrarily delivering the project for use in the event that the project has not passed the acceptance inspection, or (iii) inspecting and accepting a substandard construction project as one which is up to standards. With a view to controlling the air contamination and hazards in an indoor space, in 2002 the State Environmental Protection Administration issued the Indoor Air Quality Standards (GB/T18883-2002), which was generally applicable to residential and office building as well as other similar indoor environment. Subsequently, in 2013 the MOHURD promulgated the Standard for Indoor Environmental Pollution Control of Civil Building Engineering (GB50325-2010) to further stipulate the standards for preventing the indoor environmental hazards generated by construction materials and decorative building materials used for a civil building engineering, inter alia, radon, methanol, aminobenzene, toluene and xylene and total volatile organic compounds. To sum up, the rental apartments we are operating shall be up to the air quality and environmental protection standards as listed above before they are rented out to the tenants, otherwise we may be subject to civil liabilities or administrative fines for our failure in compliance with all the environmental laws or regulations or technical standards relating to renovation of our rental apartments.

Regulations on Consumer Protection

In October 1993, the SCNPC promulgated the Law on the Protection of the Rights and Interests of Consumers, or the Consumer Protection Law, which became effective on January 1, 1994 and was further amended on August 27, 2009 and October 25, 2013. Under the Consumer Protection Law, any business operator providing a commodity or service to a consumer is subject to certain mandatory requirements, including the following:

- to ensure that commodities and services up to certain safety requirements;
- to protect the safety of consumers;
- to disclose serious defects of a commodity or a service and to adopt preventive measures against occurrence of damage;
- to provide consumers with accurate information and to refrain from conducting false advertising;
- to obtain consents of consumers and to disclose the rules for the collection and/or use of information when collecting data or information from consumers; to take technical measures and other necessary measures to protect the personal information collected from consumers; not to divulge, sell, or illegally provide consumers' information to others; not to send commercial information to consumers without the consent or request of consumers or with a clear refusal from consumers;
- not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means;
- to remind consumers in a conspicuous manner to pay attention to the quality, quantity and prices or fees of commodities or services, duration and manner of performance, safety precautions and risk warnings, after-sales service, civil liability and other terms and conditions vital to the interests of consumers under a standard form of agreement prepared by the business operators, and to provide explanations as required by consumers; and
- not to insult or slander consumers or to search the person of, or articles carried by, a consumer or to infringe upon the personal freedom of a consumer.

Business operators in China may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering apology and compensation for any loss thus incurred to the consumer. The following penalties may also be imposed by relevant governmental agencies upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operation, revocation of its business license or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

In December 2003, the Supreme People's Court in China enacted the Interpretation of Some Issues Concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury, which further enhances the liabilities of business operators engaged in the operation of accommodation, restaurants, or entertainment facilities and subjects such operators to compensatory liabilities for failing to fulfill their statutory obligations to a reasonable extent or to guarantee the personal safety of others.

Regulations relating to Information Security and Censorship

Internet content in China is also strictly regulated and restricted from a state security standpoint. Pursuant to the Decision Regarding the Protection of Internet Security enacted by the SCNPC on December 28, 2000, which was amended on August 27, 2009, any attempt to undertake the following actions may be subject to criminal punishment in China:

- gaining improper entry into a computer or system of national strategic importance;
- disseminating politically disruptive information;
- leaking government secrets;
- spreading false commercial information; or
- infringing intellectual property rights.

The MPS has also promulgated a series of measures that prohibit the use of the internet in ways that, among other things, result in the leakage of government secrets or the spread of socially destabilizing content. The MPS and its local counterparts have supervision and inspection powers in this regard, and we may be subject to the jurisdiction of the local security bureaus. If an internet information service provider violates these measures, the PRC government may revoke its license and shut down its website. In 1997, the MPS issued the Administration Measures on the Security Protection of Computer Information Network with International Connections, which was amended by the State Council on January 8, 2011 and prohibited using internet in ways which, among others, resulted in a leakage of state secrets or spreading of socially destabilizing content.

Moreover, on December 7, 2016, the SCNPC promulgated the Cybersecurity Law of the People's Republic of China, which became effective on June 1, 2017, pursuant to which, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in contravention of the laws or agreements between both parties.

Regulations relating to Protection of User Identity and Information

The security and confidentiality of information on the identity of internet users are also highly regulated in China. The Internet Information Service Administrative Measures promulgated by the State Council requires internet information service providers to maintain an adequate system that protects the security of user information. In December 2005, the MPS promulgated the Regulations on Technical Measures of Internet Security Protection, requiring internet service providers to utilize standard technical measures for internet security protection. Moreover, the Rules for Regulating the Market Order of Internet Content Services, which was promulgated in December 2011, further enhances the protection of internet users' personal information by prohibiting internet information service providers from unauthorized collection, disclosure or use of personal information of their users.

In December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection to enhance the legal protection of information security and privacy on the internet. On July 16, 2013, the Ministry of Industry and Information Technology,

or the MIIT, promulgated the Provisions for the Protection of Telecommunication and Internet User Personal Information, or the Provisions for the Protection of Person Information. According to the Provisions for the Protection of Person Information, under which Internet information service providers are subject to strict requirements to protect personal information of internet users, including: if a network service provider wishes to collect or use personal information, such personal information collected shall be used only in connection with the services to be provided by Internet information service providers to such users and shall be kept in strict confidence. Furthermore, it must disclose to its users the purpose, method and scope of any such collection or usage, and must obtain consent from the users whose information is being collected or used. Network service providers are also required to establish and publish their protocols relating to personal information collection or usage, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information. Network service providers are required to cease any collection or usage of the relevant personal information, and de register the relevant user account, when a user stops using the relevant Internet service. Network service providers are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such personal information unlawfully to other parties. In addition, if a network service provider appoints an agent to undertake any marketing or technical services that involve the collection or usage of personal information, the network service provider is required to supervise and manage the protection of the information. Pursuant to the Provisions for the Protection of Person Information, in broad terms, that violators may face warnings, fines, public exposure and, in the most severe cases, criminal liability.

Regulations relating to Mobile Internet Applications Information Services

In China a mobile internet application is governed by the Provisions on the Administration of Mobile Internet Application Information Services, or the Provisions on Administration of Application, as promulgated by the Cyberspace Administration of PRC on June 28, 2016 and became effective on August 1, 2016.

Pursuant to the Provisions on Administration of Application, application information service providers shall obtain the relevant qualifications as required by laws and regulations, strictly implement their information security management responsibilities, and carry out the duties including to establish and complete user information security protection mechanism, to establish and complete information content inspection and management mechanisms, to protect users' right to know the right to choose in the process of usage, and to record users' daily information and preserve it for sixty (60) days.

Regulation Relating to Intellectual Property

The Copyright Law

PRC has enacted various laws and regulations relating to the protection of copyright. PRC is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

The Copyright Law of the PRC (2010 Revision), or the Copyright Law, which was promulgated on September 7, 1990 and subsequently amended on October 27, 2001 and February 26, 2010 and the Implementation Regulation of the Trademark Law of the PRC promulgated by the State Council on August 2, 2002 and further amended on January 8, 2011 and January 30, 2013 provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promotes the development and prosperity of Chinese culture.

Pursuant to the Computer Software Protection Regulations, as promulgated by the State Council on December 20, 2001, and most recently amended on January 30, 2013, Chinese citizens, legal persons and other organizations shall enjoy copyright on the software they develop, regardless of whether the software has been released publicly. Software copyright commences from the date on which the development of the software is completed. The protection period for software copyright of a legal person or other organizations shall be 50 years, concluding on December 31 of the 50th year after the software's initial release. In order to further implement the Computer Software Protection Regulations, the State Copyright Bureau issued the Regulations for Computer Software Copyright Registration Procedures on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration.

The Trademark Law

Trademarks are protected by the Trademark Law of the People's Republic of China (2013 Revision) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on August 3, 2002 and further amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective trademarks and certification trademarks.

The Trademark Office under the SAMR, handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within 12 months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where the trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party's use.

The Patent Law

According to the Patent Law of the People's Republic of China (2008 Revision) promulgated by the SCNPC, and its Implementation Rules (2010 Revision) promulgated by the State Council, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Domain Names

On May 29, 2012, the China Internet Network Information Center, or the CNNIC issued the Implementing of the Rules for China Internet Network Information Center Domain Name Registration (2012 Revision), setting forth detailed rules for registration of domain names. The MIIT promulgated the Administrative Measures on Internet Domain Name, or the Domain Name Measures on August 24, 2017, which became effective on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Regulations Relating to Foreign Exchange

General Administration of Foreign Exchange

Foreign currency exchange in China is primarily governed by the Foreign Exchange Control Regulations of the PRC, or the Foreign Exchange Administration Rules, promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008, and various regulations issued by the State Administration of Foreign Exchange, or the SAFE and other relevant PRC government authorities. Under the Foreign Exchange Administration Rules, the RMB is freely convertible into other currencies for routine current account items, including distribution of dividends, payment of interest, trade and service related foreign exchange transactions. The conversion of RMB into other currencies for most capital account items, such as direct equity investment, overseas loan, and repatriation of investment, however, is still regulated. Payments for transactions that take place within the PRC must be made in RMB.

Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the PRC.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, or the SAFE Notice No. 59, as promulgated by SAFE on November 19, 2012 and further amended on May 4, 2015 and October 10, 2018, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign-invested entities and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities of a Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of foreign-invested entities.

On February 13, 2015, SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment, effective June 1, 2015, which canceled the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, it simplified the procedure of registration of foreign exchange and investors shall register with banks for direct domestic investment and direct overseas investment.

The Notice of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or the SAFE Notice No. 19, was promulgated on March 30, 2015 and became effective on June 1, 2015. According to the SAFE Notice No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange bureau (bank) at the place of registration.

The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or the SAFE Notice No. 16, was promulgated and became effective on June 9, 2016. According to the SAFE Notice No. 16, enterprises registered in PRC may also convert their foreign debts from foreign currency into RMB on self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in the PRC. The SAFE Notice No. 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investment in securities or other investment with the exception of bank financial products that can guarantee the principal within PRC unless otherwise specifically provided. Besides, the converted RMB shall not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprises.

On January 26, 2017, SAFE promulgated the Notice on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or the SAFE Notice No. 3, which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall cover losses in the previous years prior to remittance of profits. Moreover, pursuant to the SAFE Notice No. 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Offshore Financing

On July 4, 2014, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles, or Circular 37, which became effective on the same date, and Circular 37 shall prevail over any other inconsistency between itself and relevant regulations

promulgated earlier. Pursuant to Circular 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this circular as a “special purpose vehicle”. Under Circular 37, the term “PRC institutions” refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term “PRC individual residents” includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefit. A registered special purpose vehicle is required to amend its SAFE registration or file with respect to such vehicle in connection with any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident’s increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The SAFE simultaneously issued a series of guidance to its local branches with respect to the implementation of Circular 37. Under Circular 37, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including restrictions on the payment of dividends and other distributions to its offshore parent company and the capital inflow from the offshore entity, and may also subject the relevant PRC residents and onshore company to penalties under the PRC foreign exchange administration regulations.

On February 15, 2012, SAFE issued the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals’ Participation in Equity Incentive Plans of Overseas Listed Companies, or the Circular 7, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-listed Companies issued by SAFE on March 28, 2007. Under the Circular 7, a PRC entity’s directors, supervisors, senior management officers, other staff or individuals who have an employment or labor relationship with a Chinese entity and are granted stock options by an overseas publicly-listed company are required, through a qualified PRC domestic agent which could be a PRC subsidiary of such overseas publicly-listed company, to register with SAFE and complete certain other procedures. Such PRC resident participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. The PRC agent shall, among other things, file on behalf of such PRC resident participants an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participants hold. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material aspects. Such participating PRC residents’ foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly-listed company must be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants. We and our PRC resident employees who have been granted stock options or other share-based incentives of our company are subject to the Circular 7 as our company is an overseas listed company. If we or our PRC resident participants fail to comply with these regulations in the future, we and/or our PRC resident participants may be subject to fines and legal sanctions.

Regulations relating to Tax

Enterprise Income Tax

On March 16, 2007, the NPC promulgated the Law of the PRC on Enterprise Income Tax which was amended on February 24, 2017 and December 29, 2018, and on December 6, 2007, the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax, or collectively, the EIT Law. The EIT Law came into effect on January 1, 2008. According to the EIT Law, taxpayers consist of resident enterprises and Non-Resident Enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-Resident Enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC. Enterprises that are recognized as high and new technology enterprises in accordance with the Notice of the Ministry of Science, the Ministry of Finance and the State Administration of Taxation on Amending and Issuing the Administrative Measures for the Determination of High and New Tech Enterprises are entitled to enjoy the preferential enterprise

income tax rate of 15%. The validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate of high and new technology enterprise. The enterprise can reapply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies promulgated by the SAT on April 22, 2009 and amended on January 29, 2014 sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

Value-added tax

The Provisional Regulations of the PRC on Value-added tax (2017 Revision) were promulgated by the State Council on November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added tax (2011 Revision) were promulgated by the Ministry of Finance and the SAT on December 15, 2008, which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011, or collectively, the VAT Law. According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling services or intangible assets other than those specifically listed in the VAT Law, the value-added tax rate is 6%.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors who do not have an establishment or place of business in the PRC, or which have such establishment or place of business, but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

In addition, the EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “Non-Resident Enterprises”, and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise has satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or Notice No. 81, issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax driven, such PRC tax authorities may adjust the preferential tax treatment. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that Non-Resident Enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, Non-Resident Enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file the necessary forms and supporting documents when performing tax filings, which will be subject to post tax filing examinations by the relevant tax authorities.

According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018 by the SAT and took effect on April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interest or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grants tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status as the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements.

Regulations Relating to Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises include (i) the Company Law, promulgated by the SCNPC on December 29, 1993, and as amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively, (ii) the Foreign-invested Enterprise Law, promulgated by the SCNPC on April 12, 1986, and as amended on October 31, 2000 and September 3, 2016, respectively, and (iii) the Implementation Rules of the Foreign-invested Enterprise Law approved by the State Council on October 28, 1990, and as amended on April 12, 2001, and February 19, 2014, respectively.

Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. A foreign-invested enterprise has the discretion to allocate a portion of its after tax profits to staff welfare and bonus funds. A Chinese company (including the foreign-invested enterprise) is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Merger and Acquisition and Overseas Listing

On August 8, 2006, six PRC regulatory agencies, namely the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, or the SAIC, the China Securities Regulatory Commission, or the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. This New M&A Rule, as amended on June 22, 2009, purports, among other things, to require offshore special purpose vehicles, or SPVs, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings.

The New M&A Rule also established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise.

Regulation relating to Employment and Social Welfare

Labor Protection

The main PRC employment laws and regulations include the Labor Law of the PRC, as revised on December 29, 2008, the Labor Contract Law of the PRC, or the Labor Contract Law and the Implementing Regulations of the Employment Contract Law of the PRC.

The Labor Contract Law was promulgated on June 29, 2007, revised on December 28, 2008, and came into force on July 1, 2008. This law governs the establishment of employment relationships between employers and employees, and the execution, performance, termination of, and the amendment to, employment contracts. The Labor Contract Law is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner. In addition, according to the Labor Contract Law: (i) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (ii) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; and (iii) enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC.

The Labor Contract Law imposes more stringent requirements on labor dispatch. According to the Labor Contract Law, (i) it is strongly emphasized that dispatched contract workers shall be entitled to equal pay for equal work as an employee of an employer; (ii) dispatched contract workers may only be engaged to perform temporary, auxiliary or substitute works; and (iii) an employer shall strictly control the number of dispatched contract workers so that they do not exceed certain percentage of total number of employees and the specific percentage shall be prescribed by the Ministry of Human Resources and Social Security. Under the law, “temporary work” means a position with a term of less than six months; “auxiliary work” means a non-core business position that provides services for the core business of the employer; and “substitute work” means a position that can be temporarily replaced with a dispatched contract worker for the period that a regular employee is away from work for vacation, study or other reasons. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers); and (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Interim Provisions on Labor Dispatch became effective, the employer must formulate a plan to reduce the number of its dispatched contract workers to comply with the aforesaid cap requirement prior to March 1, 2016. In addition, such plan shall be filed with the local administrative authority of human resources and social security. Nevertheless, the Interim Provisions on Labor Dispatch do not invalidate the labor contracts and dispatch agreements entered into prior to December 28, 2012 and such labor contracts and dispatch agreements may continue to be performed until their respective dates of expiration. The employer may also not hire any new dispatched contract worker before the number of its dispatched contract workers is reduced to below 10% of the total number of its employees. In case of violation, the labor administrative department shall order rectification within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed, and the staffing company’s business license shall be revoked. If a placed worker suffers any harm or loss caused by the receiving entity, the staffing company and the receiving entity shall be jointly and severally liable for damages.

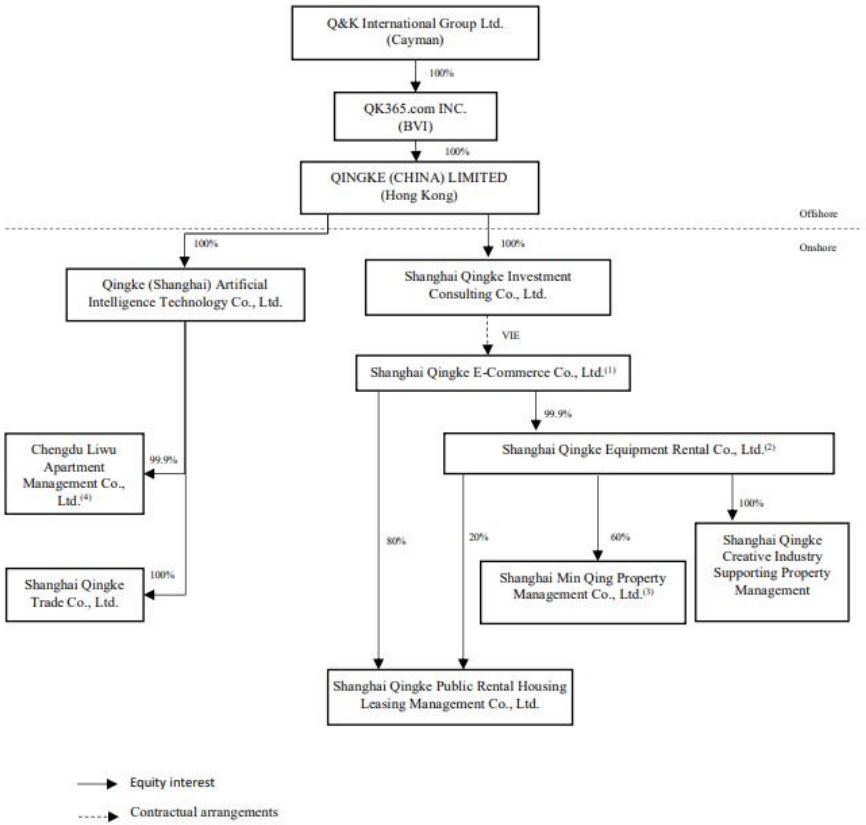
Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old Aged Pension Insurance of the State Council issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999 and the Social Insurance Law of the PRC implemented on July 1, 2011 and revised on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such managing centers of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner, and any employer that fails to open such bank account or contribute any housing funds may be fined and ordered to make up within a prescribed time limit.

C. **Organizational Structure**

The following diagram illustrates our corporate structure immediately prior to the Equity Transfer, including our principal subsidiaries and the VIE and its principal subsidiaries.



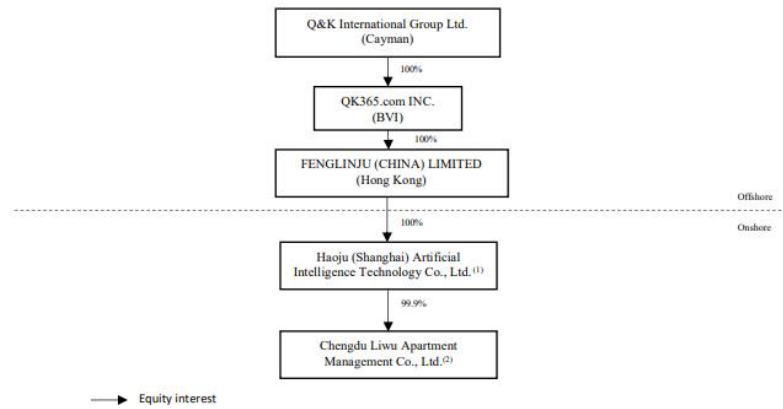
(1) Guangjie Jin, Xiamen Siyuan Investment Co., Ltd. and Bing Xiao are beneficial owners of the shares of Q&K E-commerce, who hold 74.5%, 15.0% and 10.5% equity interests in Q&K E-commerce, respectively.

(2) The remaining minority interests are ultimately owned by Mr. Guangjie Jin.

(3) The remaining minority interests are owned by third parties.

(4) 0.1% of the shares of Chengdu Liwu Apartment Management Co., Ltd. are held by Chengcai Qu on behalf of Qingke (Shanghai) Artificial Intelligence Technology Co., Ltd.

The following structure chart reflects our corporate structure (after the Equity Transfer) as of the date of this annual report.



(1) Previously known as Qingke (Shanghai) Artificial Intelligence Technology Co., Ltd.

(2) Chengcai Qu holds the remaining 0.1% of the shares of Chengdu Liwu Apartment Management Co., Ltd. on behalf of Haoju (Shanghai) Artificial Intelligence Technology Co., Ltd.

Currently we conduct substantially all of our operations through Chengdu Liwu Apartment Management Co., Ltd. in China.

D. Property, Plants and Equipment

Our principal executive office is located in Shanghai, China, where we own the office space with an aggregate floor area of approximately 585.7 square meters as of September 30, 2021.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon, and should be read in conjunction with, our audited consolidated financial statements and the related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Forward-Looking Statements” in this annual report. In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Overview

We are a leading technology-driven long-term apartment rental platform in China, offering young, emerging urban residents conveniently located, ready to move in, and affordable branded apartments as well as facilitating a variety of value-added services. We are one of the pioneers in providing branded rental apartments in China. Under our dispersed lease-and-operate model, we lease apartments from landlords and transform these apartments, mostly from bare-bones condition, into standardized furnished rooms to lease to people seeking affordable residence in cities, following an efficient, technology-driven business process.

We cooperate with third parties, including professional home service providers, e commerce companies and other service providers to facilitate a wide array of value-added services for our tenants. Revenue from value-added services and others as a percentage of our net revenues decreased from 11.7% in FY 2019 to 8.5% in FY 2020, and increased to 9.4% in FY 2021.

We also cooperate with financial institutions to facilitate rental installment loans for our tenants in need. As of September 30, 2020, we cooperated with seven financial institutions to finance rental installment loans, and the rental payment of 1.4% of our occupied rental units had been financed by these rental installment loans. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants.

In FY 2020, our business was adversely affected by the COVID-19 pandemic, with our net revenues decreasing by 2.1% to RMB1,208.0 million and net loss increasing by 207.8% to RMB1,533.6 million. Our period-average occupancy rates were 91.6% and 83.8% in FY 2019 and FY 2020, respectively. Our net revenues decreased from RMB1,208.0 million in FY 2020 to RMB1,036.2 million (US\$160.8 million) in FY 2021, and our net loss decreased from RMB1,533.6 million in FY 2020 to RMB569.2 million (US\$88.3 million) in FY 2021.

Key Factors Affecting Our Results of Operations

General Factors Affecting Our Results of Operations

Our results of operations are subject to general economic conditions and conditions affecting China’s real estate industry, in particular the apartment rental industry, which include, among others:

Changes in the National, Regional or Local Economic Conditions and Outlook in China

We target young people including recent college graduates, entry level white collar workers and industry workers in cities with strong economic growth, net inflow of people, rapid urban development and favorable policies supporting the development of the apartment rental market. Our occupancy levels and rental rates mainly depend on the demands from our target population in our target markets. Changes in national, regional or local economic conditions in China, including urbanization rates and employment rates in our target markets may materially affect demand for our apartments and services, and as a result, our business, financial condition and results of operations.

Our costs and expenses may also be affected by China’s inflation level. We may not be able to pass on increased costs to our tenants.

Our business and results of operations can be significantly affected by PRC laws, regulations and policies, particularly those relating to the real estate industry. We have benefited in recent periods from certain favorable policies for the apartment rental industry, including:

- stringent home buying requirements in top-tier cities in China, which have made it more difficult to purchase apartments, particularly for our target customers; and
- favorable policies to incentivize and support the growth of the apartment rental sector.

The PRC laws, regulations and policies concerning the apartment rental industry are developing and evolving. New laws, regulations and policies may increase our compliance cost, and require adjustments to our business model. For additional information, please refer to “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Residential Tenancy” and “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Leasing.”

The Competitive Landscape of China’s Long-term Apartment Rental Market

China’s long-term apartment rental market is highly competitive. Our competitors include other branded apartment operators and apartment owners who rent their apartments to tenants directly or through real estate agencies. In addition, in response to increased cooling measures on housing sales, real estate developers may also pivot into standardized rental market.

Specific Factors Affecting Our Results of Operations

Our results of operations are also affected by company specific factors, including, among others:

- Our ability to expand our apartment network;
- Our ability to maintain and increase occupancy level and rental rate;
- Our ability to control operating costs and expenses and improve operational efficiency;
- Our ability to manage upfront capital outlay and expansion cost; and
- Seasonality.

Our Ability to Expand Our Apartment Network

Our growth is impacted by our ability to expand our apartment network. We strategically select apartments in relatively inexpensive yet convenient locations, typically near subway stations in metropolitan areas. These locations provide tenants with convenient access to an entire city, including major business districts and commercial centers, and hence have strong demand potential and ample room for rental increase. Our ability to identify and source apartments that meet our strategic and financial return criteria is, in turn, impacted by, among others, the availability of, and competition for, our target apartments, as well as the efficiency of our sourcing staff.

As we expand the geographic coverage of our apartment network, we believe we will benefit from enhanced brand recognition and economies of scale. For example, as we expand and our reputation grows, an increasing number of landlords no longer require us to pay security deposits. We are also able to bulk purchase directly from manufacturers at competitive prices as we scale up.

Our Ability to Maintain and Increase Occupancy Level and Rental Rate

Our rental service revenues are affected by our occupancy level and rental rates. Our occupancy level mainly depends on the locations of our rental units, affordability of our rentals, including rental discounts and other promotions we offer, and the effectiveness of our sales and marketing efforts. In addition, as we expand into new geographic regions, it takes time to ramp up the occupancy rate to our target levels. Leveraging our standardized and replicable sourcing and pricing systems, we were able to reduce the ramp up time as we expand to other cities. For example, it took us eight months to ramp up the month-end occupancy rate in Hangzhou to above 90%, while it took us only four months to ramp up the month-end occupancy rate to above 90% when we expanded to Wuhan subsequently.

Our rental rate is primarily affected by the supply and demand dynamics in the rental markets where we operate. We apply Smart Pricing System to price our apartments through an automated, dynamic process, which takes into account data points including rent-in cost, decoration cost, historical transaction data (e.g., price and occupancy rate), demand seasonality, our target occupancy rates, and market prices for nearby apartments in similar conditions.

Our Ability to Control Operating Costs and Expenses and Improve Operational Efficiency

Rental cost represents our largest operating costs and expenses. We also incur substantial operating expenses, including those for apartment sourcing, marketing, leasing, after lease maintenance and research and development. In addition, as we expand into new regions, we incur substantial upfront operating expenses for market research, establishing logistics and supply chain and other supporting functions, and building our brand name. We have been improving, and intend to continue to improve, our operational efficiency through our end-to-end, technology-driven operational and management systems. For example, when we expand into a new city, our Smart Pricing System is replicable with some adjustments in parameters, enabling faster expansion at a lower cost. In addition, in July 2020, we engaged a third-party contractor to manage rental units after acquiring lease contracts with landlords and tenants and related fixtures and equipment for these rental units from another rental service company. This enables us to operate our business in new locations, where we lack experience and resources, at a lower cost by leveraging the experience and resources of the contractor. In terms of apartment renovation, our project management system enables modularization, standardization and digitization of the renovation process, which allows us to efficiently manage a fast-growing number of suppliers and contractors and streamline our decoration and renovation process. We conduct the majority of our marketing and leasing processes and handle after-rent services and property maintenance requests online, which helps to improve efficiency. The average number of rental units managed by each of our apartment managers decreased from 113.5 in FY 2019 to 82.5 in FY 2020 as our business was adversely affected by the COVID-19 pandemic, and further decreased to 38 in FY 2021 because our rental units are more geographically dispersed due to the change of our rental unit portfolio since July 2020.

Our Ability to Manage Upfront Capital Outlay and Expansion Cost

We utilize a lease-and-operate model. Under this model, we incur substantial capital outlay, including for apartment sourcing, renovation, and prepayment of a few months' rentals to landlords. We finance our capital outlay primarily from tenants' rental prepayments. Tenants who rent rental units other than those we acquired from the rental service company in July 2020 and prepay at least six months' rental can enjoy a 5% rental discount, and tenants who prepay at least 12 months' rental can enjoy a 10% rental discount (subject certain limits) for the lock-in period. Our rental service revenues are net of these discounts. In addition, we pay interest on rental installment loans for our tenants. Our results of operations, therefore, are significantly affected by our ability to finance the capital outlay for our expansion economically, reducing our reliance on tenant's rental prepayment. In August 2018, we started to cooperate with a rental service company owned by a bank for apartment sourcing and renovation. Under this model for certain newly sourced apartments, we continue to be responsible for the entire operating process, including identifying potential apartments for rent, rental pricing and procuring and paying for apartment renovation. Once we have finished the renovation, the rental service company reimburses us for our costs incurred for the renovation. We make payments to the rental service company in installments equal to the reimbursed renovation costs plus interest and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to us. Under this arrangement, we also sell leasehold improvements and furniture, fixtures and equipment of certain existing apartments to the rental service company at carrying value and simultaneously lease them back. Due to the rising vacancy rate of our rental units caused by the COVID-19 pandemic, we decreased the number of apartment contracted by terminating some of the leases with landlords under this model. In April 2020, we started to modify this cooperation for apartments in certain cities. For some apartments under this model, we no longer lease-in apartments from the rental service company or enter into new lease-out agreements with tenants. Instead, we transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and enters into lease-out agreements with new tenants directly. We are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, we are responsible for hiring and supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, we are required to pay the rental service company this difference via separate payments. The model has provided us with a stable source of lower-cost capital to finance apartment sourcing and renovation, compared to the tenant rental prepayment model.

Since February 2019, we have started to source decorated and furnished apartments from landlords thus compared to sourcing bare-bones apartments, substantially reducing our upfront capital outlay for apartment renovation, while still adding an additional bedroom.

Seasonality

Our operating results have been, and may continue to be subject to, seasonality. Our occupancy and revenues were generally higher during the three months ended September 30 of each year, as many students search for apartments in cities where they are employed after graduation. In addition, during and around the Chinese New Year holidays, which usually fall in January or February, people are less likely to move into new apartments or stay in rented apartments. As a result, our occupancy and revenues were generally lower for the three months ended March 31 of each year, despite the rebound in March from higher demand as labor forces come back to cities in search of jobs after the Chinese New Year.

Key Operating Metrics

We regularly review a number of operating metrics to evaluate our business, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of sales and marketing, and assess our operational efficiencies.

The table below sets forth our key operating data as of September 30, 2019, 2020 and 2021:

	As of September 30,		
	2019	2020	2021
Number of rental units contracted	99,656	82,185	62,757
Number of rental units under renovation	2,359	921	—
Number of available rental units	97,297	81,264	62,757
Number of occupied rental units	92,513	68,755	57,255
Number of vacant available rental units	4,784	12,509	5,502
Number of rental units managed but not contracted by us ⁽¹⁾	—	25,133	—

(1) refers to the number of rental units that (i) we provide our rental management service for and (ii) are leased-in from landlords by third parties

The table below sets forth the numbers of available rental units as of September 30, 2019, 2020 and 2021:

	As of September 30,		
	2019	2020	2021
East China ⁽¹⁾	92,514	23,772	17,080
North China ⁽²⁾	412	27,853	21,916
Southwest China ⁽³⁾	—	21,514	19,676
Others ⁽⁴⁾	4,371	8,125	4,085

(1) includes Fuzhou, Hangzhou, Hefei, Nanjing, Ningbo, Shanghai, Suzhou, Jinan and Qingdao

(2) includes Beijing, Shijiazhuang, Tianjin and Xi'an

(3) includes Chengdu, Kunming and Chongqing

(4) includes Nanchang, Nanning, Wuhan and Changsha

The table below sets forth our key operating data for FY 2019, FY 2020 and FY 2021:

	FY 2019	FY 2020	FY 2021
Period-average occupancy rate (%)	91.6	83.8	89.9
Average monthly rental (RMB)			
before discount for rental prepayment	1,146	1,185	1,080
after discount for rental prepayment	1,074	1,169	1,075
Rental spread margin (%)			
before discount for rental prepayment	24.8	20.9	22.6
after discount for rental prepayment	19.8	19.8	22.2

Numbers of Rental Units Contracted, Numbers of Available Rental Units, and Number of Occupied Rental Units

Number of rental units contracted and number of available rental units are important operating measures by which we evaluate and manage the scale of our business and growth. Apartments in China usually have two to three bedrooms, which are suitable for a household, but could be too costly for individual tenants. We typically convert a leased-in apartment to add an additional bedroom, or

the N+1 Model, and rent each bedroom, or rental unit, separately to individual tenants after standardized decoration and furnishing. The N+1 model further increases affordability and provides flexibilities and co rental efficiency for tenants.

Our rental units contracted refer to rental units in apartments that we have leased in from landlords. Our number of rental units contracted decreased by 17.5% from September 30, 2019 to September 30, 2020, as we terminated a number of leases with landlords due to the COVID-19 pandemic, partially offset by our acquisition of lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China in July 2020. Our number of rental units contracted decreased by 23.6% from September 30, 2020 to September 30, 2021, as we no longer managed some rental units from April 2020 to optimize our portfolio. Our number of available rental units refers to the number of our leased in rental units that have been renovated and ventilated and are ready for rent.

Our occupied rental units refer to available rental units that have been leased out to tenants. Our number of occupied rental units decreased by 25.7% from September 30, 2019 to September 30, 2020, due to the extension of Chinese New Year holiday, delay of return to work after the Chinese New Year holiday and imposition of travel restrictions and self-isolation policies by local and national government of China in 2020. Our number of occupied rental units was lower than our number of rental units contracted because of (i) the impact of the COVID-19 pandemic and (ii) some of our available rental units' vacancy, as it takes time to ramp up our occupancy rate to our target levels as we expanded to new geographic regions. Our number of occupied rental units decreased by 16.7% from September 30, 2020 to September 30, 2021, which is in line with the decrease in the total rental units contracted.

Period-average occupancy rate, Average Monthly Rental, and Rental Spread Margin

Our period-average occupancy rate is calculated by dividing the aggregate number of our leased-out rental unit nights by the aggregate number of available rental unit nights during a relevant period. Our period-average occupancy rate decreased from 91.6% in FY 2019 to 83.8% in FY 2020 because of the COVID-19 pandemic; and increased to 89.9% in FY 2021 because of gradual recovery from the COVID-19 pandemic in China.

Our average monthly rental after discount for rental prepayment refers to the total rental we receive from our tenants for a period, net of value-added tax, divided by the number of leased-out rental unit nights for the relevant period times 30.5 (which represents the average number of days in a month). Our average monthly rental before discount for rental prepayment refers to the total rental we receive from our tenants for a period, net of value-added tax, after adding back any discount for rental prepayment, divided by the number of leased-out rental unit nights for the relevant period times 30.5 (which represents the average number of days in a month). Our rental spread margin after discount for rental prepayment refers to the rental spread after discount for rental prepayment as a percentage of the average monthly rental after discount for rental prepayment on a lease to a tenant on the same space. Our rental spread margin before discount for rental prepayment refers to the rental spread before discount for rental prepayment as a percentage of the average monthly rental before discount for rental prepayment on a lease to a tenant on the same space. Our leases with landlords generally contain rent holidays and typically lock in our rental cost for the first three years, and we record the total rental expense on a straight line basis over the initial lease term, or monthly straight-lined rental. We use big data to establish a fair and efficient rental pricing mechanism.

Our average monthly rental before discount for rental prepayment increased from RMB1,146 in FY 2019 to RMB1,185 in FY 2020, and our average monthly rental after discount for rental prepayment increased from RMB1,074 in FY 2019 to RMB1,169 in FY 2020, as (i) we terminated leases with landlords of rental units with low profit margins and retained those with higher margins, and (ii) the average monthly rental of our newly acquired rental units are generally higher than that of the rental units we previously contracted. Our average monthly rental before discount for rental prepayment decreased from RMB1,185 in FY 2020 to RMB1,080 (US\$168) in FY 2021, and our average monthly rental after discount for rental prepayment decreased from RMB1,169 in FY 2020 to RMB1,075 (US\$167) in FY 2021, due to the impact of the COVID-19 pandemic.

Our rental spread margin before discount for rental prepayment decreased from 24.8% in FY 2019 to 20.9% in FY 2020, and our rental spread margin after discount for rental prepayment remained 19.8% in FY 2019 and FY 2020. Our rental spread margin before discount for rental prepayment increased from 20.9% in FY 2020 to 22.6% in FY 2021, and our rental spread margin after discount for rental prepayment increased from 19.8% in FY 2020 to 22.2% in FY 2021, as we took measures to optimize our rental facilities and assets.

Number of rental units managed but not contracted by us

The rental units managed but not contracted by us refers to the rental units that (i) we provide our rental management service for and (ii) are-leased in from landlords by third parties. We cooperate with a rental service company owned by a state-owned bank in

apartment sourcing and renovation from August 2018. In April 2020, we started to modify this cooperation for apartments in certain cities. For some apartments under this model, we no longer lease-in apartments from the rental service company or enter into new lease-out agreements with tenants. Instead, we transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and enters into lease-out agreements with new tenants directly. We are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, we are responsible for hiring and supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, we are required to pay the rental service company this difference.

Components of Results of Operations

Net Revenues

Our net revenues primarily consist of rental service revenues, and revenue from various types of fees we charge our tenants for some of our value-added services. Our revenues are net of value-added tax. The following table sets forth a breakdown of our net revenues.

	FY 2019		FY 2020		FY 2021		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US\$	% of total net revenues
(in thousands except for percentages)							
Net revenues:							
Rental service	1,089,164	88.3	1,105,172	91.5	939,169	145,757	90.6
Value-added services and others	144,606	11.7	102,791	8.5	97,037	15,060	9.4
Total net revenues	1,233,770	100.0	1,207,963	100.0	1,036,206	160,817	100.0

Our rental service revenues consist of rents collected under our lease agreements with tenants and in the arrangement with the rental service company. Our leases with tenants typically have a contracted lease term of 3 to 12 months. During the contracted lease term, typically, termination will result in forfeiture of the security deposit.

To a lesser extent, we derive net revenues from various types of fees we charge our tenants for certain value-added and other services, such as broadband internet and utilities. We also receive indemnification payments from landlords and tenants for their termination of lease agreements within the lock-in period. The following table sets forth a breakdown of our net revenues from value-added services and others for the periods indicated.

	FY 2019		FY 2020		FY 2021		
	RMB	% of revenue from value-added services and others	RMB	% of revenue from value-added services and others	RMB	US\$	% of revenue from value-added services and others
(in thousands, except for percentages)							
Broadband internet	77,104	53.3	34,100	33.2	3,275	508	3.4
Utility service	28,515	19.7	13,257	12.9	1,220	189	1.3
Indemnity	34,860	24.1	32,782	31.9	53,134	8,246	54.8
Others	4,127	2.9	22,652	22.0	39,408	6,117	40.5
Total	144,606	100.0	102,791	100.0	97,037	15,060	100.0

Operating Costs and Expenses

Our operating costs and expenses primarily consist of costs and expenses related to operating our network of apartments and rental units. The following table sets forth the components of our operating costs and expenses, both in absolute amount and as a percentage of total revenues for the period indicated.

	FY 2019		FY 2020		FY 2021		
		% of total net revenues		% of total net revenues			% of total net revenues
	RMB		RMB		RMB	US\$	
	(in thousands, except for percentages)						
Operating costs and expenses:							
Operating cost	1,304,992	105.8	1,203,415	99.6	949,654	147,384	91.6
Selling and marketing expenses	135,413	11.0	63,512	5.2	13,115	2,035	1.3
General and administrative expenses	108,196	8.8	102,769	8.5	217,108	33,695	21.0
Research and development expenses	47,029	3.8	24,934	2.1	7,768	1,206	0.7
Pre-operation expenses	42,661	3.5	14,245	1.2	—	—	—
Impairment loss on long-lived assets	46,213	3.8	846,766	70.1	199,575	30,974	19.3
Loss from disposal of property and equipment and intangible assets	—	—	468,980	38.8	30,173	4,683	2.9
Other (income) expense, net	(2,427)	(0.2)	(15,881)	(1.3)	18,476	2,867	1.8
Total operating costs and expenses	1,682,077	136.3	2,708,740	224.2	1,435,869	222,844	138.6

Operating Cost

Our operating cost includes rental cost, depreciation, personnel costs incurred by apartment managers in providing after-rent services, cleaning cost, utilities cost, broadband internet cost and others. Rental cost represents our rental expenses incurred after our leased-in rental units are renovated and decorated and available for rent to tenants. Depreciation is primarily associated with our capitalized renovation incurred when we convert and furnish our leased-in apartments for rent to tenants. We recognize depreciation with our leasehold improvements and other capital expenditures using a straight line method over the shorter of expected useful lives or lease term. Personnel costs incurred by apartment managers in providing after-rent services are primarily associated with management and inspection of rental units and regular communication with tenants. Personnel costs incurred by apartment managers in providing before-rent services, such as accompanying potential tenants to visit our apartments and negotiating lease agreements with tenants, are recorded in selling and marketing expenses. Personnel costs are allocated according to the time apartment managers spend. The following table sets forth our operating cost in absolute amount and as a percentage of net revenue for the periods indicated.

	FY 2019		FY 2020		FY 2021		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US\$	% of total net revenues
	(in thousands except for percentages)						
Rental cost	975,342	79.1	813,773	67.4	642,354	99,692	62.0
Depreciation expenses	207,814	16.8	256,056	21.2	75,332	11,691	7.3
Personnel cost	23,698	1.9	77,392	6.4	224,125	34,784	21.6
Cleaning cost	28,419	2.3	7,657	0.6	5,573	865	0.5
Utility cost	20,823	1.7	14,446	1.2	265	41	0.0
Broadband internet cost	37,096	3.0	31,920	2.6	1,358	211	0.1
Others	11,800	1.0	2,171	0.2	647	100	0.1
Total	1,304,992	105.8	1,203,415	99.6	949,654	147,384	91.6

Selling and Marketing Expenses

Selling and marketing expenses primarily include online and offline marketing expenses, promotion expenses, staff costs of sales personnel and other related incidental expenses that are incurred indirectly to attract or retain tenants for us.

General and Administrative Expenses

Our general and administrative expenses consist primarily of personnel costs, transportation costs, consulting expenses, headquarter office rental expenses, general office expenses and other costs associated with running our day to day activities.

Research and Development Expenses

Research and development expenses include payroll expenses, employee benefits, and other headcount-related expenses associated with platform development and big data analysis to support our business operations.

Pre-operation Expenses

Pre-operation expenses mainly include rental and sourcing costs incurred before an apartment is ready for lease.

Impairment Loss on long-lived Assets

We evaluate our long-lived assets and finite lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of the assets exceeds its expected undiscounted cash flows, we will recognize an impairment loss equal to the difference between the carrying amount and the fair value of these assets. We determined the fair value of the property and equipment based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including the projected rental units' revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results. In July 2020, we acquired certain assets from a rental service company, Great Alliance Co-living Limited, and its affiliates, including apartment rental agreements and leasehold improvements attached to approximately 72,000 rental units in various cities across China, and its trademarks. We reviewed the fair value of the apartment rental agreements and trademarks based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including the projected rental units' revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results.

Loss from disposal of property and equipment and intangible assets

Our loss from disposal of property and equipment and intangible assets in FY 2020 and FY 2021 mainly includes our loss of renovations due to the termination of our leases with landlords of certain rental units for the impact of the COVID-19 pandemic on our business. In addition, in FY 2021, we sold buildings under construction in Suzhou through judicial sales.

Interest Expense, Net

Interest expense primarily consists of interest on rental installment loans we pay for our tenants, interest on our bank borrowings, and interest on capital lease and other financing arrangement. The following table sets forth a breakdown of our interest expense, net for the periods indicated.

	FY 2019		FY 2020		FY 2021		
	RMB	% of interest expense, net	RMB	% of interest expense, net	RMB	US\$	% of interest expense, net
(in thousands except for percentages)							
Interest on bank borrowings	(4,930)	5.4	(56,533)	43.4	(47,656)	(7,396)	37.4
Interest expense on convertible notes	—	—	(5,899)	4.5	(49,512)	(7,685)	38.9
Interest on capital lease and other financing arrangement	(18,827)	20.5	(31,094)	23.9	(22,483)	(3,489)	17.7
Interest on rental installment loans	(70,621)	76.8	(37,004)	28.4	(7,687)	(1,193)	6.0
Interest income	2,464	(2.7)	324	(0.2)	38	6	0.0
Total	(91,914)	100.0	(130,206)	100.0	(127,300)	(19,757)	100.0

Critical Accounting Policies, Judgments and Estimates

We have identified below the accounting policies that we believe are the most critical to the presentation of our consolidated financial information. These accounting policies require subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The estimates and assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. We review our estimates and underlying assumptions on an on-going basis. For further information on our principal accounting policies, see note 2 of our consolidated financial statements included elsewhere in this annual report.

Revenue Recognition

We source apartments from landlords and convert them into standardized furnished rooms to lease to tenants seeking affordable residences in China. Revenues are primarily derived from rental service and value-added services.

Rental Service Revenues

Rental service revenues are primarily derived from the lease payments from our tenants and are recorded net of tax.

We typically enter into lease agreements with our tenants with terms ranging between 12 months and 26 months, a majority of which have a lock-in period of 12 months or longer. The lock-in period represents the term during which termination will result in the forfeiture of deposit, which is typically one or two months' rent. We determine that the lock-in period is the lease term under ASC 840. When tenants terminate their leases, we return unused portions of any prepaid rentals to the tenant within a prescribed period of time. Deposit can only be returned for termination after the lock-in period. Monthly rent is fixed throughout the lock-in period and there is no rent free period or rent escalations during the period. We determine all lease arrangements with tenants are operating leases since the benefits and risks incidental to ownership remains with us. Revenue is recognized on a straight line basis starting from the commencement date stated in the lease agreements.

Tenants who prepay rent for a certain period are entitled to rental discounts. Tenants who rent rental units other than those we acquired from the rental service company in July 2020 and prepay at least six months' rental can enjoy a 5% discount for the lock-in period, and tenants who prepay at least 12 months' rental can enjoy a 10% rental discount for the lock-in period (subject to a RMB200.0 limit per month after January 1, 2017). Such incentives are only applicable during the lock-in period. We consider the rental discounts as a lease incentive and record it as a reduction in revenue on a straight line basis over the lease term.

In April 2020, we started to modify arrangements with the rental service company for apartments in certain cities. For some apartments under this arrangement, we no longer lease-in apartments from the rental service company or enter into new lease-out agreements with tenants. Instead, we transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and enters into lease-out agreements with new tenants directly. We are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, We are responsible for hiring and supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, we are required to pay the rental service company this difference. We had transferred 25,375 of its rental units contracted and managed these rental units under this modified arrangement. Referring to ASC 840-10-15-6(a), we determine that we lease-in apartments from the rental service company, and lease-out apartment to tenants through the rental service company, because we have the ability and right to operate the apartments while obtaining more than a minor amount of the output of the apartments. The terms of these leases with tenants ranged between 3 to 12 months. Monthly rent with tenants is fixed throughout the lease term and there is no rent free period or rent escalations during the period. We determine all lease arrangements with tenants are operating leases since the benefits and risks incidental to ownership remains with us. Revenue is recognized on a straight line basis starting from the commencement date stated in the lease agreements.

Value-added Services and Others

We adopted ASC 606, Revenue from Contracts with Customers ("ASC 606") on October 1, 2019, using the modified retrospective approach. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an

entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

We have assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, we concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of ASC 605 and therefore there was no material changes.

In accordance with ASC 606, revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those products. We also evaluate whether it is appropriate to record the gross amount of product sales. When we are a principal, that we obtain control of the specified goods before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled to in exchange for the specified goods transferred. Revenues are recorded net of value-added taxes.

For FY 2020 and FY 2021, we generated revenues from provision of value-added services. Value-added services and others primarily consist of fees received from the tenants from our provision of internet connection and utility services as part of the lease agreement.

The service fees from tenants are fixed in the agreements and is collected on a monthly basis. We recognized on a monthly basis during the period of the lease term. The service fees are recognized on a gross basis as we are the primary obligor in provision of such services and have discretion in establishing transaction prices.

Rental Installment Loans

In order to encourage our tenants to make advance payments, we cooperate with various financial institution partners to facilitate rental installment loans for our tenants, who apply for rental installment loans directly with these financial institutions. The financial institutions approve or decline the rental installment loans based on the tenants' credit profile, and approval of the rental installment loans are not guaranteed to the tenants at lease inception. If the loans are approved by the financial institution partners, the proceeds, which represent the total rental payments for the period covered under the lease agreement, are remitted to us by way of the tenant's entrustment. The proceeds would then be applied to the tenants' rental payments on a monthly basis. We record the entire prepayment as rental installment loans. Tenants repay the loan principal in monthly installments directly to the financial institutions which equals to the monthly rental payment. We pay rental installment loan interests on behalf of tenants and recognize interest expense in the consolidated statements of comprehensive loss.

We also provide guarantee to these financial institutions with respect to our tenants' repayment of the loans. In the event that the tenants default on the repayment or early terminate the lease agreements, we must return the remaining prepayments to the financial institutions within a prescribed period of time. Under the rental installment loan scheme, we have full control of the entire installment loan proceeds and the security deposits collected from the tenants at lease inception are usually sufficient to cover for the delinquent payments from default. As such, we determine that there should be no guarantee liabilities to be recorded as of September 30, 2019, 2020 and 2021.

For rental installment loans received directly from financial institutions, we determine the substance of the arrangement as akin to a debt from our tenants, and as such, this portion was classified as a cash inflow from financing activities within our statements of cash flows. During the lease term, constructive receipts and disbursements are recognized on a monthly basis by recognizing the repayment of rental installment loans as a financing cash outflow and the receipt of monthly rental income as an operating cash inflow.

Rental prepayments received directly from tenants were recorded as deferred revenue in the consolidated balance sheets and classified as a cash inflow from operating activities.

Lease accounting with landlords

We lease apartments from landlords usually for a period of five to six years which may be extended for an additional three or two years at the discretion of the landlords. Since all the benefits and risks incidental to ownership remains with the landlord, we determine that these arrangements are operating leases. We typically negotiates a rent-free period of 90 to 120 days and locks in a fixed rent for the first three years and approximately 5% annual, non-compounding increase for the rest of the lease period. As such,

typically all leases with landlords contain rent holidays and fixed escalations of rental payments during the lease term. We determine the lease term under ASC 840 to include the years that can be early terminated by the landlords. We record total lease expense on a straight-line basis over the lease term and the difference between the straight-line lease expense and cash payments under the lease is recorded as deferred rent on the consolidated balance sheets.

From December 2020 to August 2021, we terminated the arrangements with the rental service company owned by a state-owned bank. We accordingly terminated lease agreements with landlords in advance. Upon termination, the deferred rent was accelerated in recognition as a reduction against rental expenses.

As of September 30, 2020 and 2021, deferred rent of RMB2.5 million and nil were recorded in accrued expenses and other current liabilities and RMB212.1 million and nil were recorded as long-term deferred rent, respectively.

Rental expense to the landlords recorded in consolidated statements of comprehensive losses were RMB1.00 billion, RMB 813.8 million and RMB 642.4 million for FY 2019, FY 2020 and FY 2021, respectively.

Impairment of Long-lived Assets

We evaluate our long-lived assets and finite lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we recognize an impairment loss equal to the difference between the carrying amount and fair value of these assets.

For FY 2019 and FY 2020, we recognized impairment losses of RMB46.2 million and RMB846.8 million against certain apartments due to the continued underperformance relative to the projected operating results. For FY 2021, we recognized impairment losses of RMB199.6 million against leasehold improvements and furniture, fixtures and equipment used in apartments under capital lease and other financing arrangements. We expected we would not receive any cash flow from these property and equipment, as we terminated the cooperation with the rental service company owned by a state-owned bank and no longer received fee income during the year.

Capital Lease and Other Financing Arrangement

Leases of leasehold improvements or furniture, fixtures and equipment that transfer to us substantially all of the risks and rewards of ownership by the end of the lease term are classified as capital leases. The leasehold improvements and liability are measured initially at an amount equal to the lower of their fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under capital leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

We started to cooperate with a rental service company to source and renovate apartments since August 2018. For certain identified newly sourced apartments, the rental service company reimburses us for costs incurred for the renovation. We then make payments to the rental service company in installments equal to the reimbursed renovation costs plus interest and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to us. We account for this arrangement with the rental service company as a capital lease.

Under the same arrangement above, we also sell leasehold improvements and furniture, fixtures and equipment of certain existing apartments to the rental service company at carrying value and simultaneously leases them back. Such transaction fails sales and lease back accounting and is accounted for as a financing arrangement. The proceeds received from the rental service company are reported as other financing arrangement payable.

In FY 2021, we terminated the cooperation with the rental service company owned by a state-owned bank, and we reclassified the capital lease payable and other financing payable to the account of “accrued expenses and other current liabilities.” Because the underlying leasehold improvements or furniture, fixtures and equipment used in apartments did not provide future cash flows for us, we provided full impairment against these leasehold improvements or furniture, fixtures and equipment. As of September 30, 2021, we had no outstanding balances of capital lease payable or other financing arrangement payable.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

The British Virgin Islands

Our subsidiary incorporated in the British Virgin Islands is not subject to income or capital gains taxes, estate duty, inheritance tax or gift tax under the current applicable laws of the British Virgin Islands. In addition, payment of dividends to the shareholders of our subsidiary in the British Virgin Islands are not subject to withholding tax in the British Virgin Islands.

Hong Kong

Before April 1, 2018, our subsidiary incorporated in Hong Kong was subject to Hong Kong profit tax at a rate of 16.5%. Since April 1, 2018, our subsidiary incorporated in Hong Kong has been subject to Hong Kong profit tax at a rate of 8.25% on assessable profits up to HK\$2.0 million and 16.5% on any part of assessable profits over HK\$2.0 million. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No Hong Kong profit tax has been levied as we did not have assessable profit that was earned in or derived from the Hong Kong subsidiary during the periods presented. Hong Kong does not impose a withholding tax on dividends.

United States

Our subsidiary in the United States is registered in the state of Delaware and is subject to a flat U.S. federal corporate income tax rate of 21%.

China

Generally, our PRC subsidiaries, the VIE and subsidiaries of the VIE, which are considered PRC resident enterprises under PRC tax law, are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%.

We are subject to value-added tax, or VAT, at a rate of 6% on the services we provide, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law. VAT has been phased in since May 2012 to replace the business tax that was previously applicable to the services we provide. During the periods presented, we were not subject to business tax on the services we provide.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amount and as a percentage of our net revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	FY 2019		FY 2020		FY 2021		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US\$	% of total net revenues
Net revenues:							
Rental service revenue	1,089,164	88.3	1,105,172	91.5	939,169	145,757	90.6
Value-added services and others	144,606	11.7	102,791	8.5	97,037	15,060	9.4
Total net revenues	1,233,770	100.0	1,207,963	100.0	1,036,206	160,817	100.0
Operating costs and expenses:							
Operating cost	(1,304,992)	(105.8)	(1,203,415)	(99.6)	(949,654)	(147,384)	(91.6)
Selling and marketing expenses	(135,413)	(11.0)	(63,512)	(5.3)	(13,115)	(2,035)	(1.3)
General and administrative expenses	(108,196)	(8.8)	(102,769)	(8.5)	(217,108)	(33,695)	(21.0)
Research and development expenses	(47,029)	(3.8)	(24,934)	(2.1)	(7,768)	(1,206)	(0.7)
Pre-operation expenses	(42,661)	(3.5)	(14,245)	(1.2)	—	—	—
Impairment loss on long-lived assets	(46,213)	(3.7)	(846,766)	(70.1)	(199,575)	(30,974)	(19.3)
Loss from disposal of property and equipment and intangible assets	—	—	(468,980)	(38.8)	(30,173)	(4,683)	(2.9)
Other income (expenses), net	2,427	0.2	15,881	1.3	(18,476)	(2,867)	(1.8)
Total operating costs and expenses	(1,682,077)	(136.3)	(2,708,740)	(224.2)	(1,435,869)	(222,844)	(138.6)
Loss from operation	(448,307)	(36.3)	(1,500,777)	(124.2)	(399,663)	(62,027)	(38.6)
Interest expense, net	(91,914)	(7.4)	(130,206)	(10.8)	(127,300)	(19,757)	(12.3)
Debt extinguishment loss	—	—	—	—	(41,961)	(6,512)	(4.0)
Foreign exchange loss, net	(457)	—	(62)	—	(247)	(38)	0.0
Fair value change of contingent earn-out liabilities	42,404	3.4	97,417	8.0	—	—	—
Loss before income taxes	(498,274)	(40.4)	(1,533,628)	(127.0)	(569,171)	(88,334)	(54.9)
Income tax expense	(63)	—	(13)	—	(31)	(5)	—
Net loss	(498,337)	(40.4)	(1,533,641)	(127.0)	(569,202)	(88,339)	(54.9)

FY 2021 Compared to FY 2020

Net Revenues

Our net revenues decreased by 14.2% from RMB1,208.0 million in FY 2020 to RMB1,036.2 million (US\$160.8 million) in FY 2021. Our rental service revenues decreased by 15.0% from RMB1,105.2 million in FY 2020 to RMB939.2 million (US\$145.8 million) in FY 2021, primarily because we terminated the cooperation with the rental service company owned by a state-owned bank and therefore we no longer managed those rental units that were not contracted by us.

Our net revenues from value-added services and others decreased by 5.6% from RMB102.8 million in FY 2020 to RMB97.0 million (US\$15.1 million) in FY 2021, primarily because (i) we terminated the cooperation with the rental service company owned by a state-owned bank and therefore we no longer managed those rental units that were not contracted by us, and (ii) for the approximately 72,000 rental units that were added to our portfolio in July 2020, the fees for the value-added services we provided were included in the rental the tenants paid us.

Operating Costs and Expenses

Our total operating costs and expenses decreased by 47.0% from RMB2,708.7 million in FY 2020 to RMB1,435.9 million (US\$222.8 million) in FY 2021.

- *Operating cost.* Our operating cost decreased by 21.1% from RMB1,203.4 million in FY 2020 to RMB949.7 million (US\$147.4 million) in FY 2021.
 - *Rental cost.* Our rental cost decreased by 21.1% from RMB813.8 million in FY 2020 to RMB642.4 million (US\$99.7 million) in FY 2021. This was primarily because we terminated the cooperation with the rental service company owned by a state-owned bank and therefore we no longer managed those rental units that were not contracted by us.

Our rental cost as a percentage of rental service revenue decreased from 73.6% in FY 2020 to 68.4% in FY 2021, primarily attributable to the increase in the occupancy rate in FY 2021.
 - *Depreciation expenses.* Our depreciation expenses decreased by 70.6% from RMB256.1 million in FY 2020 to RMB75.3 million (US\$11.7 million) in FY 2021, primarily because we ceased to recognize depreciation expenses for leasehold improvements and other capital expenditure for the rental units that were managed but not contracted by us from the termination of the cooperation with the rental service company owned by a state-owned bank.
 - *Personnel costs.* Our personnel costs increased by 189.5% from RMB77.4 million in FY 2020 to RMB224.1 million (US\$34.8 million) in FY 2021, primarily attributable to the service fee we paid the rental service company for the approximately 72,000 rental units that were added to our portfolio in July 2020, which we operated for 12 months in FY 2021 compared to approximately three months in FY 2020.
 - *Costs for value-added services and others.* Our cleaning cost, utility cost, broadband internet cost and other cost decreased by 86.1% from RMB56.2 million in FY 2020 to RMB7.8 million (US\$1.2 million) in FY 2021. This decrease was primarily because (i) we terminated the cooperation with the rental service company owned by a state-owned bank and therefore we no longer managed those rental units that were not contracted by us, and (ii) for the approximately 72,000 rental units that were added to our portfolio in July 2020, the costs for the value-added services we provided were recorded in the rental cost.
- *Selling and marketing expenses.* Our selling and marketing expenses decreased by 79.4% from RMB63.5 million in FY 2020 to RMB13.1 million (US\$2.0 million) in FY 2021. The decrease was primarily attributable to our cost-saving and personnel cost optimizing efforts, including providing less promotions in response to the COVID-19 pandemic. Our personnel costs under selling and marketing expenses decreased by 69.4% from RMB42.1 million in FY 2020 to RMB12.9 million (US\$2.0 million) in FY 2021. Our advertising and promotion expenses decreased from RMB13.6 million in FY 2020 to nil in FY 2021.

Our selling and marketing expenses as a percentage of total net revenues decreased from 5.3% in FY 2020 to 1.3% in FY 2021 due to our cost-saving strategy.

- *General and administrative expenses.* Our general and administrative expenses increased by 111.2% from RMB102.8 million in FY 2020 to RMB217.1 million (US\$33.7 million) in FY 2021. The increase was primarily attributable to (i) the bad debt expenses we recognized for rentals that could not be collected from tenants and certain prepayment to suppliers and (ii) write-off of the deductible value-added tax that could no longer be deducted.

Our general and administrative expenses as a percentage of total net revenues increased from 8.5% in FY 2020 to 21.0% in FY 2021 primarily due to an increase in bad debt expenses and write-off of the deductible value-added tax.
- *Research and development expenses.* Our research and development expenses decreased by 68.7% from RMB24.9 million in FY 2020 to RMB7.8 million (US\$1.2 million) in FY 2021, primarily because we continuously reduced investments in the IT infrastructure as the system becomes mature.
- *Pre-operation expenses.* Our pre-operation expenses decreased from RMB14.2 million in FY 2020 to nil in FY 2021. The decrease was primarily because we seldom developed any new rental units in FY 2021.

Our pre-operation expenses as a percentage of total net revenues decreased from 1.2% in FY 2020 to nil in FY 2021 due to the same reason above.

- *Impairment loss on long-lived assets.* Our impairment loss on long-lived assets decreased by 76.4% from RMB846.8 million in FY 2020 to RMB199.6 million (US\$31.0 million) in FY 2021, primarily because large provisions was provided in 2020 for the impact of the COVID-19 pandemic on our business.
- *Loss from disposal of property and equipment and intangible assets.* Our loss from disposal of property and equipment and intangible assets decreased by 93.6% from RMB469.0 million in FY 2020 to RMB30.2 million (US\$4.7 million) in FY2021. Our loss from disposal of property and equipment and intangible assets was primarily attributable to (i) our loss of renovations due to the termination of our leases with landlords of certain rental units for the impact of the COVID-19 pandemic on our business and (ii) our sales of buildings under construction in Suzhou through judicial sales for proceeds of RMB100.3 million. The court assisted us to sell the buildings under construction and collected the proceeds on behalf of us.

Loss from Operations

As a result of the foregoing, our loss from operations decreased by 73.4% from RMB1,500.8 million in FY 2020 to RMB399.7 million (US\$62.0 million) in FY 2021.

Interest Expense, Net

Our interest expense decreased by 2.4% from RMB130.5 million in FY 2020 and RMB127.3 million (US\$19.8 million) in FY 2021, respectively. The decrease was primarily attributable to the decrease in the interest expense of installment loans, which partially offset by the increase of our debts and the issuance of convertible notes.

Our interest income, which primary related to the interest from our bank deposits, decreased from RMB0.3 million in FY 2020 to RMB77 thousand (US\$12 thousand) in FY 2021.

Fair Value Change of Contingent Earn-out Liabilities

We recorded a gain from fair value change of contingent earn-out liabilities of RMB97.4 million and nil in FY 2020 and FY 2021, respectively.

Loss before Income Taxes

As a result of the foregoing, our loss before income taxes decreased by 62.9% from RMB1,533.6 million in FY 2020 to RMB569.2 million (US\$88.3million) in FY 2021.

Income Tax Expense

Our income tax expense was RMB13.0 thousand in FY 2020 and RMB31.0 thousand (US\$4.8 thousand) in FY 2021. We incurred income tax expense despite our loss before income tax because certain of our subsidiaries in the PRC had income before taxes and income tax was assessed accordingly on these subsidiaries.

Net Loss

As a result of the foregoing, we recorded a net loss of RMB1,533.6 million in FY 2020 and RMB569.2million (US\$88.3million) in FY 2021.

FY 2020 Compared to FY 2019

Net Revenues

Our net revenues decreased by 2.1% from RMB1,233.8 million in FY 2019 to RMB1,208.0 million in FY 2020. Our rental service revenues increased by 1.5% from RMB1,089.2 million in FY 2019 to RMB1,105.2 million in FY 2020 primarily due to an increase in average monthly rental after discount for rental prepayment from RMB1,074 in FY 2019 to RMB1,169 in FY 2020, partially offset by a decrease in our number of occupied rental units due to the COVID-19 pandemic in China.

Our net revenues from value-added services and others decreased by 28.9% from RMB144.6 million in FY 2019 to RMB102.8 million in FY 2020, primarily attributable to the decrease in our revenues from broadband internet and utility service due to (i) a decrease in the number of occupied rental units during the COVID-19 pandemic in China and (ii) the early termination of leases with landlords of certain rental units.

Operating Costs and Expenses

Our total operating costs and expenses increased by 61.0% from RMB1,682.1 million in FY 2019 to RMB2,708.7 million in FY 2020. The increase in our operating costs and expenses was primarily due to increase in our loss from disposal of property and equipment and intangible assets and impairment loss on long-lived assets, partially offset by decrease in operating cost, selling and marketing expenses and pre-operation expenses.

- *Operating cost.* Our operating cost decreased by 7.8% from RMB1,305.0 million in FY 2019 to RMB1,203.4 million in FY 2020.
- *Rental cost.* Our rental cost decreased by 16.6% from RMB975.3 million in FY 2019 to RMB813.8 million in FY 2020. This was primarily attributable to the decrease in our number of available rental unit nights as we optimized our apartment network and the reversal of the deferred rent of RMB236.4 million due to the termination of leases with landlords.

Our rental cost as a percentage of rental service revenue decreased from 89.5% in FY 2019 to 73.6% in FY 2020, primarily attributable to the reverse of the deferred rent of RMB236.4 million due to the early termination of leases with landlords.

- *Depreciation expenses.* Our depreciation expenses increased by 23.2% from RMB207.8 million in FY 2019 to RMB256.1 million in FY 2020, primarily attributable to our asset acquisition in July 2020.
- *Personnel costs related to after-rent activities of apartment managers.* Our personnel costs incurred by apartment managers in providing after-rent services increased by 226.6% from RMB23.7 million in FY 2019 to RMB77.4 million in FY 2020, primarily attributable to our increased effort in operating and maintaining the rental units during the COVID-19 pandemic in China and our asset acquisition in July 2020.
- *Costs for value-added services and others.* Our cleaning cost, utility cost, broadband internet cost and other cost decreased by 42.7% from RMB98.1 million in FY 2019 to RMB56.2 million in FY 2020. This decrease was primarily in relation to (i) the termination of certain leases with landlords before the end of the original lease terms due to the COVID-19 pandemic and (ii) a decrease in the number of occupied rental units during the COVID-19 pandemic in China.
- *Selling and marketing expenses.* Our selling and marketing expenses decreased by 53.1% from RMB135.4 million in FY 2019 to RMB63.5 million in FY 2020. The decrease was primarily attributable to cost-saving efforts and the decrease in the number of our apartment managers who were our employees. Our personnel costs under selling and marketing expenses decreased by 45.7% from RMB77.5 million in FY 2019 to RMB42.1 million in FY 2020. Our advertising and promotion expenses decreased by 69.1% from RMB44.0 million in FY 2019 to RMB13.6 million in FY 2020.

Our selling and marketing expenses as a percentage of total net revenues decreased from 11.0% in FY 2019 to 5.3% in FY 2020 due to our cost-saving efforts.

- *General and administrative expenses.* Our general and administrative expenses decreased by 5.0% from RMB108.2 million in FY 2019 to RMB102.8 million in FY 2020. The decrease was primarily attributable to cost-saving efforts. Our personnel costs under general and administrative expenses decreased by 32.0% from RMB58.4 million in FY 2019 to RMB39.7 million in FY 2020 due to our cost-saving efforts.

Our general and administrative expenses as a percentage of total net revenues increased from 8.8% in FY 2019 to 8.5% in FY 2020 due to a decrease in our net revenues attributable to the COVID-19 pandemic.

- *Research and development expenses.* Our research and development expenses decreased by 47.0% from RMB47.0 million in FY 2019 to RMB24.9 million in FY 2020, primarily attributable to our reduction of investments in the IT infrastructure as the system becomes mature.
- *Pre-operation expenses.* Our pre-operation expenses decreased by 66.6% from RMB42.7 million in FY 2019 to RMB14.2 million in FY 2020. The decrease was primarily attributable to a reduction of our renovation activities. These decreases were due to fewer new rental units being renovated in FY 2020, compared to the expansion in FY 2019.

Our pre-operation expenses as a percentage of total net revenues decreased from 3.5% in FY 2019 to 1.2% in FY 2020 as fewer new rental units were developed in FY 2020 compared to FY 2019.

- *Impairment loss on long-lived assets.* Our impairment loss on long-lived assets increased significantly by 1,732.3% from RMB46.2 million in FY 2019 to RMB846.8 million in FY 2020, primarily attributable to our impairment in response to the adverse of the COVID-19 pandemic.
- *Loss from disposal of property and equipment and intangible assets.* Our loss from disposal of property and equipment and intangible assets of RMB469.0 million in FY 2020 was primarily attributable to our loss of renovations due to the termination of our leases with landlords of certain rental units during the COVID-19 pandemic.

Loss from Operations

As a result of the foregoing, our loss from operations increased by 234.8% from RMB448.3 million in FY 2019 to RMB1,500.8 million in FY 2020.

Interest Expense, Net

Our interest expense increased by 38.3% from RMB94.4 million in FY 2019 to RMB130.5 million in FY 2020. The increase was primarily attributable to the increase of our debts and the issuance of convertible notes.

Our interest income, which primary related to the interest from our bank deposits, decreased from RMB2.5 million in FY 2019 to RMB0.3 million in FY 2020.

Fair Value Change of Contingent Earn-out Liabilities

We recorded a gain from fair value change of contingent earn-out liabilities of RMB42.4 million and RMB97.4 million in FY 2019 and FY 2020, respectively. The fair value change of contingent earn-out liabilities mainly relates to our contingent earn-out liabilities to series C, C-1 and C-2 preferred shareholders, which were waived in FY 2020 upon the completion of our initial public offering.

Loss before Income Taxes

As a result of the foregoing, our loss before income taxes increased by 207.8% from RMB498.3 million in FY 2019 to RMB1,533.6 million in FY 2020.

Income Tax Expense

Our income tax expense was RMB63.0 thousand in FY 2019 and RMB13.0 thousand in FY 2020. We incurred income tax expense despite our loss before income tax as certain of our subsidiaries in the PRC had income before taxes and income tax was assessed accordingly on these subsidiaries.

Net Loss

As a result of the foregoing, we recorded a net loss of RMB498.3 million in FY 2019 and RMB1,533.6 million in FY 2020.

B. Liquidity and Capital Resources

Our principal sources of liquidity, which we have used to fund our growth, operations and capital expenditures for our apartments network, have been proceeds from tenants' rental prepayment, including rental prepayment financed by rental installment loans from our financial institution partners, availability under our bank facilities, capital lease and other financing, proceeds from our initial public offering, equity financing from issuance of preferred shares, and proceeds from our issuance of convertible notes.

As of September 30, 2021, we had cash and cash equivalents of RMB16.3 million (US\$2.5 million), and restricted cash of RMB2.9 million (US\$0.5 million). Our cash and cash equivalent represented cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less when purchased, and our restricted cash represented our deposits used as security against our bank borrowings and tenants' repayment of rental installment loans.

We recorded rental installment loan proceeds, which represent our tenants' prepaid rents, as rental installment loans in our consolidated balance sheet. As of September 30, 2021, we had RMB18.1 million (US\$2.8 million) in outstanding rental installment loans, with fixed annual interest rates between 6.0% and 10.6%. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants.

In August 2018, we started to cooperate with a rental service company owned by a bank to source and renovate apartments in Shanghai and Hangzhou. Under this model for certain newly sourced apartments, we continue to be responsible for the entire operating process, including identifying potential apartments for rent, rental pricing and procuring and paying for apartment renovation. Once we have finished the renovation, the rental service company reimburses us for our costs incurred for the renovation. We make payments to the rental service company in installments equal to the reimbursed renovation costs plus interest (with a fixed annual interest rate ranging from 6.84% to 8.04%) and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to us. We account for the arrangement with the rental service company as a capital lease. Under this arrangement, we also sell leasehold improvements and furniture, fixtures and equipment of certain existing apartments to the rental service company at carrying value and simultaneously lease them back. We account for such transaction as a financing arrangement. The proceeds received from the rental service company are reported as other financing arrangement payable. Due to the rising vacancy rate of our rental units caused by the COVID-19 pandemic, we decreased the number of apartment contracted by terminating some of the leases with landlords under this model. In April 2020, we started to modify this cooperation for apartments in certain cities. For some apartments under this model, we no longer lease-in apartments from the rental service company or enter into new lease-out agreements with tenants. Instead, we transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and enters into lease-out agreements with new tenants directly. We are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, we are responsible for hiring and supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, we are required to pay the rental service company this difference. As of September 30, 2021, we had no outstanding balances of capital lease payable or other financing arrangement payable.

As of September 30, 2021, we had RMB759.7 million (US\$117.9 million) in our outstanding bank borrowings. As of September 30, 2021, we were in compliance with all material terms and covenants of our credit agreements.

We also raised capital from issuing preferred shares, convertible notes and warrants. In July 2020, we issued series 1 and series 2 convertible notes in the aggregate principal amount of US\$30.050 million at par and warrants to purchase 104,871 ADSs to Key Space (S) Pte Ltd and Veneto Holdings Ltd., and subsequently, from September 2020 to January 2022, we issued additional series 1 and series 2 convertible notes in the aggregate principal amount of US\$20.8 million at par and warrants to purchase 313,966 ADSs to Key Space (S) Pte Ltd, pursuant to the convertible notes and warrant purchase agreements. See "—Convertible Notes and Warrants."

Our business requires substantial capital expenditure, and we need to make significant upfront investment for sourcing and renovation of rental apartments, including to add an additional bedroom under our N+1 model, and decorate and furnish them. We have relied on proceeds from our tenants' rental prepayment to finance a significant portion of our capital expenditure. When a tenant terminates the lease before the end of the period covered by his or her rental prepayment, we are required to refund the unused prepaid rentals to the tenant, or repay the rental installment loans representing the unused prepaid rentals to our financial institution partners where the tenant used the proceeds from the rental installment loans granted by such financial institution partners to finance the rental prepayment. In FY 2021, 38.7% of our terminated leases with tenants were terminated before the expiration of the contracted lease term (if a tenant terminates the lease before the end of the contracted lease term, his or her security deposit, usually representing one or two months' rental will be forfeited).

To manage potential liquidity risk arising from tenants' early termination, we have adopted a stringent cash management policy, which involves monitoring the level of our outstanding rental installment loan on the one hand, and our expenses and other capital requirements and available sources of financing on the other hand on a monthly basis to determine the maximum volume of rental installment loan inflow for the following month. We have also been exploring alternative sources of financing and asset-light strategies, including sourcing furnished apartments from landlords to reduce our upfront capital outlay. We also regularly monitor our current and expected liquidity requirements to ensure that we maintain sufficient cash balances to meet our liquidity needs.

As of September 30, 2019, 2020 and 2021, we recorded negative working capital, and our current liabilities exceeded our current assets by RMB1,100.6 million, RMB1,758.7 million and RMB2,171.0 million (US\$336.9 million), respectively. Furthermore, in January 2020, we entered into agreements with a rental service company to acquire-lease contracts with landlords and tenants and related fixtures and equipment for approximately 47,000 rental units in Sichuan and Chongqing for a consideration of RMB580.0 million, consisting of cash and our Class A ordinary shares, which is payable by the end of 2020 and subject to adjustments based on the quality of the assets according to the agreements. However, given the closing conditions were not fulfilled by September 30, 2020, this acquisition has been terminated in substance. We did not pay any consideration, and the deposit of RMB200.0 million we paid in January 2020 was fully returned to us. We have agreed to pay back the RMB8.0 million that this rental service company paid us before the termination of this acquisition. In addition, in July 2020, to replenish and expand our rental units portfolio, one of our subsidiaries entered into agreements with a rental service company and its affiliates to acquire-lease contracts with landlords and tenants and related fixtures, equipment and other assets for approximately 72,000 rental units in various cities across China at a total consideration of US\$130 million, less certain liabilities to be assumed by us. We paid US\$5.8 million to the transferor to settle the first installment of the consideration. In May 2021, the remaining consideration for the acquisition consisted of US\$23.2 million in cash and RMB289.7 million worth of our Class A ordinary shares and we entered into supplemental agreements with the rental service company and its affiliates, pursuant to which we settled the remaining consideration by delivering 186,375,850 Class A ordinary shares to them. They are entitled to sell these Class A ordinary shares in the open market, subject to certain lock-up arrangements. Among the 186,375,850 Class A ordinary shares delivered, we are obliged to (i) make up the shortfall if the proceeds they receive from the sale of 57,786,458 Class A ordinary shares are lower than US\$0.4014 per share and (ii) repurchase 20,860,749 Class A ordinary shares at US\$0.4015 per share in installments if they do not trade these shares in the open market, subject to the terms and conditions set forth in the agreements with them. We will also issue in installments, to a third-party contractor that manages the rental units as previously announced, up to 99.6 million Class A ordinary shares, subject to certain performance indicators and other terms and conditions set forth in the agreement. These factors raise substantial doubt about our ability to continue as a going concern. The report of our independent registered public accounting firm on our consolidated financial statements included elsewhere in this annual report includes an explanatory paragraph questioning our ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. These factors are mitigated by the following plans and actions: (i) in July 2020, we executed convertible note and warrant purchase agreements with Key Space (S) Pte Ltd and Veneto Holdings Ltd. to raise proceeds of up to US\$100 million. As of the date of this annual report, we have issued 21 instalments of convertible notes and raised proceeds of US\$43.7 million in aggregate from these investors. No issuance cost were incurred. For FY 2020 and FY 2021, we raised proceeds of RMB163.6 million and RMB113.2 million (US\$17.6 million), respectively, by issuing these convertible notes. We can raise additional proceeds of US\$49.1 million by issuing addition convertible notes pursuant to the these agreements as of the date of this annual report; (ii) in January 2022, one of our principal shareholders, had agreed to consider providing necessary financial support in the form of debt and/or equity, to us to enable us to meet its other liabilities and commitments as they become due for at least twelve months from the date of this annual report. Based on our historical experience, renovation and supply chain funding requests will be approved in the normal course of business, provided that we submit the required supporting documentation and the amount is within the credit limit granted. Based on the above, we believe our existing capital resources are sufficient to meet our cash requirements to fund planned operations and other commitments for at least the next 12 months from the date of this annual report.

However, future financing requirements will depend on many factors, including the scale and pace of the expansion of our apartment network, our efficiency in apartment operation, including apartment renovation and pricing, the expansion of our sales and marketing activities, and potential investments in, or acquisitions of, businesses or technologies. Additional funds may not be available on favorable terms or at all. See "Item 3. Key Information—D. Risk Factors—Risk Related to Our Business and Industry—Our business requires significant capital expenditure for sourcing, renovation and maintenance of rental apartments. Inability to access financing on favorable terms in a timely manner or at all would materially and adversely affect our business, results of operations, financial condition, and growth prospects."

The following table sets forth a summary of our cash flows for the years indicated:

	FY 2019	FY 2020	FY 2021	
	RMB	RMB	RMB	US\$
Net cash (used in) provided by operating activities	(88,189)	54,841	(109,661)	(17,017)
Net cash (used in) investing activities	(351,450)	(138,670)	(6,486)	(1,000)
Net cash provided by (used in) financing activities	569,569	(134,924)	101,601	15,769
Effect of foreign exchange rate changes	2,132	(295)	2,032	557
Net increase (decrease) in cash, cash equivalents and restricted cash	132,062	(219,048)	(12,514)	(1,691)
Cash, cash equivalents and restricted cash at the beginning of the period	118,752	250,814	31,766	4,679
Cash, cash equivalents and restricted cash at the end of the period	250,814	31,766	19,252	2,988

Operating Activities

Net cash used in operating activities was RMB109.7 million (US\$17.0 million) in FY 2021, which was primarily attributable to a net loss of RMB569.2 million (US\$88.3 million), partially offset by non-cash items of RMB304.4 million (US\$47.2 million) and a net working capital inflow of RMB155.2 million (US\$24.1 million). The non-cash items of RMB304.4 million (US\$47.2 million) were primarily attributable to (i) impairment loss of RMB199.6 million (US\$31.0 million), (ii) writing off doubtful accounts of RMB150.2 million (US\$23.3 million), and (iii) depreciation and amortization of RMB79.3 million (US\$12.3 million), partially offset by the deferred rent of RMB214.6 million (US\$33.3 million). The net working capital inflow of RMB155.2 million (US\$24.1 million) was primarily attributable to (i) an increase in accrued expenses and other current liabilities of RMB51.2 million (US\$7.9 million), (ii) a decrease in other assets of RMB47.6 million (US\$7.4 million), and (iii) a decrease in the prepaid rent and deposit of RMB37.6 million (US\$5.8 million), partially offset by (i) a decrease in deferred revenue of RMB18.6 million (US\$2.9 million) and (ii) a decreased in deposits from tenants of RMB16.4 million (US\$2.5 million).

Net cash provided by operating activities was RMB54.8 million in FY 2020, which was primarily attributable to a net loss of RMB1,533.6 million adjusted by non-cash items of RMB1,296.5 million and a net working capital inflow of RMB292.0 million. The non-cash items of RMB1,296.5 million were primarily attributable to (i) impairment loss of RMB846.8 million as we recorded an impairment, (ii) loss from disposal of property, plant and equipment and intangible assets of RMB469.0 million as we terminated our leases with landlords of 48,292 rental units before the end of the original lease terms in FY 2020 due to the COVID-19 pandemic, and (iii) depreciation and amortization of RMB263.0 million, partially offset by (i) reverse of deferred rent of RMB201.1 million due to the early termination of leases with landlords and (ii) fair value change of contingent earn-out liabilities of RMB97.4 million. The net working capital inflow of RMB292.0 million was primarily attributable to (i) an increase in accrued expenses and other current liabilities of RMB269.5 million, (ii) a decrease in prepaid rent and deposit of RMB146.9 million, and (iii) an increase in accounts payable of RMB115.2 million and, partially offset by (i) a decrease in deposits from tenants of RMB161.5 million and (ii) a decrease in deferred revenue of RMB127.9 million.

Net cash used in operating activities was RMB88.2 million in FY 2019, which was primarily attributable to a net loss of RMB498.3 million, partially offset by non-cash items of RMB300.4 million and a net working capital inflow of RMB109.8 million. The non-cash items of RMB300.4 million were primarily attributable to (i) depreciation and amortization of RMB215.1 million in relation to our renovation cost, (ii) deferred rent of RMB57.6 million, which represented the amount by which our straight-lined rental costs exceeded our contractual liability under our lease agreements with landlords, and (iii) impairment loss of RMB46.2 million. The net working capital inflow of RMB109.8 million was primarily attributable to (i) an increase in deposits from tenants of RMB49.9 million (ii) a decrease in prepaid rent and deposit of RMB49.8 million, (iii) an increase in deferred revenue of RMB17.5 million, which represented the portion of prepaid rents within the applicable lock-in period, as the number of occupied rental units increased and less tenants used rental installment loans to finance their rental prepayments, and (iv) an increase in accounts payable of RMB16.3 million, partially offset by the decrease in amounts due to related parties of RMB29.1 million.

Investing Activities

Net cash used in investing activities was RMB6.5 million (US\$1.0 million) in FY 2021, primarily due to our payment of RMB6.5 million (US\$1.0 million) for asset acquisition in July 2020.

Net cash used in investing activities was RMB138.7 million in FY 2020, due to our purchases of property and equipment of RMB99.2 million and partial payment for asset acquisition of RMB39.5 million.

Net cash used in investing activities was RMB351.5 million in FY 2019, primarily due to our purchases of property and equipment of RMB341.7 million.

Financing Activities

Net cash provided by financing activities was RMB101.6 million (US\$15.8 million) in FY 2021. This primarily consisted of (i) the proceeds of RMB113.2 million (US\$17.6 million) from issuance of convertible notes, (ii) the proceeds of RMB75.3 million (US\$11.7 million) from long-term bank borrowings, and (iii) the proceeds of RMB39.7 million (US\$6.2 million) from short-term bank borrowings, partially offset by (i) the repayment of RMB85.0 million (US\$13.2 million) from rental instalment loans, and (ii) the repayment of RMB4.5 million (US\$0.7 million) of short-term bank borrowings and RMB37.1 million (US\$5.8 million) of long-term borrowings.

Net cash used in financing activities was RMB134.9 million in FY 2020. This primarily consisted of (i) the repayment of RMB924.2 million of rental installment loans, and (ii) the payment of RMB248.9 million for repurchase of ADS from certain investors into treasury shares, partially offset by (i) proceeds of RMB351.0 million from short term bank borrowing, (ii) net proceeds of RMB289.0 million from IPO, net of issuance cost of RMB29.3 million, and (iii) proceeds of RMB258.1 million from rental installment loans.

Net cash provided by financing activities was RMB569.6 million in FY 2019. This primarily consisted of (i) proceeds of RMB1,084.3 million from rental installment loans, (ii) proceeds of RMB530.0 million from issuance of preferred shares, net of issuance costs, (iii) proceeds of RMB327.6 million from capital lease and other financing arrangement, and (iv) proceeds of RMB254.0 million from long-term and short term borrowings, partially offset by (i) the repayment of RMB1,442.8 million of rental installment loans, and (ii) the repayment of RMB128.1 million of long-term and short term borrowings.

Rental Installment Loans

We cooperate with various commercial banks and other financial institutions to facilitate rental installment loans for our tenants in need. Since May 2020, the financial institutions have suspended providing new rental installment loans to tenants. Before this, our tenants could apply for rental installment loans directly from these financial institutions. If the loans were approved by the financial institutions, the proceeds, which represented the total rental payments for the period covered under the lease agreement, were available to us at the inception of the lease and were applied to the tenants' rental payments on a monthly basis. Under the rental instalment loan scheme, we have full control of the entire instalment loan proceeds and the security deposits collected from the tenants at lease inception are usually sufficient to cover for the delinquent payments from default. As such, we determine that guarantee liability to be nil for FY 2019, FY 2020 and FY 2021. As of September 30, 2021, we cooperated with three financial institutions to finance rental installment loans with annual interest rates between 6.0% and 10.6% and a total outstanding principal balance of RMB18.1 million (US\$2.8 million).

Capital Leases and Other Financing Arrangement

In August 2018, we started to cooperate with a rental service company owned by a state-owned bank in apartment sourcing and renovation. Under this model for certain newly sourced apartments, we continue to be responsible for the entire operating process, including identifying potential apartments for rent, rental pricing and procuring and paying for apartment renovation. Once we have finished the renovation, the rental service company reimburses us for our costs incurred for the renovation. We make payments to the rental service company in installments equal to the reimbursed renovation costs plus interest and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to us.

Under this arrangement, we also sell leasehold improvements and furniture, fixtures and equipment of certain existing apartments to the rental service company at carrying value and simultaneously lease them back. The cooperation has provided us with access to a stable source of low-cost capital to finance our apartment renovation upfront, which helps us scale in a cost efficient manner. Due to the rising vacancy rate of our rental units caused by the COVID-19 pandemic, we decreased the number of apartment contracted by terminating some of the leases with landlords under this model. In April 2020, we started to modify this cooperation for apartments in certain cities. For some apartments under this model, we no longer lease-in apartments from the rental service company or enter into new lease-out agreements with tenants. Instead, we transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and

enters into lease-out agreements with new tenants directly. We are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, we are responsible for hiring and supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, we are required to pay the rental service company this difference. We had transferred 25,375 of our rental units contracted and managed these rental units under this modified cooperation. In FY 2021, we terminated the cooperation with the rental service company owned by a state-owned bank, and we reclassified the capital lease payable and other financing payable to the account of “Accrued expenses and other current liabilities”. Because the underlying leasehold improvements or furniture, fixtures and equipment used in apartments did not provide future cash flows for us, we provided full impairment against these leasehold improvements or furniture, fixtures and equipment. As of September 30, 2021, we had no outstanding balances of capital lease payable or other financing arrangement payable.

Credit Facilities

In the first quarter of 2019, the VIE entered into a strategic cooperation agreement with Shanghai Huarui Bank Co., Ltd., or SHRB, pursuant to which the VIE was granted a three year revolving credit line of RMB2.0 billion. Of this credit line, RMB450.0 million is for decoration, RMB550.0 million for supply chain financing, and RMB1.0 billion for the VIE’s guarantee on rental installment loans. The credit line is available by February 2022. The interest rate for this credit facility was fixed at 7.5% per annum. As of September 30, 2021, the total outstanding amount under this credit line was RMB3.6 million (US\$0.6 million).

In December 2019, the VIE entered into a loan agreement with Azure Investments Ltd., pursuant to which we were granted a short term non revolving credit line of US\$35.0 million. The interest rate for this credit facility was fixed at 6.0% per annum. The credit line is available by September 30, 2020. As of September 30, 2021, the total outstanding amount under this credit line was US\$32.5 million.

In April 2020, the VIE entered into an 18-month bank loan contract with SHRB under which the VIE borrowed RMB50.0 million to repay the rental installment loans on behalf of departed tenants. The rate of the loan was 7.5% per annum. In April 2021, SHRB extended the due date of this borrowing to February 2022. As of September 30, 2021, the outstanding balance of the borrowing was RMB50.0 million (US\$7.8 million), which is to be paid in February 2022.

In May 2020, the VIE entered into an 18-month bank loan contract with SHRB under which the VIE borrowed RMB50.0 million to repay the rental installment loans on behalf of departed tenants. The rate of the loan was 7.5% per annum. As of September 30, 2021, we had drawn down RMB50.0 million, which is to be paid in February 2022.

In September 2020, the VIE entered into an 18-month bank credit facility with SHRB under which the VIE can draw down up to RMB108.0 million by March 26, 2021 to repay the rental installment loans on behalf of tenants who departed the rented apartments and for the daily operating expenses. The interest rate for this credit facility was 8.5% per annum. In April 2021, SHRB renewed the terms under which the VIE can draw down up to RMB91.4 million (US\$14.2 million) by September 27, 2021 and extended the loan term to September 26, 2022. As of September 30, 2021, the VIE has drawn down RMB90.4 million (US\$14.0 million), all of which is to be repaid within one year. These loans were guaranteed by Suzhou Qingke Information Technology Co., Ltd., collateralized by Suzhou Qingke Information Technology Co. and Qingke Public Rental and secured by the 77,100,000 Class A ordinary shares, which are our treasury shares charged to SHRB.

In September 2016, the VIE entered into a three-year bank credit facility with SHRB under which we could draw down up to RMB300.0 million by September 26, 2019. The interest rate for this credit facility was determined on the draw down date. The credit facility is collateralized by future cash flows generated by rental service revenue of certain of our rental units. The three year revolving bank credit facility matured in September 2019. In July and November 2020, we entered into two bank borrowing extension agreements with SHRB, respectively, pursuant to which the bank extended the due date of one borrowing with the principal amount of RMB27.0 million to January through March of 2022, and the due date of one borrowing with the principal amount of RMB132.0 million to March 2023. In December 2020, the VIE entered into two new bank borrowing agreements with SHRB, pursuant to which the VIE borrowed RMB25.9 million and RMB9.0 million, respectively. Both loans bear interest rate of 7.5% per annum and are due in December 2022. These two loans were guaranteed by Suzhou Qingke, collateralize by Suzhou Qinke and Qingke Public Rental, pledged by the accounts receivables guarantee of Suzhou Qingke, Qingke Public Rental and Hangzhou Qingke Residential Management Co., Ltd., and secured by the 77,100,000 Class A ordinary shares, which are our treasury shares charged to SHRB. The VIE used the bank borrowings to repay the outstanding bank borrowings. As of September 30, 2021, the VIE had an outstanding balance of RMB193.9 million (US\$30.1 million), of which RMB27.0 million (US\$4.2 million) was subject to an interest rate of

8.75% per annum and remaining balance was subject to an interest rate of 7.5% per annum. The weighted average interest rate for borrowings drawn under such credit facility was 7.5% and 7.9% per annum for FY 2020 and FY 2021, respectively.

In April 2021, we entered into a share charge agreement with SHRB. Pursuant to the agreement, we charged 77,100,000 Class A ordinary shares, which are our treasury shares, and other property in connection with these shares as set forth in the agreement (collectively, the “Charged Property”), to SHRB (the “Charge”). The Charge is to secure the payment and other obligations of the subsidiaries of the VIE, as borrowers, under certain loan agreements (including those specified above) with SHRB, as lender, with an aggregate outstanding principal amount of RMB383.3 million. If an event of default occurs under these loan agreements, subject to the terms in the agreement, SHRB will be authorized to arrange for the Charged Property to be registered in the name of SHRB or its nominee, and will be entitled to exercise all voting and/or consensual powers pertaining to the Charged Property following the transfer of the legal title of the Charged Property to SHRB or its nominee. For purposes of the Charge, we issued 77,100,000 Class A ordinary shares to a third party, and repurchased all of these shares and held them as treasury shares on the same day.

In December 2021, we entered into a 18-month borrowing agreement with Zhejiang MY Bank (the “MY Bank”) under which we borrowed RMB29.1 million (US\$4.5 million). The borrowing is used to repay the rental instalment loans for the lessees. The interest rate is 8.5% per annum. Pursuant to the borrowing agreement, we are obliged to make monthly repayment of RMB0.4 million (US\$0.1 thousand) and interest expenses for the first six months and RMB2.2 million and interest expenses of the remaining twelve months. As of September 30, 2021, we had outstanding borrowings of RMB24.7 million (US\$3.8 million) due to MY Bank.

Convertible Notes and Warrants

We entered into a convertible notes and warrant purchase agreement dated July 22, 2020, as amended on July 29, 2020, with Key Space (S) Pte Ltd, and a convertible notes and warrant purchase agreement dated July 22, 2020 with Veneto Holdings Ltd. (collectively, the Purchase Agreements”) Pursuant to the Purchase Agreements, the convertible notes (the “Notes”) will be convertible at their respective conversion prices, at the option of the holders, into the ADSs. The conversion price per ADS of each Note is equivalent to 120% of the 30 trading day volume weighted average price (“VWAP”) of the ADSs as of the issuance date of such Note or, if certain ADS offerings are conducted, 80% of the issue price of such ADS offerings, subject to adjustments upon the occurrence of certain specified dilutive events. A holder may convert its Notes at any time on and after the 41st day after the issue date and prior to the maturity date. A holder may require us to redeem its Note at the specified fundamental change repurchase price, which includes a premium, upon the occurrence of a fundamental change, including a change of control of us. We may require the holders to mandatorily convert their Notes upon the occurrence of a mandatory conversion event. The Notes have two series. Series 1 bears interest of 7.5% per annum payable in cash annually and another 7.5% per annum payable in cash on the maturity date or, in the event of a conversion, on the conversion date in ADSs calculated at the conversion price. Series 2 bears interest of 3.5% per annum payable in cash annually and another 13.5% per annum payable in cash on the maturity date or, in the event of a conversion, on the conversion date in ADSs calculated at the conversion price. In addition, we have issued and will issue to holders of the Notes warrants (the “Warrants”) to subscribe to ADSs on the issuance date of the Notes and on each anniversary date of the Notes based on the principal amount of the Notes outstanding as of such anniversary date. Each of the Warrants expire five years after its respective issue date and has an exercise price equivalent to 110% of the VWAP of the ADSs over the 60 trading days preceding the date of issuance of each Warrant, subject to certain adjustments upon the occurrence of certain dilutive events.

On July 29, 2020, we issued series 1 and series 2 convertible notes in the aggregate principal amount of US\$30.050 million at par (including US\$14.009 million in aggregate principal amount of series 1 Notes and US\$16.041 million in aggregate principal amount of series 2 Notes) and Warrants to purchase 104,871 ADSs in aggregate to these investors pursuant to the Purchase Agreements. For the Notes issued on July 29, 2020, the conversion price per ADS is US\$11.2508 or, if certain ADS offerings are conducted, 80% of the issue price of such ADS offerings, subject to adjustments upon the occurrence of certain specified dilutive events. The Warrants issued on July 29, 2020 have an exercise price of US\$11.4618 per ADS, subject to certain adjustments upon the occurrence of certain dilutive events.

We have also granted Key Space (S) Pte Ltd the option to subscribe to up to US\$70 million in aggregate principal amount of additional 4 year series 1 or series 2 Notes at par within 24 months of July 29, 2020. From September 2020 to January 2022, we issued additional Notes in the aggregate principal amount of US\$20.8 million at par (including US\$6.2 million in aggregate principal amount of series 1 Notes and US\$14.7 million in aggregate principal amount of series 2 Notes) and Warrants to purchase 313,966 ADSs to Key Space (S) Pte Ltd. For the Notes issued from September 2020 to January 2022, the conversion prices per ADS range from US\$0.5701 to US\$11.2508 or, if certain ADS offerings are conducted, 80% of the issue price of such ADS offerings, subject to adjustments upon the occurrence of certain specified dilutive events. The Warrants issued from September 2020 to January 2022 have an exercise price ranging from US\$0.5678 to US\$11.4618, subject to certain adjustments upon the occurrence of certain dilutive events.

The Purchase Agreements also provide certain holders of registrable securities with certain registration rights upon request in certain cases. At any time after the fourth anniversary of November 6, 2019, holders holding at least 10% or more of the issued and outstanding registrable securities (on an as converted basis) may request in writing that we effect a registration of registrable securities on any internationally recognized exchange that is reasonably acceptable to such requesting holders. If we qualify for registration on Form F-3 or Form S-3 (or any comparable form for registration in a jurisdiction other than the United States), any holder may request us to file, in any jurisdiction in which we have had a registered underwritten public offering, a registration statement on Form F-3 or Form S-3 (or any comparable form for registration in a jurisdiction other than the United States), including without limitation any registration statement filed under the Securities Act providing for the registration of, and the sale on a continuous or a delayed basis by the holders of, all of the registrable securities pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the Commission, provided we shall be obligated to effect no more than one registrations that have been declared and ordered effective within any 12-month period. If we propose to register for our own account any of our equity securities, or for the account of any holder (other than current shareholders) of equity securities any of such holder's equity securities, we shall promptly give each holder written notice of such registration and, upon the written request of any holder given within fifteen days after delivery of such notice, we shall use our best efforts to include in such registration any registrable securities thereby requested to be registered by such holder, and we shall not grant to any other Note holders any similar rights superior to those of the Note holders, except with the consent of the Note holders. We will bear all registration expenses, other than underwriting discounts and selling commissions, incurred in connection with any demand, F-3 or piggyback registration. These registration rights shall terminate on the later of (a) the fifth anniversary of November 6, 2019, and (b) with respect to any holder, the date on which such holder holds less than 1% of our equity securities and all registrable securities may be sold under Rule 144 of the Securities Act in any 90-day period.

On February 8, 2021, after the occurrence of a fundamental change pursuant to the Notes, the holders of the Notes waived the right to require us to repurchase for cash all of the outstanding principal amount of the Note or any portion thereof pursuant to the Purchase Agreements, and confirmed that they had not initiated and would not initiate any repurchase of the Note due to the fundamental change event caused by the change of control on January 28, 2021.

Capital Expenditures

Our capital expenditures were primarily in connection with renovation of our leased-in apartments and procurement of technology, information and operational software and hardware. Our capital expenditures totaled RMB172.1 million, RMB138.7 million and RMB6.5 million (US\$1.0 million) in FY 2019, FY 2020 and FY 2021, respectively. We will continue to make capital expenditures to meet the expected growth of our business.

Impact of Recently Issued Accounting Standards

A list of recently issued accounting pronouncements that are relevant to us is included in note 2 "Summary of Principal Accounting Policies Recent accounting pronouncements" to our consolidated financial statements included elsewhere in this annual report.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries in the PRC. In utilizing the proceeds from the initial public offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our PRC subsidiaries only through loans or capital contributions. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiaries or make additional capital contributions to our PRC subsidiaries to fund their capital expenditures or working capital. For an increase in the registered capital of any of our PRC subsidiaries, we need to complete certain filing and/or registration procedures with competent authorities, which typically take us one or two months. Some local authorities in the PRC require prior approval before such procedures, according to which we shall file requested documents related to the proposed capital increased on the online integrated registration system. If we provide funding to any of our PRC subsidiaries through loans, the total amount of such loans may not exceed the difference between the total investment as approved by the foreign investment authorities and the registered capital of such PRC subsidiary. Such loans should be registered with the SAFE which usually takes no more than 20 working days to complete. The cost of obtaining such approvals or completing such registration is minimal. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds we receive from our offshore financing activities to make loans to or make additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

As a holding company, we rely upon dividends paid to us by our subsidiaries in the PRC to pay dividends and to finance any debt we may incur. If our subsidiaries or other consolidated entities or any newly formed subsidiaries or other consolidated entities incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our subsidiaries and other consolidated entities are permitted to pay dividends to us only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Pursuant to laws applicable to entities incorporated in the PRC, each of our subsidiaries and other consolidated entities in the PRC must make appropriations from after tax profit to a statutory surplus reserve fund. The reserve fund requires annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) after offsetting accumulated losses from prior years, until such reserve reaches 50% of the subsidiary's registered capital. The reserve fund can only be used to increase the registered capital and eliminate further losses of the respective companies under PRC regulations. As of September 30, 2019, 2020 and 2021, we did not incur statutory reserves of our PRC subsidiaries and other consolidated entities as we incurred net loss in FY 2019, FY 2020 and FY 2021. These reserves are not distributable as cash dividends, loans or advances. In addition, due to restrictions under PRC laws and regulations, our PRC subsidiaries and other consolidated entities are restricted in their ability to transfer their net assets to us in the form of dividend payments, loans or advances. Amounts of net assets restricted include paid up capital and statutory reserve funds of our PRC subsidiaries amounted to RMB1,332.2 million, RMB930.5 million and RMB1,754.6 million (US\$272.3 million) as of September 30, 2019, 2020 and 2021, respectively.

Furthermore, under regulations of the SAFE, the RMB is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made.

C. Research and Development, Patents, and Licenses, etc.

See “Item 4. Information on the Company—B. Business Overview—Technology Systems and Infrastructure,” “Item 4. Information on the Company—B. Business Overview—Risk Management,” and “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for FY 2021 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. We continually evaluate these judgments and estimates based on our own experience, knowledge and assessment of current business and other conditions.

Our expectations regarding the future are based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the combined and consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates.

Impairment of long-lived assets

We measure impairment of long-lived assets, including property and equipment, and intangible assets, by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we recognize an impairment loss equal to the difference between the carrying amount and fair value of these assets.

Property and equipment

We determined the fair value of the property and equipment was determined based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including projected rooms' revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results.

The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement, which were 4% and 10% for FY 2019, and 3% and 11% for FY 2020, respectively.

For FY 2019 and FY 2020, we recorded impairment of RMB46.2 million and RMB313.4 million against property and equipment, respectively. As of September 30, 2021, these property and equipment no longer generated cash flow, we recognize full allowance against the property and equipment. For FY 2021, we recorded impairment of RMB199.6 million (US\$31.0 million) against property and equipment.

Intangible assets

During FY 2020, we acquired from Great Alliance Co-living Limited and its affiliates certain assets, including approximately 72,000 apartment rental contracts and leasehold improvements attached to the apartments, and trademarks of Great Alliance Co-living Limited and its affiliates, which are also subject to impairment test.

The apartment rental agreements with both landlords and tenants were valued using the multi-period excess earnings method, which incorporated certain assumptions including projected rooms' revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results. The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement, which were negative 12.5% and 19%, respectively, for FY 2020.

The trademarks were valued using the relief from royalty method, which incorporated certain assumptions including projected revenues contributed by trademarks, royalty savings and projected trends of operating results. The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement, which were negative 10% and 19%, respectively, for FY 2020. For FY 2020, we recorded impairment of RMB425.3 million and RMB108.1 million against apartment rental agreements and trademarks, respectively.

As of September 30, 2021, we reviewed the fair value of the apartment rental agreements and trademarks based on the income approach using the discounted cash flow associated with the underlying assets, and did not recognize impairment against these intangible assets for FY 2021.

Convertible note

As of September 30, 2021, we closed 14 issuances of convertible notes ("Notes") of US\$48.8 (approximately RMB326.8 million). The maturity dates of these Notes shall be the fourth anniversary of issuance dates. We also issued to the holder of the Notes, warrants to purchase ADSs equal to 4% of the principal balance on the date of issuance. Each of the warrants expire five years after its respective issue date and has an exercise price equivalent to 110% of the volume weighted average price ("VWAP") of the ADSs over the 60 trading days preceding the date of issuance of each warrant, subject to certain adjustments upon the occurrence of certain dilutive events.

The convertible notes did not contain beneficial conversion feature. We assessed that the embedded features, including conversion features, redemption features and acceleration features were not bifurcated from the debt hosts as they were clearly and closely related to the debt hosts. We classified the convertible notes as debt measured at amortized cost. We classified the warrants as an equity as they were cashless settled and were indexed to the our own stocks and classified in the shareholders' equity in the consolidated balance sheets.

The proceeds from issuance of the Notes were allocated to the relative fair values of the Notes and warrants. We estimated fair value of Notes were RMB264.1 million (US\$41.0 million) as of September 30, 2021, using discount cash flow model, which took into consideration the term yields ranging between 18.12% and 25.58%. We estimated fair value of the warrants issued at RMB5.4 million (US\$0.8 million) as of September 30, 2021, using the Black-Scholes valuation model, which took into consideration the underlying price of ordinary shares, a risk-free interest rate, expected term and expected volatility. As of September 30, 2020 and 2021, we allocated proceeds of RMB6.6 million and RMB7.2 million (US\$1.1 million), respectively, to the warrants which was recorded as an additional paid-in capital.

Valuation of deferred tax assets

Deferred income taxes are provided using assets and liabilities method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that these assets are more likely than not to be realized. In making such determination, our management considers all positive and negative evidence, including future reversals of projected future taxable income and results of recent operation. For FY 2020 and FY 2021, we provided impairment against deferred tax assets of RMB281.0 million and RMB94.8 million (US\$14.7 million), respectively.

In order to assess uncertain tax positions, we apply a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We recognize interest and penalties, if any, under accrued expenses and other current liabilities on our consolidated balance sheet and under other expenses in its consolidated statement of comprehensive loss. As of September 30, 2020 and 2021, we did not have any significant unrecognized uncertain tax positions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Chengcai Qu	40	Chairman of the board of directors, chief executive officer, chief operating officer and vice president
Gang Xie	49	Director, chief technology officer
Lin Lin	49	Director
Chen Chen	41	Independent director
Lin Zhou	62	Independent director
Zhichen (Frank) Sun	39	Chief Financial Officer

Mr. Chengcai Qu has been the chairman of our board of directors and chief executive officer since January 2021, our chief operating officer since June 2020, our director since March 2020, and our vice president since 2014. Prior to joining our company, Mr. Qu was a director of the office of public relations at Antai School of Economics and Management of Shanghai Jiao Tong University from November 2006 to November 2013. From June 2004 to October 2006, Mr. Qu was a newspaper reporter specializing in business and management. Mr. Qu received a bachelor's degree in literature from Shanghai University of Finance and Economics in 2004, and a master's degree in business administration from Shanghai Jiao Tong University in 2013.

Mr. Gang Xie has been our director and chief technology officer since our inception in 2012. Mr. Xie is also a director of Shanghai Liangzhouan Decoration Co., Ltd. and Shanghai Ziniu Property Management Co., Ltd. Prior to joining our company, he was a platform research and development manager of Shanghai Koss Software Co., Ltd from August 2008 to December 2011. From December 2007 to June 2008, he was a project manager at the mobile phone division of Ping An Insurance (Group) Corporation of

China. From February 2005 to November 2007, he was a senior manager and technology director of Handlink Ltd. From September 2000 to January 2005, he was a system architect and project manager of Shanghai Insk Computer Co., Ltd. From August 1995 to August 2000, he was an engineer and project leader of Shanghai Electronic Technology Co., Ltd. Mr. Xie received his bachelor’s degree in engineering in 1995 from Shanghai University of Science and Technology.

Mr. Lin Lin has been our director since 2018. Mr. Lin currently also serves as the managing partner of Crescent Point. From 2005 to 2018, Mr. Lin was a director at the China Investment Banking Division of Credit Suisse. Prior to that, Mr. Lin was an associate at the Investment Banking Division of Morgan Stanley from 2000 to 2004 and a senior associate at Ernst & Young from 1995 to 1998. Mr. Lin received his bachelor’s degree in accounting from Illinois State University in 1995 and his master’s degree in business administration from the University of Chicago in 1999.

Mr. Chen Chen has been our independent director since November 2019. Mr. Chen has served as chief financial officer of Yunji Inc. since May 2018. Mr. Chen has more than 16 years of comprehensive experience in audit and consulting services. Prior to joining Yunji, Mr. Chen was a partner at Deloitte, and had been working in Deloitte since July 2002. Mr. Chen is a member of the Association of International Certified Professional Accountants (AICPA) and China Institute of Certified Public Accountants (CICPA). Mr. Chen received his bachelor’s degree from Shanghai Jiao Tong University in 2002.

Mr. Lin Zhou has been our independent director since November 2019. Mr. Zhou is the university chair professor of Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University since August 2018. Prior to that, Mr. Zhou served as the dean and professor of Antai College of Economics and Management of Shanghai Jiao Tong University from April 2010 to July 2018, a founding deputy director and professor of Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University from September 2008 to April 2010, a WP Carey professor of economics of WP Carey School of Business of Arizona State University from September 2001 to August 2010, an associate professor of department of economics of Duke University from September 1996 to August 2001, and an assistant/associate professor of department of economics of Yale University from September 1989 to August 1996. Mr. Zhou received his PhD in economics from Princeton University in June 1989 and his bachelor’s degree in mathematics from Fudan University in August 1982.

Mr. Zhichen (Frank) Sun has been our chief financial officer since January 2020. He served as our financial director from April 2017 to January 2020. Prior to joining our company, Mr. Sun was an audit senior manager of Ernst & Young LLP, Shanghai office from January 2016 to April 2017. From January 2011 to December 2015, he was an audit manager of Deloitte LLP, Calgary office. From July 2005 to December 2010, he was successively a senior auditor and an audit manager of Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shanghai office. Mr. Sun received his bachelor’s degree in Japanese language and literature from Shanghai International Studies University in 2005. Mr. Sun holds CPA designations in China and Canada.

B. Compensation

For FY 2021, we paid an aggregate of approximately RMB3.9 million (US\$0.6 million) in cash to our directors and executive officers. Except as disclosed in this annual report, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee’s salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. If the executive officer otherwise fails to perform agreed duties, we may terminate employment upon 30 day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time upon mutual agreement or 30 day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade

secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us upon our request.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for two years following the last date of employment. Specifically, each executive officer has agreed not to (i) engage directly or indirectly in any business, including his or her own business, related to the development, operation or sales of any same or similar technologies or products, whether as employee, consultant or otherwise; (ii) approach directly or indirectly our clients or customers for the purpose of doing business of the same or a similar nature to our business with such persons or entities that will harm our business relationships with these persons or entities or for purposes of making such persons or entities limit or terminate their business relationship with us; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we may agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Stock Options and RSUs

Yijia Inc., which is wholly owned by High Gate Holdings Ltd., holds shares underlying our share-based awards for persons who contribute to the success of our operations. As of the date of this annual report, we issued 86.0 million ordinary shares to Yijia Inc., which are reserved for share-based awards we have granted, or may grant in the future. As of the date of this annual report, 34.2 million share options are issued and outstanding.

In addition, in September 2019, our board of directors approved our 2019 share incentive plan, or the 2019 Plan, to provide incentives to employees, officers, directors and consultants and promote the success of our business.

Stock Options A

In August 2014, April 2016 and October 2016, we granted an aggregate number of 26.86 million share options to certain of our management, employees and non-employees ("Stock Options A"), 16.61 million of which had been forfeited as of the date of this annual report. The remaining Stock Options A are exercisable into 10.25 million Class B ordinary shares. The exercise price of Stock Options A is RMB2.0 per ordinary share. Stock Options A vest 50% on the first and second calendar year after the year of our initial public offering. All grantees of Stock Options A are restricted from transferring more than 25% of their total converted ordinary shares each year after the exercise date.

Stock Options B

In July 2017, we granted 43.14 million share options to our management and employees ("Stock Options B"), 19.19 million of which had been forfeited as of the date of this annual report. The remaining Stock Options B are exercisable into 23.95 million Class A ordinary shares. The exercise price of Stock Options B is RMB2.0 per ordinary share. Stock Options B vested immediately upon the grant-date. All grantees of Stock Options B are restricted from transferring their converted ordinary shares after certain periods subsequent to the date of our initial public offering. If the grantee of Stock Options B resigned from our company before the restricted period lapses, we have the right to repurchase the Stock Options B or ordinary shares at RMB2.0 per Stock Option B or ordinary share.

The following table summarizes, as of the date of this annual report, the outstanding Stock Options A and Stock Options B granted to our directors, officers and other grantees.

Name	Ordinary Shares Underlying Award Granted	Exercise Price (per share)	Date of Grant	Date of Expiration
Chengcai Qu	*	RMB2.0	July 31, 2017	December 31, 2025
Gang Xie	*	RMB2.0	August 31, 2014	August 30, 2024
Zhichen (Frank) Sun	*	RMB2.0	July 31, 2017	December 31, 2025
Other			from August 31, 2014 to July 31, 2017	from August 30, 2024 to December 31, 2025
	24,200,000	RMB2.0		
Total	34,200,000			

* Less than 1% of our total outstanding shares.

RSUs

In March 2021, we issued 25,000,000 restricted share units (“RSUs”) to a consulting company for the service provided, pursuant to the 2019 Plan. All of the RSUs were vested immediately upon grant. The consulting company exercised all of these RSUs and therefore we issued 25,000,000 Class A ordinary shares to this consulting company pursuant to the 2019 Plan and the award agreement. We recorded the RSUs at the measurement date fair value per share of US\$0.09 by reference to the share price in the open market on the grant date. As of the date of this annual report, no RSU is outstanding.

2019 Share Incentive Plan

The 2019 Plan became effective immediately upon the completion of our initial public offering. The maximum number of shares that may be issued under the 2019 Plan is 10% of the total outstanding shares as of the date of the consummation of our initial public offering. As of the date of this annual report, we have issued 25,000,000 RSUs under the 2019 Plan, all of which have been exercised.

The following paragraphs describe the principal terms of our share incentive plan:

Plan Administration. Our board of directors or a committee of one or more members of our board of directors (the “Committee”) will administer the 2019 Plan. The Committee will determine the participants to receive awards, the nature and the amount of each award to be granted to each participant, and the terms and conditions of each award grant.

Type of Awards. The 2019 Plan permits the awards of options, restricted shares, restricted share units or any other type of awards that the Committee decides.

Award Agreement. Awards granted under the 2019 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee’s employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to employees, consultants, and directors, as determined by the Committee.

Vesting Schedule. In general, the Committee determines the vesting schedule, which is specified in the relevant award agreement. Unless otherwise specified in the 2019 Plan, the term of any award granted under the 2019 Plan shall not exceed ten (10) years.

Exercise of Options. Subject to any specific designation in the 2019 Plan, the Committee determines the exercise price for each award, which is stated in the relevant award agreement. Unless otherwise specified in the 2019 Plan, the maximum exercisable term of options is ten years from the date of a grant.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient except as otherwise provided in the 2019 Plan, by applicable law and by relevant award agreement.

Termination and Amendment. Unless terminated earlier, the 2019 Plan has a term of ten years. Subject to any specific designation in the 2019 Plan, our board of directors has the authority to amend or terminate the 2019 Plan; provided, however, that any amendment or modification of the maximum number of shares that may be issued under the 2019 Plan shall be determined by at least two-thirds of votes cast by directors in a duly constituted meeting (which, for this purpose, shall include all independent directors to be quorate), including affirmative votes from all independent directors. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the recipient, unless otherwise specified in the 2019 Plan.

C. Board Practices

Our board of directors consists of five (5) directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract or arrangement notwithstanding that he may be interested therein, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered, provided (a) such director, if his interest (whether direct or indirect) in such contract or arrangement is material, has declared the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Chen Chen and Lin Zhou. Chen Chen is the chairman of our audit committee. We have determined that each of Chen Chen and Lin Zhou satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the NASDAQ and Rule 10A 3 under the Securities Exchange Act of 1934, as amended. We have determined that Chen Chen qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Chengcai Qu and Gang Xie. Chengcai Qu is the chairman of our compensation committee. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other advisers only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Chengcai Qu and Gang Xie. Chengcai Qu is the chairman of our nominating and corporate governance committee. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. A director must exercise the skill and care of a reasonably diligent person having both – (a) the general knowledge, skill and experience that may reasonably be expected of a person in the same position (an objective test), and (b) if greater, the general knowledge, skill and experience that that director actually possesses (a subjective test). In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain limited exceptional circumstances have the right to seek damages in our name if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our register of members.

Terms of Directors and Officers

The number of directors shall not be less than three (3). No person may be nominated for, or appointed as, a director, nor removed from any such appointment as a director, unless such nomination, appointment or removal has been approved by our nominating and corporate governance committee prior to such nomination, appointment or removal.

Generally, (i) any person appointed as a director as of the closing date of our IPO shall hold office for a period of three (3) years from the closing date of our initial public offering, or such other term as may be approved in the resolution appointing them; and (ii) any person appointed as a director after the closing date of our IPO shall hold office for a period of three (3) years from the date of such appointment, or such other term as may be approved in the resolution appointing them. Each director shall hold office until the expiration of his term, or his resignation, removal or retirement from our board of directors, or his disqualification as a director.

A retiring director shall be eligible for re-election from the date commencing six (6) months prior to the date of expiry of his term of office, and shall continue to act as a director throughout the meeting at which his re-election is considered. Where the retirement of any director would cause the number of directors to fall below the minimum number required pursuant to our amended and restated articles of association, then such director shall continue to act as a director until the appointment of such additional director(s) as would not result in the director's retirement causing the number of directors to fall below the minimum number required pursuant to our amended and restated articles of association, at which time they shall retire.

Subject to our amended and restated articles of association and the applicable Law, the shareholders may by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the existing board of directors. In addition, the directors shall have the power from time to time and at any time, by the affirmative vote of a majority of the directors present and voting at a meeting of our board of directors, to appoint any person as a director to fill a casual vacancy on our board of directors or as an addition to the existing board of directors.

No director shall be required to hold any shares of our company by way of qualification and a director who is not a shareholder shall be entitled to receive notice of and to attend and speak at any general meeting of our company and of all classes of shares of our company.

Subject to any provision to the contrary in our amended and restated memorandum and articles of association, a director may, at any time before the expiration of his or her period of office (notwithstanding anything in our amended and restated memorandum and articles of association or in any agreement between our company and such director (but without prejudice to any claim for damages under any such agreement)) be removed by way of either (a) a special resolution of the shareholders; or (b) the affirmative vote of two-thirds of the other directors present and voting at a board meeting; or (c) a resolution in writing (which complies with the requirements of the provisos contained in article 119 of our amended and restated memorandum and articles of association) signed by all the directors other than the director being removed.

The office of a director shall be vacated if the director (a) resigns his or her office by notice delivered to our company at the office or tendered at a meeting of our board of directors, or (b) becomes of unsound mind or dies, or (c) without special leave of absence from our board of directors, is absent from meetings of our board of directors for three (3) consecutive times, unless our board of directors resolves that his or her office not be vacated, or (d) becomes bankrupt or has a receiving order made against him or her or suspends payment or compounds with his or her creditors, or (e) is prohibited by law from being a director, or (f) ceases to be a director by virtue of any provision of the statutes or is removed from office pursuant to our amended and restated memorandum and articles of association, or (g) for any director that is not an independent director, without special leave of absence from our board of directors, is absent from more than fifty per cent (50%) of our weekly management meetings in any financial year, unless our board of directors resolves that his or her office not be vacated; or (h) for any director that is not an independent director, without special leave of absence from our board of directors, is present at the premises of our company, or any of our subsidiaries, for less than 60 business days in any financial year, unless our board of directors resolves that his or her office not be vacated.

Each director shall use his or her best efforts to attend all meetings of our board of directors. Any director may at any time appoint another director to be his or her alternate director. Any such appointment shall be in respect of a specific meeting of directors only and such appointment shall automatically cease upon termination of such meeting. An alternate director may also be removed as an alternate director at any time by the director who appoints him or her.

D. Employees

As of September 30, 2019, 2020 and 2021, we had 775, 248 and 40 employees, respectively. Substantially all of our employees are based in China. The table below shows the number of our employees by function as of September 30, 2021.

Function	Number of Employees
Sourcing	1
Apartment leasing, tenant relations and property maintenance*	3
Research and development	8
Other	28
Total	40

* In addition to our own employees, we had 1,680 apartment managers from our outside contractors as of September 30, 2021.

The number of employees decreased from 775 as of September 30, 2019 to 248 as of September 30, 2020 mainly attributable to (i) the decrease of apartment managers as we optimized our labor efficiency and a decrease in the number of rental units that need to be managed during FY 2020 and (ii) the decrease in the number of employees in the research and development team as we optimized our research and development system and improved the efficiency.

The number of employees decreased from 248 as of September 30, 2020 to 40 as of September 30, 2021 mainly because (i) the number of rental units contracted decreased and (ii) after we terminated the cooperation with the rental service company owned by a state-owned bank in apartment sourcing and renovation, substantially all of our rental units are managed by third-party contractors.

We have a well-trained and motivated workforce, and an effective training program to develop our operations and management staff to manage its rapidly expanding apartment network. Our regional management teams offers structured training programs for sales, sourcing, and corporate staff. Our apartment sourcing and sales staff are required to attend a three day new hire training program offered by us covering topics such as our corporate culture, sales and marketing, office software skills, sourcing skills, tenant service, and apartment operation standards. Our managers also attend team management, financial, and human resource management courses. In FY 2021, our operations and management staff on average received approximately 60 and 30 hours of training, respectively.

We have a comprehensive review and incentive system that aligns performance and compensation as well as internal promotions, which also enable us to motivate and retain our workforce. For example, a substantial portion of sourcing and sales staff's salary is based on their performance. In addition, at the end of each month, employees whose performance ranks bottom 20% will be required to attend compulsory trainings, half of whom may be discharged if their performance does not fulfil the requirements of their positions after such trainings.

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of the date of this annual report by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our total outstanding ordinary shares.

We have adopted a dual class ordinary share structure. The calculations in the table below are based on 1,655,048,760 ordinary shares outstanding as of the date of this annual report, consisting of 1,474,659,211 Class A ordinary shares and 180,389,549 Class B ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of the date of this annual report, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Class A ordinary shares		Class B Ordinary Shares		Total ordinary shares on an as-converted basis		Aggregate voting power***
	Number	%	Number	%	Number	%	%
Directors and Executive Officers**:							
Chengcai Qu	*	*	—	—	*	*	*
Gang Xie	—	—	—	—	—	—	—
Lin Lin	—	—	—	—	—	—	—
Chen Chen	—	—	—	—	—	—	—
Lin Zhou	—	—	—	—	—	—	—
Zhichen (Frank) Sun	*	*	—	—	*	*	*
All Directors and Executive Officers as a Group	10,000,000	0.7%	—	—	10,000,000	0.6%	0.3%
Principal Shareholders:							
Yijia Inc.(1)	—	—	180,389,549	100.0%	180,389,549	10.9%	55.0%
Crescent Capital Investments Ltd. and its affiliated entities(2)	624,360,584	35.0%	—	—	624,360,584	31.8%	17.4%
North Haven Private Equity Asia Harbor Company Limited(3)	120,000,000	8.1%	—	—	120,000,000	7.3%	3.7%
Bill.Com Inc.(4)	112,300,000	7.6%	—	—	112,300,000	6.8%	3.4%
Great Global Ventures Ltd(5)	96,491,652	6.5%	—	—	96,491,652	5.8%	2.9%

* Less than 1% of our total outstanding shares.

** Except as indicated otherwise below, the business address of our directors and executive officers is Suite 1607, Building A, No.596 Middle Longhua Road, Xuhui District, Shanghai, 200032, People's Republic of China.

*** For each person or group included in this column, percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by such person or group with respect to all outstanding shares of our Class A and Class B ordinary shares as a single class and on an as-converted basis. Each Class A ordinary shares is entitled to one vote per share. Each Class B ordinary share is entitled to ten (10) votes per share. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis.

(1) Represents 180,389,549 Class B ordinary shares held by Yijia Inc., a British Virgin Islands company. According to the Schedule 13D filed by, among others, High Gate Investments Ltd. dated January 28, 2021, Yijia Inc. is a wholly-owned subsidiary of High Gate Investments Ltd., a Cayman Island company, which is in turn wholly owned by High Gate Holdings Ltd., a Cayman Islands company. High Gate Holdings Ltd. is wholly owned by Edmund Koon Kay Tang. On January 28, 2021, all outstanding share capital of Yijia Inc. was transferred from an affiliate of Mr. Guangjie Jin to High Gate Investment Ltd. Upon completion of this transfer, High Gate Investment Ltd. beneficially owns 180,389,549 Class B ordinary shares, representing 59.0% of our aggregating voting power. Information with respect to Yijia Inc., High Gate Investments Ltd. and High Gate Holdings Ltd. and relevant beneficial ownership information is derived from the Schedule 13D filed by, among others, High Gate Investments Ltd. dated February 2, 2021.

(2) Represents (i) 314,539,304 Class A ordinary shares held by CP QK Singapore Pte Ltd., a Singapore company, (ii) 298,013,340 Class A ordinary shares represented by 9,933,778 ADSs issuable upon the conversion of our series 1 and series 2 convertible notes held by Key Space (S) Pte Ltd., a Singapore company, excluding any accrued interest, and (iii) 11,807,940 Class A ordinary shares represented by 393,598 ADSs issuable upon the exercise of warrants granted to Key Space (S) Pte Ltd. The majority of CP QK Singapore Pte Ltd.'s voting power is held by Crescent Green Investments Ltd. All of the voting power of Crescent Green Investments Ltd. is held by Crescent Capital Investments Ltd. The majority of Crescent Capital Investments Ltd.'s voting power is held by CRESCENT GP LTD. The majority of CRESCENT GP LTD.'s voting power is held by David McKee Hand. All of the voting power of Key Space (S) Pte Ltd. is held by Crescent Capital Investments Ltd. The information set forth in this footnote is derived from the Amendment No.1 to the Schedule 13D filed by Crescent Capital Investments Ltd., among others, on February 9, 2022.

- (3) Represents 120,000,000 Class A ordinary shares held by North Haven Private Equity Asia Harbor Company Limited, a Cayman Islands company, as reported in the Amendment No. 2 to the Schedule 13G filed by Morgan Stanley, among others, on February 10, 2022, which is ultimately controlled by Morgan Stanley, a Delaware company listed on New York Stock Exchange.
- (4) Represents 112,300,000 Class A ordinary shares held by Bill.Com Inc., a British Virgin Islands company. Guangjie Jin, our founder and former chief executive officer, is the sole shareholder of Bill.Com Inc. All Class B ordinary shares held by Bill.Com Inc. were converted on a one-for-one basis into Class A ordinary shares in 2020. Certain information set forth in this footnote is derived from the amendment No. 1 to the Schedule 13G filed by Guangjie Jin, among others, on February 16, 2021.
- (5) Represents 96,491,652 Class A ordinary shares held by Great Global Ventures Ltd, a British Virgin Islands company.

To our knowledge, 638,607,300 Class A ordinary shares, representing approximately 38.6% of our total outstanding ordinary shares, were held by one record shareholder with registered addresses in the United States, our depository. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with the VIE and Its Shareholders

PRC laws and regulations restrict foreign ownership and investment in value-added telecommunications services in China. As a result, we conducted certain business through Q&K E-commerce, the VIE, based on a series of contractual arrangements before the Equity Transfer. On October 26, 2021, we transferred all of our equity interest in the WFOE to Wangxiancai Limited. As of the date of this annual report, we do not conduct any operation through a variable interest entity. See “—Transaction with Wangxiancai Limited” for more details.

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements.”

Share Incentives

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Stock Options and RSUs.”

Convertible Notes and Warrants

We have issued convertible notes and warrants to Key Space (S) Pte Ltd., an entity controlled by certain shareholder of us. In FY 2020 and FY 2021, we issued convertible notes in exchange for cash of US\$24.0 million and US\$17.6 million, respectively, to Key Space (S) Pte Ltd. As of the date of this annual report, we have issued 20 instalments of convertible notes and raised proceeds of US\$43.7 million in aggregate from Key Space (S) Pte Ltd. In FY 2020 and FY 2021, we accrued interest expenses of RMB4.4 million and RMB49.5 (US\$7.7 million) on the convertible notes, respectively. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Convertible Notes and Warrants.”

Transaction with Wangxiancai Limited

On October 26, 2021, we transferred all of our equity interest in the WFOE to Wangxiancai Limited, which is beneficially owned by the legal representative and executive director of one of our subsidiaries, a related party, for nominal consideration. The consideration was nominal value because the WFOE and the VIE were loss-making and the possibility that they would generate cash flow in the future was minimal. The WFOE had a series of contractual arrangements with the VIE, through which we carried out certain rental apartment operation business prior to the Equity Transfer. The Equity Transfer was performed to dedicate our business

resources to operate higher-quality rental apartments through our subsidiaries in China. As a result of the Equity Transfer, we no longer conduct any operation through a variable interest entity.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We have been, and may from time to time be, subject to various legal or administrative claims and proceedings arising in the ordinary course of business or otherwise. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

As of October 26, 2021 immediately before the Equity Transfer, the VIE was involved in eight ongoing legal proceedings, most of which were initiated by suppliers. The amount of the claims arising from these ongoing legal proceedings were RMB33.7 million (US\$5.2 million) in aggregate. Two of these legal proceedings had claims over RMB1.0 million (US\$0.2 million). In particular, one of our suppliers, Shanghai Greenland Construction (Group) Co. Ltd., or Shanghai Greenland, filed a lawsuit against one of the VIE's subsidiaries, alleging that it should pay Shanghai Greenland the construction fee and other related expenses and fees for the construction of the VIE's subsidiary's research and development center in Suzhou pursuant to a construction contract entered into by Shanghai Greenland and the VIE's subsidiary. The amount of the construction fee and other related expenses and fees was approximately RMB58.0 million (US\$8.5 million), which had been accounted for in the consolidated financial statements for FY 2021. We sold buildings under construction in Suzhou through judicial sales for proceeds of RMB100.3 million. The court assisted us to sell the buildings under construction and collected the proceeds on behalf of us. The proceedings had been settled in December 2021. After the Equity Transfer, we are no longer involved in these legal proceedings.

In addition, in 2020, due to the COVID-19 pandemic, the VIE terminated certain leases with landlords before the end of the original lease terms by sending landlords short messages indicating that the leases would be terminated on the specified dates and we would not assume any liability for the early termination of the leases. We had disputes with some of these landlords. Some landlords filed lawsuits against us for compensation aggregating RMB3.9 million (US\$0.6 million), under which we estimated that we are exposed to the compensation of RMB3.9 million (US\$0.6 million) and recorded the contingent liability in our balance sheet as of September 30, 2021. Certain landlords had expressed their objection to our early termination of leases but did not file lawsuits against us. These landlords had rights to file lawsuits against us within three years from the date of our early termination notice, for a maximum compensation of RMB58.0 million (US\$8.9 million). This amount is equivalent to three months' rents of these leases, based on relevant trial guidance issued by the high people's courts in the PRC as advised by our PRC legal counsel, JunHe LLP. The actual compensation amount will be negotiated with each landlord and we did not accrue the contingent liability in our balance sheet as of September 30, 2021. As of October 26, 2021 immediately before the Equity Transfer, a majority of these landlords had expressed their consents to the early termination of leases as set forth in the short messages, or had not raised any objection to the early termination of leases. As advised by our PRC legal counsel, JunHe LLP, pursuant to the PRC laws, the landlords may file lawsuits against the VIE for the early termination of leases with the courts within three months from the date of the early termination notice, otherwise their claims will not be supported by the courts.

Disputes, legal proceedings and potential legal proceedings related to us had materially and adversely affected, and may continue materially and adversely affecting, our financial condition, business and reputation.

Dividend Policy

Our board of directors has discretion on whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any plan to pay any cash dividends on our ordinary shares in the foreseeable future and intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC

subsidiary to pay dividends to us. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Dividend Distribution” and “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying our ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our ADSs, each representing 30 of our Class A ordinary shares, have been listed on the NASDAQ Global Market since November 5, 2019. Our ADSs trade under the symbol “QK.” In FY 2019, FY 2020 and FY 2021, no significant trading suspensions occurred.

B. Plan of Distribution

Not applicable.

C. Markets

The principal trading market for our ADSs is the NASDAQ Global Market.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company with limited liability and our corporate affairs are governed by our amended and restated memorandum and articles of association, as amended from time to time and the Companies Law of the Cayman Islands, and the common law of the Cayman Islands.

The following are summaries of material provisions of our amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our Class A and Class B ordinary shares.

Objects of Our Company

Under our amended and restated memorandum of association, the objects for which our company is established are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equivalent number of Class A ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our amended and restated articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Voting Rights. Holders of our ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. Except as required by applicable law and subject to the amended and restated memorandum and articles of association, holders of Class A ordinary shares and Class B ordinary shares shall at all times vote together as one class on all matters submitted to a vote of the shareholders.

At any general meeting on a poll, every shareholder holding Class A ordinary shares present in-person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative shall have one (1) vote for every fully paid Class A ordinary share of which he is the holder; and every shareholder holding Class B ordinary shares present in-person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative shall have ten (10) votes for every fully paid Class B ordinary share of which he is the holder.

A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case (i) every shareholder holding Class A ordinary shares present in-person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one (1) vote, and (ii) every shareholder holding Class B ordinary shares present in-person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have ten (10) votes, provided that, notwithstanding anything contained in our amended and restated memorandum and articles of association, where more than one proxy is appointed by a shareholder which is a clearing house or a central depository house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For the purposes of our amended and restated memorandum and articles of association, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by us to the shareholders; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all shareholders a reasonable opportunity to express their views.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the shares cast at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our amended and restated memorandum and articles of association.

Transfer of Ordinary Shares. Subject to the restrictions contained in our amended and restated memorandum and articles of association, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share that is not a fully paid up share to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share that is not a fully paid up share or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- a fee of such maximum sum as the Nasdaq may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the Nasdaq, be suspended and the register of members closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register of members closed for more than 30 days in any year as our board may determine.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid up ordinary share capital, the assets will be distributed so that the losses are borne by our holders of ordinary shares proportionately.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares. The Companies Law and our amended and restated articles of association permit us to purchase our own shares. In accordance with our amended and restated articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Separate general meetings of the holders of a class or series of shares may be called only by (i) the chairman of our board of directors, or (ii) a majority of our board of directors (unless otherwise specifically provided by the terms of issue of the shares of such class or series), and nothing in the amended and restated memorandum and articles of association shall give any shareholder or shareholders the right to call a class or series meeting. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

General Meetings of Shareholders

A quorum required for a meeting of shareholders consists of one or more shareholders present in-person or by proxy representing not less than one-third of all voting power of the company's share capital in issue. (i) A majority of our board of directors, or (ii) the chairman of our board of directors, or (iii) any director, where required to give effect to a requisition received under the amended and restated memorandum and articles of association, may call extraordinary general meetings, which extraordinary general meetings shall be held at such times and locations (as permitted hereby) as such person or persons shall determine.

Any one or more shareholders holding at the date of deposit of the requisition not less than two-thirds of the voting power of our share capital in issue carrying the right of voting at general meetings of our company shall at all times have the right, by written

requisition to our board of directors or our secretary, to require an extraordinary general meeting to be called by our board of directors for the transaction of any business permitted by the Companies Law or the amended and restated memorandum and articles of association (subject to the below) as specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit our board of directors fails to proceed to convene such meeting, the requisitionist(s) himself or herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our board of directors shall be reimbursed to the requisitionist(s) by us.

A meeting requisitioned under the amended and restated memorandum and articles of association shall not be permitted to consider or vote upon (A) any resolutions with respect to the election, appointment or removal of directors or with respect to the size of our board of directors, unless such proposal is first approved by our nominating and corporate governance committee; or (B) other than a special resolution in respect of the appointment or removal of any director, any special resolution or any matters required to be passed by way of special resolution pursuant to the amended and restated memorandum and articles of association or the Companies Law. Written notice shall be given not less than ten days before the date of any general meeting.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, in our amended and restated memorandum and articles of association we provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See “—H. Documents on Display.”

Changes in Capital

We may from time to time by ordinary resolution:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub divide our existing shares, or any of them into shares of a smaller amount; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

We may by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Proceedings of the Directors

Our board of directors may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes, other than (i) any removal of any person as a director, or (ii) any appointment or removal of any person as the chairman of our board of directors, or (iii) any removal of any person as chairman or other member of any committee of our board of directors which, in each case, shall be determined by a resolution passed by a majority of not less than two-thirds of votes cast by such directors as, being entitled so to do, vote at a meeting of our board of directors. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote. A meeting of our board of directors may be convened by (i) the chairman of our board of directors, or (ii) a majority of the directors. Our secretary shall convene a meeting of our board of directors whenever so required to do by the chairman of our board of directors or a majority of the directors by notice in writing to each director. A meeting of our board of directors may be called by not less than two (2) clear days’ notice. A meeting of our board of directors may be called by shorter notice if it is so agreed by all the directors entitled to attend and vote at such a meeting. Any notice of a meeting of our board of directors shall (i) specify the time and place of the meeting, and (ii) set out in reasonable detail the nature of the business to be discussed at the meeting. Notice may be given in writing or by telephone or in such other manner as our board of directors may from time to time determine.

A resolution in writing signed by all the directors (other than in the circumstances set out in article 85 in our amended and restated memorandum and articles of association) except such as are temporarily unable to act due to ill health or disability shall (provided that (i) the circulation of such resolutions has the prior approval of, and is initiated by, the chairman of our board of directors, (ii) such number of signatories includes the chairman of our board of directors and is sufficient to constitute a quorum, and (iii) further

provided that a copy of such resolution has been given or the contents thereof communicated to all the directors for the time being entitled to receive notices of board meetings in the same manner as notices of meetings are required to be given by our amended and restated memorandum and articles of association) be as valid and effectual as if a resolution had been passed at a meeting of our board of directors duly convened and held.

Exempted Company

We are an exempted company with limited liability incorporated under the Companies Law. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company. We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. We currently intend to comply with the Nasdaq rules in lieu of following home country practice. The Nasdaq rules require that every company listed on the Nasdaq hold an annual general meeting of shareholders. In addition, our amended and restated articles of association allow directors to call special meeting of shareholders pursuant to the procedures set forth in our articles.

Differences in Corporate Law

The Companies Law is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in-person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the subject of the offer, the offeror may, within a two month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in our amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our amended and restated memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company — a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Our amended and restated articles of association provide that shareholders may not approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Our amended and restated articles of association allow our shareholders to requisition a shareholders' meeting (see above). As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings though we may do so.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Subject to any provision to the contrary in our amended and restated memorandum and articles of association, a director may, at any time before the expiration of his or her period of office (notwithstanding anything in our post offering amended and restated memorandum and articles of association or in any agreement between our company and such director (but without prejudice to any claim for damages under any such agreement)) be removed by way of either (a) an ordinary resolution of the shareholders; or (b) the affirmative vote of a majority of the remaining directors present and voting at a board meeting; or (c) a resolution in writing (which complies with the requirements of the provisos contained in article 119 of our amended and restated memorandum and articles of association) signed by all the directors other than the director being removed.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into *bona fide* in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Law and our amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of shareholders.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law

and our amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our amended and restated memorandum and articles of association may only be amended by a special resolution of shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Foreign Exchange."

E. Taxation

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in ADSs or Class A ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty.

Pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor in Council: (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to us or our operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on the shares, debentures or other obligations of us. The undertaking is for a period of twenty years from March 8, 2018.

Payments of dividends and capital in respect of the shares of our company will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the shares, nor will gains derived from the disposal of the ordinary shares be subject to Cayman Islands income or corporation tax.

Certain stamp duties may be applicable, from time to time, on certain instruments executed in or brought into the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

People's Republic of China Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (i) the primary location of the day to day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We do not believe that Q&K International Group Limited meets all of the conditions above. Q&K International Group Limited is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with ours.

However, if the PRC tax authorities determine that Q&K International Group Limited is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are Non-Resident Enterprises, including the holders of our ADSs. Such 10% tax rate could be reduced by applicable tax treaties or similar arrangements between China and the jurisdiction of our shareholders. For example, for shareholders eligible for the benefits of the tax treaty between China and Hong Kong, the tax rate is reduced to 5% for dividends if relevant conditions are met. In addition, Non-Resident Enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of Q&K International Group Limited would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that Q&K International Group Limited is treated as a PRC resident enterprise.

Provided that our Cayman Islands holding company, Q&K International Group Limited, is not deemed to be a PRC resident enterprise, holders of our ADSs and Class A ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. However, under Circular 7, where a Non-Resident Enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee or the PRC entity which directly owned such taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee would be obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under Circular 7, and we may be required to expend valuable resources to comply with Bulletin 37, or to establish that we should not be taxed under Circular 7 and Bulletin 37. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.”

United States Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax considerations that are likely to be relevant to the purchase, ownership and disposition of our Class A ordinary shares or ADSs by a U.S. Holder (as defined below).

This summary is based on provisions of the Internal Revenue Code of 1986, as amended, or the “Code,” and regulations, rulings and judicial interpretations thereof, in force as of the date hereof. Those authorities may be changed at any time, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below.

This summary is not a comprehensive discussion of all of the tax considerations that may be relevant to a particular investor’s decision to purchase, hold, or dispose of Class A ordinary shares or ADSs. In particular, this summary is directed only to U.S. Holders that hold Class A ordinary shares or ADSs as capital assets and does not address all of the tax consequences to U.S. Holders who may be subject to special tax rules, such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark-to-market, financial institutions, insurance companies, tax exempt entities, regulated investment companies, partnerships (including any entities treated as partnerships for U.S. federal income tax purposes) and the partners therein, holders that own or are treated as owning 10% or more of our shares (measured by vote or value), persons holding Class A ordinary shares or ADSs as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not the U.S. dollar. Moreover, this summary does not address state, local or non-U.S. taxes, the U.S. federal estate and gift taxes, or the Medicare contribution tax applicable to net investment income of certain non-corporate U.S. Holders, or alternative minimum tax consequences of acquiring, holding or disposing of Class A ordinary shares or ADSs.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of Class A ordinary shares or ADSs that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such Class A ordinary shares or ADSs.

You should consult your own tax advisors about the consequences of the acquisition, ownership and disposition of the Class A ordinary shares or ADSs, including the relevance to your particular situation of the considerations discussed below and any consequences arising under non-U.S., state, local or other tax laws.

ADSs

In general, a U.S. Holder of ADSs will be treated, for U.S. federal income tax purposes, as the beneficial owner of the underlying Class A ordinary shares that are represented by those ADSs.

Taxation of Dividends

Subject to the discussion below under “Passive Foreign Investment Company Rules,” the gross amount of any distribution of cash or property with respect to our Class A ordinary shares or ADSs (including amounts, if any, withheld to reflect PRC taxes) that is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be includible in your taxable income as ordinary dividend income on the day on which you receive the dividend, in the case of Class A ordinary shares, or the date the depository receives the dividends, in the case of ADSs, and will not be eligible for the dividends received deduction allowed to U.S. corporations under the Code.

We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term and hedged positions, the dividends received by a non-corporate U.S. Holder with respect to the Class A ordinary shares or ADSs will be subject to taxation at a preferential rate if the dividends are “qualified dividends.” Dividends paid on the Class A ordinary shares or ADSs will be treated as qualified dividends if:

- the Class A ordinary shares or ADSs on which the dividend is paid are readily tradable on an established securities market in the United States or we are eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Treasury determines is satisfactory for purposes of these rules and that includes an exchange of information program; and

- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC.

Our ADSs are listed on the NASDAQ Global Market, and the ADSs qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our financial statements, the manner in which we conduct our business and the relevant market data, we do not believe we were a PFIC for U.S. federal income tax purposes with respect to our 2021 taxable year. In addition, based on our financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate becoming a PFIC for our 2021 taxable year or in the foreseeable future. We could be treated as a PFIC, however, if our rental income in any particular taxable year is not treated as “active” rental income for U.S. federal income tax purposes, as discussed under “Passive Foreign Investment Company Rules”.

Because the Class A ordinary shares are not themselves listed on a U.S. exchange, dividends received with respect to the Class A ordinary shares that are not represented by ADSs may not be treated as qualified dividends. U.S. Holders of Class A ordinary shares or ADSs should consult their own tax advisors regarding the potential availability of the reduced dividend tax rate in light of their own particular circumstances.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (See “—People’s Republic of China Taxation”), a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or Class A ordinary shares. In that case, we may, however, be eligible for the benefits of the Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the “Treaty.” If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described above. Dividend distributions with respect to our Class A ordinary shares or ADSs generally will be treated as “passive category” income from sources outside the United States for purposes of determining a U.S. Holder’s U.S. foreign tax credit limitation. Subject to the limitations and conditions provided in the Code and the applicable U.S. Treasury Regulations, a U.S. Holder may be able to claim a foreign tax credit against its U.S. federal income tax liability in respect of any PRC income taxes withheld at the appropriate rate applicable to the U.S. Holder from a dividend paid to such U.S. Holder. Alternatively, the U.S. Holder may deduct such PRC income taxes from its U.S. federal taxable income, provided that the U.S. Holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder’s particular circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or the deductibility of foreign taxes under their particular circumstances.

U.S. Holders that receive distributions of additional ADSs or Class A ordinary shares or rights to subscribe for ADSs or Class A ordinary shares as part of a pro rata distribution to all our shareholders generally will not be subject to U.S. federal income tax in respect of the distributions.

Taxation of Dispositions of ADSs or Class A Ordinary Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” upon a sale, exchange or other taxable disposition of the ADSs or Class A ordinary shares, U.S. Holders will realize gain or loss for U.S. federal income tax purposes in the amount equal to the difference between the amount realized on the disposition and the U.S. Holder’s adjusted tax basis in the ADSs or Class A ordinary shares. Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the ADS or Class A ordinary shares have been held for more than one year. Long-term capital gain realized by a non-corporate U.S. Holder generally is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

Gain, if any, realized by a U.S. Holder on the sale or other disposition of the ADSs or Class A ordinary shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a PRC tax is imposed on the sale or other disposition, a U.S. Holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such PRC tax. However, in the event that gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in the PRC, and a U.S. Holder is eligible for the benefits of the Treaty, such holder may elect to treat such gain as PRC source gain under the Treaty. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, the ADSs or Class A ordinary shares.

Deposits and withdrawals of Class A ordinary shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if either

- 75% or more of our gross income for the taxable year is passive income; or
- 50% or more of the value of our assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. Although the law in this regard is not entirely clear, we treat our VIE as being owned by us for U.S. federal income tax purposes because we control its management decisions and are entitled to substantially all of the economic benefits associated with it.

Based on our financial statements, the manner in which we conduct our business, relevant market data and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not believe that we were a PFIC in our taxable years ending September 30, 2021 and September 30, 2020, and we do not anticipate becoming a PFIC for our current taxable year or in the foreseeable future. However, because the PFIC tests must be applied each year, and the composition of our income and assets and the value of our assets may change, and because the treatment of our VIE for U.S. federal income tax purposes is not entirely clear, it is possible that we may become a PFIC in the current year or in a future year. In particular, because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs, fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years. In addition, the treatment of our rental income as active for purposes of these tests depends upon whether we conduct sufficient marketing or other activities with respect to the rented properties in each taxable year to meet the requirements for an active rental business under applicable Treasury regulations, which may be uncertain.

In the event that we are classified as a PFIC in any year during which a U.S. Holder holds our Class A ordinary shares or ADSs and such U.S. Holder does not make a mark-to-market election, as described below, the U.S. holder will be subject to a special tax at ordinary income tax rates on "excess distributions," including certain distributions by us (generally, distributions that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the Class A ordinary shares or ADSs) and gain that the U.S. Holder recognizes on the sale of our ordinary shares or ADSs. The amount of income tax on any excess distributions will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions were earned ratably over the period that the U.S. Holder holds its Class A ordinary shares or ADSs. Further, if we are a PFIC for any year during which a U.S. Holder holds our Class A ordinary shares or ADSs, we generally will continue to be treated as a PFIC for all subsequent years during which such U.S. Holder holds our Class A ordinary shares or ADSs unless we cease to be a PFIC and the U.S. Holder makes a special "purging" election on Internal Revenue Service ("IRS") Form 8621. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step up in the basis of his or her Class A ordinary shares or ADSs at death.

A U.S. Holder may be able to avoid the unfavorable rules described in the preceding paragraph by electing to mark its ADSs to market, provided the ADSs are treated as "marketable stock." The ADSs generally will be treated as marketable stock if the ADSs are "regularly traded" on a "qualified exchange or other market" (which includes the NASDAQ Global Market). It should also be noted that it is intended that only the ADSs and not the Class A ordinary shares will be listed on the NASDAQ Global Market. Consequently, a U.S. Holder that holds Class A ordinary shares that are not represented by ADSs may not be eligible to make a mark-to-market election. If the U.S. Holder makes a mark-to-market election, (i) the U.S. Holder will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of its ADSs at year-end over the U.S. Holder's basis in those ADSs and (ii) the U.S. Holder will be entitled to deduct as an ordinary loss in each such year the excess of the U.S. Holder's basis in its ADSs over their fair market value at year end, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in its ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, any gain the U.S. Holder recognizes upon the sale of the U.S. Holder's ADSs in a year in which we are a PFIC will be taxed as ordinary income in the year of sale, and any loss the U.S. Holder recognizes upon the sale will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark to mark election.

A U.S. Holder that owns an equity interest in a PFIC must annually file IRS Form 8621. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the U.S. Holder's taxable years for which such form is required to be filed. As a result, the taxable years with respect to which the U.S. Holder fails to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our non-U.S. subsidiaries is also a PFIC, such U.S. Holder will be treated as owning a proportionate amount (by value) of the shares of the lower tier PFIC for purposes of the application of the PFIC rules. U.S. Holders should consult their own tax advisors about the possible application of the PFIC rules to any of our subsidiaries.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax considerations discussed above and the desirability of making a mark-to-market election.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals that own "specified foreign financial assets" with an aggregate value in excess of US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Class A ordinary shares and the ADSs) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders that fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Class A ordinary shares or the ADSs, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, the ADSs or Class A ordinary shares that are paid to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

A holder that is a non-U.S. corporation or a non-resident alien individual may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed a registration statement, including relevant exhibits, with the SEC on Form F-1 (Registration No. 333-234112) under the Securities Act to register the issuance and sale of our ordinary shares represented by ADSs in relation to our initial public offering. We have also filed a related registration statement on Form F-6 (Registration No. 333-234252) with the SEC to register the ADSs. We have also filed a registration statement on Form F-3 (File Number 333-258187) with the SEC.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of documents, upon payment of a duplicating fee, by writing to the SEC.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated combined financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, if we so request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest rates for capital leases, rental installment loans and other financing arrangement, and bank borrowings. The interest rate risk may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control. We may incur additional borrowings or other facilities in the future. Significant increases in interest rates may have an adverse impact on our earnings if we are unable to source rental apartments with rental rates high enough to offset the increase in interest rates for the rental installment loans, capital leases and other financing arrangement, and bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and other borrowings with variable interest rates as of September 30, 2021. The analysis is prepared assuming that those balances outstanding as of September 30, 2019 and 2020 were outstanding for the whole financial year. A 10% increase or decrease which represents the management's assessment of the reasonably possible change in interest rates is used. Assuming no change in the outstanding balance of our existing interest bearing bank balances and other borrowings with variable interest rates as of September 30, 2021, a 10% increase or decrease in each applicable interest rate would add or deduct RMB15.6 million (US\$2.4 million) to our interest expense in FY 2021.

This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. In addition, in the event of a change of such magnitude, we would consider taking actions to mitigate our exposure to the change. However, because of the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure. We have not used any derivative financial instruments to manage our interest risk exposure.

Foreign Exchange Risk

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with

reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. Effective from October 1, 2016, the International Monetary Fund added Renminbi to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The (depreciation) /appreciation of the U.S. dollar against the Renminbi was approximately 4.1%, (5.0)% and (5.1)% in FY 2019, FY 2020 and FY 2021, respectively. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. Accordingly, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

As substantially all of our revenues and expenses are denominated in Renminbi, we do not believe that we currently have any significant direct foreign exchange risk, and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars. In addition, the reporting currency of our company is Renminbi, the functional currency of our company is U.S. dollars, and the functional currency of our subsidiaries is their local currencies, which is Renminbi for our operating subsidiaries. Any significant revaluation of U.S. dollars may materially and adversely affect our earnings and shareholders’ deficits in Renminbi given that a portion of our cash and cash equivalents are denominated in U.S. dollars. A 10% depreciation of U.S. dollars against Renminbi may increase loss and shareholders’ deficits by RMB89.6 thousand (US\$13.9 thousand) for FY 2021.

Liquidity Risk

We manage liquidity risk by closely and continuously monitoring our financial positions. We aim to maintain sufficient cash flows with internally generated from our operation, borrowings from financial institutions, issuance of convertible notes and principal shareholder’s financial support. We also review forecasted cash flows on an on-going basis.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Expenses

An ADS holder will be required to pay the following fees under the terms of the deposit agreement:

<i>Persons depositing or withdrawing shares or ADS holders must pay:</i>	<i>For:</i>
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US\$.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
US\$.05 (or less) per ADS per calendar year	Depositary services

Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions. For FY 2020, we received reimbursement of US\$0.7 million from the depositary.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary’s obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**Material Modifications to the Rights of Security Holders**

See “Item 10. Additional Information—B. Memorandum and Articles of Association” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File No. 333-234112) in relation to our initial public offering, which was declared effective by the SEC on November 4, 2019. In November 2019, we completed our initial public offering in which we issued and sold an aggregate of 2,700,000 ADSs (excluding ADSs offered in the exercise of the over allotment options), representing 81,000,000 Class A ordinary shares. In November 2019, the underwriters for our initial public offering exercised all of their over allotment options to purchase an addition of 405,000 ADSs. The net proceeds we received from the initial public offering and the exercise of over allotment options totaled US\$44.5 million. Morgan Stanley & Co. LLC and China International Capital Corporation Hong Kong Securities Limited were the representatives of the underwriters for our initial public offering.

For the period from November 4, 2019, the date that the registration statement on Form F-1 was declared effective by the SEC, to the date of this annual report, the total expenses incurred for our company’s account in connection with our initial public offering was approximately US\$6.4 million, which included US\$3.9 million in underwriting discounts and commissions for the initial public offering and approximately US\$2.5 million in other costs and expenses for our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates.

For the period from November 4, 2019, the date that the registration statement on Form F-1 was declared effective by the SEC, to the date of this annual report, we used (i) RMB229.2 million of the net proceeds from our initial public offering to expand our apartment network, primarily consisting of a deposit of approximately RMB200.0 million for the planned acquisition of lease contracts with landlords and tenants and related fixtures and equipment for approximately 47,000 rental units in Sichuan and Chongqing from another rental service company in early 2020, which was eventually used to repurchase our ADSs due to the termination of this transaction, and a deposit of approximately RMB22.5 million to secure the acquisition of lease contracts with landlords and tenants and related fixtures and equipment for certain rental units in Tianjin from another rental service company in December 2019, and (ii) RMB44.2 million of the net proceeds from our initial public offering for general use. We then used the RMB200.0 million returned to us to repurchase ADSs on the open market and the process of transferring the ADSs to our account has completed. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

As of the date of this annual report, we have used all proceeds from our initial public offering.

ITEM 15. CONTROLS AND PROCEDURES**Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, due to the outstanding material weakness described below, as of September 30, 2021, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports

that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, to provide reasonable assurance that the financial information prepared by us for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with U.S. GAAP. Our board of directors is responsible for ensuring that management fulfills its responsibilities. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

In connection with the audits of our consolidated financial statements as of September 30, 2021 and for FY 2021, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to lack of sufficient accounting and financial reporting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to (a) formalize and carry out key controls over financial reporting, (b) properly address complex accounting issues and (c) prepare and review consolidated financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements, and lack of a comprehensive accounting policy manual and closing procedure manual for its finance department to convert its primary financial information prepared under accounting principles generally accepted in the PRC into U.S. GAAP.

We established an audit committee in November 2019. We have also engaged an internal control consultant to help us establish and improve our internal controls, hired additional accounting staff with appropriate understanding of U.S. GAAP and SEC reporting requirements, trained the existing financial reporting personnel and engaged an independent third party consultant to assist in establishing processes and oversight measures to comply with the requirements of Sarbanes-Oxley Act. We are in the process of implementing a number of measures to address the material weakness that has been identified, including formalizing a set of comprehensive U.S. GAAP accounting manuals, hiring more qualified internal auditors to strengthen our overall governance, providing relevant training to our accounting personnel and upgrading our financial reporting system to streamline monthly and year-end closings and integrate financial and operating reporting systems. We also plan to take other steps to strengthen our internal control over financial reporting, including enhancing our internal audit function independently led by audit committee. However, we cannot assure you that we will remediate our material weakness in a timely manner.

Because of the material weakness identified above, our management has concluded that our internal control over financial reporting was not effective as of September 30, 2021.

Attestation report of the registered public accounting firm

Since we are an “emerging growth company” as defined under the JOBS Act, we are exempt from the requirement to comply with the auditor attestation requirements that our independent registered public accounting firm attest to and report on the effectiveness of our internal control structure and procedures for financial reporting.

Changes in Internal Control over Financial Reporting

There was no changes in our internal control over financial reporting that occurred in FY 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Chen Chen, our independent director (under the standards set forth under Rule 5605(a)(2) of the NASDAQ Marketplace Rules and Rule 10A-3 under the Exchange Act) is an “audit committee financial expert.”

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in September 2019. We have posted a copy of our code of business conduct and ethics on our website at <https://ir.qk365.com/static-files/f3b7f9ae-914c-4059-9f2f-ebf9a7268429>, where you can obtain a copy without charge.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Marcum Bernstein & Pinchuk LLP, our principal external auditors, for the periods indicated.

	FY 2020 RMB	FY 2021 RMB (in thousands)	US\$
Audit fees (1)	4,074	3,608	560
Total	4,074	3,608	560

(1) Audit fees include the aggregate fees incurred in each of the fiscal years listed above for professional services rendered by our principal auditors for the audit or review of our annual financial statements or quarterly financial information and review of documents filed with the SEC.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Marcum Bernstein & Pinchuk LLP, including audit services, audit related services, tax services and other services as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Period	(a) Total Number of Class A Ordinary Shares Purchased	(b) Average Price Paid per Class A Ordinary Shares (US\$)	(c) Total Number of Class A Ordinary Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Approximate Dollar Value of Class A Ordinary Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2021 through April 30, 2021	77,100,000(1)	0.00001	—	—
Total	77,100,000(1)	0.00001	—	—

(1) On April 23, 2021, we issued 77,100,000 Class A ordinary shares to a third party, and repurchased all of these shares and held them as treasury shares on the same day, for the charge to secure the payment and other obligations of our subsidiaries, as borrowers, under certain loan agreements with SHRB, as lender, with an aggregate outstanding principal amount of RMB383.3 million.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On December 3, 2020, we dismissed Deloitte Touche Tohmatsu Certified Public Accountants LLP ("Deloitte"), as our independent registered public accounting firm, effective immediately, and engaged Marcum Bernstein & Pinchuk LLP as our independent registered public accounting firm in connection with the audit of our consolidated financial statements as of September 30, 2020 and for FY 2020, effective as of December 3, 2020. Our decision to dismiss Deloitte and engage Marcum Bernstein & Pinchuk LLP was approved by the audit committee of our board of directors on November 11, 2020.

Deloitte's audit report on our consolidated financial statements for the FY 2019 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. Deloitte did not audit any

financial statements of our company as of any date or for any period subsequent to September 30, 2019. For more details, please refer to our annual report for FY 2020.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the NASDAQ Global Market, we are subject to the NASDAQ Global Market corporate governance listing standards. However, NASDAQ Global Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ Global Market corporate governance listing standards. We opt to follow our home country practices and rely on certain exemptions provided by the NASDAQ Global Market corporate governance listing standards to a foreign private issuer, including exemptions from the requirements to have:

- majority of independent directors on our board of directors;
- a minimum of three members in our audit committee;
- only independent directors being involved in the selection of director nominees and determination of executive officer compensation;
- regularly scheduled executive sessions of independent directors;
- a quorum of annual general meeting which is no less than 33 1/3% of our outstanding shares; and
- shareholder approval prior to an issuance of securities in connection with (i) acquisition of the stock or assets of another company, (ii) change of control, (iii) equity compensation, and (iv) transactions other than public offerings.

As a result of our reliance on the corporate governance exemptions available to foreign private issuers, holders of our ADSs will not have the same protection afforded to shareholders of companies that are subject to all of NASDAQ Global Market corporate governance requirements.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	<u>Form of Third Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019).</u>
2.1	<u>Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)</u>
2.2	<u>Registrant's Specimen Certificate for Class A ordinary shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
2.3	<u>Form of Deposit Agreement, among the Registrant, the depositary and owners and holders of American Depositary Receipts (incorporated herein by reference to Exhibit (a) to the registration statement on Form F-6 (File No. 333-234252), as amended, initially filed with the Securities and Exchange Commission on October 18, 2019).</u>
2.4	<u>Description of Securities (incorporated herein by reference to Exhibit 2.4 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021)</u>
4.1	<u>2019 Share Incentive Plan of the Registrant (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.2	<u>Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.3	<u>English translation of the form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.4	<u>English translation of the executed equity pledge agreement entered into by and among Q&K Investment Consulting, Q&K E-commerce and the shareholders of Q&K E-commerce dated April 21, 2015 (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.5	<u>English translation of the executed shareholder voting proxy agreement entered into by and among Q&K Investment Consulting, Q&K E-commerce, Xiamen Siyuan Investment Management Co., Ltd., Guangjie Jin and Bing Xiao dated April 21, 2015 (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.6	<u>English translation of the Spouse Consent Letter signed by the spouse of Mr. Bing Xiao dated April 14, 2015 (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.7	<u>English translation of the executed exclusive technology service agreement entered into by and between Q&K Investment Consulting and Q&K E-commerce dated April 21, 2015 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>

Exhibit Number	Description of Document
4.8	<u>English translation of the executed exclusive option agreement entered into by and among Q&K Investment Consulting, Q&K E-commerce and the shareholders of Q&K E-commerce (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019).</u>
4.9	<u>English translation of the executed strategic cooperation agreement entered into by and between SHRB and Shanghai Qingke Public Rental Housing Leasing Management Co., Ltd. dated February 21, 2019 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)</u>
4.10	<u>Loan agreement between the Registrant and Azure Investments Ltd. dated December 18, 2019 (incorporated herein by reference to Exhibit 4.10 to the annual report on Form 20-F (File No. 001-39111) initially filed with the Securities and Exchange Commission on February 18, 2020 and amended on February 21, 2020).</u>
4.11	<u>Asset purchase agreement between the Registrant and Great Alliance Co-living Limited dated July 22, 2020 (incorporated herein by reference to Exhibit 4.11 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021)</u>
4.12	<u>Side Letter to the Asset purchase agreement between the Registrant and Great Alliance Co-living Limited dated July 22, 2020 (incorporated herein by reference to Exhibit 4.12 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.13	<u>Share subscription agreement between the Registrant and Great Alliance Co-living Limited dated July 22, 2020 (incorporated herein by reference to Exhibit 4.13 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021)</u>
4.14	<u>Share subscription agreement between the Registrant and Beautiful House Limited dated July 22, 2020 (incorporated herein by reference to Exhibit 4.14 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.15	<u>English translation of the executed asset transfer agreement between Chengdu Liwu Apartment Management Co., Ltd. and Beijing LianULife Technology Co., Ltd., among others, dated July 22, 2020 (incorporated herein by reference to Exhibit 4.15 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.16	<u>English translation of the contracted operation agreement among Chengdu Liwu Apartment Management Co., Ltd., Beijing Yihongyue Real Estate Co., Ltd. and Guang Han dated July 22, 2020 (incorporated herein by reference to Exhibit 4.16 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.17	<u>Convertible notes and warrant purchase agreement between the Registrant and Key Space (S) Pte Ltd, dated July 22, 2020 (incorporated herein by reference to Exhibit 4.17 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.18	<u>Amendment No. 1 to the convertible notes and warrant purchase agreement between the Registrant and Key Space (S) Pte Ltd, dated July 29, 2020 (incorporated herein by reference to Exhibit 4.18 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.19	<u>Convertible notes and warrant purchase agreement between the Registrant and Veneto Holdings Ltd., dated July 22, 2020 (incorporated herein by reference to Exhibit 4.19 to the annual report on Form 20-F (File No. 001-39111) filed with the Securities and Exchange Commission on February 16, 2021).</u>
4.20*	<u>Share charge agreement between the Registrant and Shanghai Huarui Bank Co., Ltd. dated April 23, 2021</u>
4.21*	<u>English translation of the equity transfer agreement of Shanghai Qingke Investment Consulting Co., Ltd. between Qingke (China) Limited and Wangxiancai Limited dated October 26, 2021</u>
8.1*	<u>Significant Subsidiaries of the Registrant</u>

Exhibit Number	Description of Document
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-234112), as amended, initially filed with the Securities and Exchange Commission on October 7, 2019)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Marcum Bernstein & Pinchuk LLP, independent registered public accounting firm
15.2*	Consent of JunHe LLP
16.1*	Letter from Deloitte Touche Tohmatsu Certified Public Accountants LLP to the Securities and Exchange Commission
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Q&K International Group Limited

By: /s/ Chengcai Qu

Name: Chengcai Qu

Title: Chairman of the Board of Directors, Chief Executive Officer,
Chief Operating Officer and Vice President

Date: February 15, 2022

Q&K INTERNATIONAL GROUP LIMITED
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firms	F-2
Consolidated Balance Sheets as of September 30, 2020 and 2021	F-4
Consolidated Statements of Comprehensive Loss for the Years Ended September 30, 2019, 2020 and 2021	F-6
Consolidated Statements of Changes in Shareholders' Deficit for the Years Ended September 30, 2019, 2020 and 2021	F-8
Consolidated Statements of Cash Flows for the Years Ended September 30, 2019, 2020 and 2021	F-9
Notes to the Consolidated Financial Statements	F-11

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

Q&K International Group Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Q&K International Group Limited, its subsidiaries and consolidated variable interest entities (the “Group”) as of September 30, 2021 and 2020, the related consolidated statements of comprehensive loss, changes in shareholders’ deficit and cash flows for each of the two years in the period ended September 30, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph—Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As more fully described in Note 2, the Group has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Group’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Bernstein & Pinchuk LLP
Marcum Bernstein & Pinchuk LLP

We have served as the Group’s auditor since 2020
New York, NY
February 15, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Q&K International Group Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of comprehensive loss, changes in shareholders' deficit, and cash flows, for the year ended September 30, 2019 of Q&K International Group Limited (the "Company"), its subsidiaries and consolidated variable interest entities (the "Group"), and the related notes and financial statement schedule in Schedule I (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of their operations and their cash flows for the year ended September 30, 2019, are in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined and consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, the People's Republic of China

February 18, 2020

We began serving as the Group's auditor in 2019. In 2020, we became the predecessor auditor.

Q&K INTERNATIONAL GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Renminbi in thousands, except for share and per share data, unless otherwise stated)

	As of September 30,		
	2020	2021	
	RMB	RMB	USD
ASSETS			
Current assets:			
Cash and cash equivalents	22,879	16,317	2,532
Restricted cash	8,887	2,935	456
Accounts receivable, net	1,943	370	57
Amounts due from related parties	168	201	31
Prepaid rent and deposit	51,281	571	89
Advances to suppliers	16,043	12,933	2,007
Other current assets	101,803	143,343	22,246
Total current assets	203,004	176,670	27,418
Non-current assets:			
Property and equipment, net	358,022	38,940	6,043
Intangible assets, net	222,123	152,464	23,662
Land use rights, net	10,448	-	-
Other assets	57,133	9,556	1,483
Total non-current assets	647,726	200,960	31,188
Total assets	850,730	377,630	58,606
LIABILITIES AND DEFICIT			
LIABILITIES (including amounts of the consolidated VIEs without recourse to the Group, see Note 2)			
Current liabilities:			
Accounts payable	294,469	320,269	49,705
Amounts due to related parties	6,594	-	-
Deferred revenue	152,619	195,636	30,362
Short-term debt	762,136	558,705	86,710
Rental instalment loans	54,505	18,094	2,808
Deposits from tenants	82,191	65,785	10,210
Payable for asset acquisition	165,808	-	-
Contingent liabilities for payable for asset acquisition	-	164,254	25,492
Accrued expenses and other current liabilities	443,418	1,024,882	159,059
Total current liabilities	1,961,740	2,347,625	364,346
Non-current liabilities:			
Long-term debt	464,920	201,041	31,201
Convertible note, net	206,466	313,870	48,712
Long-term deferred rent	212,054	-	-
Total non-current liabilities	883,440	514,911	79,913
Total liabilities	2,845,180	2,862,536	444,259

Q&K INTERNATIONAL GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Renminbi in thousands, except for share and per share data, unless otherwise stated)

	As of September 30,		
	2020	2021	
	RMB	RMB	USD
Commitments and contingencies (Note 16)			
Deficit:			
Ordinary shares (US\$0.00001 par value per share; 3,500,000,000 and 50,000,000,000 shares authorized; 1,436,010,850 shares issued and 1,358,760,850 shares outstanding as of September 30, 2020; and 1,724,486,700 shares issued and 1,647,386,700 shares outstanding as of September 30, 2021, respectively)	92	110	17
Treasury shares, at cost	(298,110)	(5)	(1)
Additional paid-in capital	2,085,099	1,845,295	286,385
Accumulated deficit	(3,809,516)	(4,378,690)	(679,562)
Accumulated other comprehensive income	18,357	38,784	6,018
Total Q&K International Group Limited shareholders' deficit	(2,004,078)	(2,494,506)	(387,143)
Noncontrolling interest	9,628	9,600	1,490
Total deficit	(1,994,450)	(2,484,906)	(385,653)
Total liabilities and deficit	850,730	377,630	58,606

The accompanying notes are an integral part of these consolidated financial statements.

Q&K INTERNATIONAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Renminbi in thousands, except for share and per share data, unless otherwise stated)

	For the years ended September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Net revenues:				
Rental service	1,089,164	1,105,172	939,169	145,757
Value-added services and others	144,606	102,791	97,037	15,060
Total net revenues	1,233,770	1,207,963	1,036,206	160,817
Operating costs and expenses:				
Operating cost (including costs charged by related parties of RMB52,034, RMB 47,464 and RMB nil for the years ended September 30, 2019, 2020 and 2021, respectively)	(1,304,992)	(1,203,415)	(949,654)	(147,384)
Selling and marketing expenses (including expenses charged by related parties of RMB55,774, RMB nil and RMB nil for the years ended September 30, 2019, 2020 and 2021, respectively)	(135,413)	(63,512)	(13,115)	(2,035)
General and administrative expenses	(108,196)	(102,769)	(217,108)	(33,695)
Research and development expenses	(47,029)	(24,934)	(7,768)	(1,206)
Pre-operation expenses (including expenses charged by related parties of RMB 14,431, RMB nil and RMB nil for the years ended September 30, 2019, 2020 and 2021, respectively)	(42,661)	(14,245)	—	—
Impairment loss on long-lived assets	(46,213)	(846,766)	(199,575)	(30,974)
Loss from disposal of property and equipment and intangible assets	—	(468,980)	(30,173)	(4,683)
Other income (expense),net	2,427	15,881	(18,476)	(2,867)
Total operating costs and expenses	(1,682,077)	(2,708,740)	(1,435,869)	(222,844)
Loss from operations	(448,307)	(1,500,777)	(399,663)	(62,027)
Interest expense, net	(91,914)	(130,206)	(127,300)	(19,757)
Debt extinguishment loss	—	—	(41,964)	(6,512)
Foreign exchange loss, net	(457)	(62)	(244)	(38)
Fair value change of contingent earn-out liabilities	42,404	97,417	—	—
Loss before income taxes	(498,274)	(1,533,628)	(569,171)	(88,334)
Income tax expense	(63)	(13)	(31)	(5)
Net loss	(498,337)	(1,533,641)	(569,202)	(88,339)
Less: net loss attributable to noncontrolling interests	(95)	(49)	(28)	(4)
Net loss attributable to Q&K International Group Limited	(498,242)	(1,533,592)	(569,174)	(88,335)
Deemed dividend	(307,389)	—	—	—
Net loss attributable to ordinary shareholders	(805,631)	(1,533,592)	(569,174)	(88,335)
Net loss per share attributable to ordinary shareholders of Q&K International Group Limited—Basic and diluted	(1.87)	(1.14)	(0.39)	(0.06)
Weighted average number of ordinary shares used in computing net loss per share—Basic and diluted	430,450,490	1,351,127,462	1,460,692,909	1,460,692,909

Q&K INTERNATIONAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Renminbi in thousands, except for share and per share data, unless otherwise stated)

	For the years ended September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Net loss	(498,337)	(1,533,641)	(569,202)	(88,339)
Other comprehensive (loss) income, net of tax of nil:				
Foreign currency translation adjustments	(7,621)	24,265	20,427	3,170
Comprehensive loss	(505,958)	(1,509,376)	(548,775)	(85,169)
Less: comprehensive loss attributable to noncontrolling interests	(95)	(49)	(28)	(4)
Comprehensive loss attributable to Q&K International Group Limited	(505,863)	(1,509,327)	(548,747)	(85,165)
Deemed dividend	(307,389)	—	—	—
Comprehensive loss attributable to ordinary shareholders	(813,252)	(1,509,327)	(548,747)	(85,165)

The accompanying notes are an integral part of these consolidated financial statements.

Q&K INTERNATIONAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(Renminbi in thousands, except for share data, unless otherwise stated)

	Q&K International Group Limited shareholders' deficit										
	Ordinary shares		Series A non-redeemable preferred shares		Treasury stock	Additional paid in capital	Accumulated other		Total	Noncontrolling interests	Total shareholders' deficit
	Number of shares	Amount	Number of shares	Amount			comprehensive (loss) income	Accumulated deficit			
Balance at September 30, 2018	430,450,490	27	255,549,510	35,777	—	—	1,713	(1,478,466)	(1,440,949)	17,772	(1,423,177)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	—	(8,000)	(8,000)
Share-based compensation	—	—	—	—	—	8,173	—	—	8,173	—	8,173
Deemed dividend accretion	—	—	—	—	—	(8,173)	—	(299,216)	(307,389)	—	(307,389)
Net loss	—	—	—	—	—	—	—	(498,242)	(498,242)	(95)	(498,337)
Foreign currency translation adjustments	—	—	—	—	—	—	(7,621)	—	(7,621)	—	(7,621)
Balance at September 30, 2019	430,450,490	27	255,549,510	35,777	—	—	(5,908)	(2,275,924)	(2,246,028)	9,677	(2,236,351)
Issuance of ordinary shares in connection with initial public offering ("IPO"), net off issuance of cost of RMB 29,289	93,150,000	6	—	—	—	289,021	—	—	289,027	—	289,027
Conversion of Series Anon-redeemable preferred shares into ordinary shares	255,549,510	17	(255,549,510)	(35,777)	—	35,760	—	—	—	—	—
Conversion of mezzanine equity into ordinary shares	656,860,850	42	—	—	—	1,425,436	—	—	1,425,478	—	1,425,478
Repurchase of American Depositary Shares ("ADS") from certain investors into treasury shares	—	—	—	—	(298,110)	—	—	—	(298,110)	—	(298,110)
ADS to be issued in exchange for acquisition of certain assets from two third parties	—	—	—	—	—	312,273	—	—	312,273	—	312,273
Share-based compensation	—	—	—	—	—	16,045	—	—	16,045	—	16,045
Warrants issued in connection with convertible notes	—	—	—	—	—	6,564	—	—	6,564	—	6,564
Net loss	—	—	—	—	—	—	—	(1,533,592)	(1,533,592)	(49)	(1,533,641)
Foreign currency translation adjustments	—	—	—	—	—	—	24,265	—	24,265	—	24,265
Balance at September 30, 2020	1,436,010,850	92	—	—	(298,110)	2,085,099	18,357	(3,809,516)	(2,004,078)	9,628	(1,994,450)
Issuance of ordinary shares to settle payable for asset acquisition	186,375,850	11	—	—	—	(8)	—	—	3	—	3
Reissuance of treasury shares to as debt extinguishment cost	77,100,000	—	—	—	298,110	(256,146)	—	—	41,964	—	41,964
Exercise of share-based compensation	25,000,000	2	—	—	—	(2)	—	—	—	—	—
Issuance and repurchase of ordinary shares	—	5	—	—	(5)	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	15,806	—	—	15,806	—	15,806
Warrants issued in connection with convertible notes	—	—	—	—	—	546	—	—	546	—	546
Net loss	—	—	—	—	—	—	—	(569,174)	(569,174)	(28)	(569,202)
Foreign currency translation adjustments	—	—	—	—	—	—	20,427	—	20,427	—	20,427
Balance at September 30, 2021	1,724,486,700	110	—	—	(5)	1,845,295	38,784	(4,378,690)	(2,494,506)	9,600	(2,484,906)

The accompanying notes are an integral part of these consolidated financial statements.

Q&K INTERNATIONAL GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Renminbi in thousands, unless otherwise stated)

	For the years ended September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Operating activities:				
Net loss	(498,337)	(1,533,641)	(569,202)	(88,339)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Share-based compensation	8,173	16,045	15,806	2,453
Depreciation and amortization	215,075	263,038	79,259	12,301
Loss from disposal of property, plant and equipment and intangible assets	—	468,980	30,173	4,683
Accretion of interest expense	15,777	214	1,988	309
Fair value change of contingent earn-out liabilities	(42,404)	(97,417)	—	—
Deferred rent	57,550	(201,127)	(214,557)	(33,299)
Writing off doubtful accounts	—	—	150,155	23,304
Impairment loss	46,213	846,766	199,575	30,974
Debt extinguishment loss	—	—	41,964	6,512
Changes in operating assets and liabilities:				
Accounts receivable	(831)	(644)	1,573	244
Amounts due from related parties	8,940	5,419	(33)	(5)
Prepaid rent and deposit	49,762	146,913	37,623	5,839
Advances to suppliers	4,891	47,985	9,595	1,489
Other current assets	1,960	44,756	23,460	3,641
Other assets	(5,557)	(51,187)	47,577	7,384
Accounts payable	16,306	115,201	25,800	4,004
Amounts due to related parties	(29,098)	3,473	(6,594)	(1,023)
Deferred revenue	17,489	(127,947)	(18,631)	(2,891)
Deposits from tenants	49,878	(161,525)	(16,406)	(2,546)
Accrued expenses and other current liabilities	(3,976)	269,539	51,214	7,949
Net cash (used in) provided by operating activities	(88,189)	54,841	(109,661)	(17,017)
Investing activities:				
Purchases of property and equipment	(341,708)	(99,172)	(2)	—
Payment for asset acquisition (Note 8)	—	(39,498)	(6,484)	(1,000)
Purchases of intangible assets	(613)	—	—	—
Cash payment for renovation	(29,078)	—	—	—
Reimbursement received for renovation payment	11,971	—	—	—
Collection of amounts due from related parties	7,978	—	—	—
Net cash used in investing activities	(351,450)	(138,670)	(6,486)	(1,000)
Financing activities:				
Proceeds from IPO, net off issuance cost of RMB 29,289	—	289,027	—	—
Proceeds from issuance of convertible notes	—	163,565	113,236	17,574
Payment for repurchase of ADS from certain investors into treasury shares	—	(248,859)	—	—

	For the years ended September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Proceeds from short-term bank borrowings	84,000	351,046	39,652	6,154
Repayment of short-term bank borrowings	(79,000)	(65,000)	(4,500)	(698)
Proceeds from long-term bank borrowings	170,000	150,000	75,329	11,691
Repayment of long-term bank borrowings	(49,137)	(122,548)	(37,090)	(5,756)
Proceeds from rental instalment loans	1,084,324	258,097	—	—
Repayment of rental instalment loans	(1,442,810)	(924,171)	(85,026)	(13,196)
Acquisition of non-controlling interest	(8,000)	—	—	—
Proceeds from issuance of preferred shares, net of issuance costs	530,002	—	—	—
Proceeds from capital lease and other financing arrangement payable	327,584	65,415	—	—
Repayment of capital lease and other financing arrangement payable	(47,394)	(51,496)	—	—
Net cash provided by (used in) financing activities	569,569	(134,924)	101,601	15,769
Effect of foreign exchange rate changes	2,132	(295)	2,032	557
Net increase (decrease) in cash, cash equivalents and restricted cash	132,062	(219,048)	(12,514)	(1,691)
Cash, cash equivalents and restricted cash at the beginning of the year	118,752	250,814	31,766	4,679
Cash, cash equivalents and restricted cash at the end of the year	250,814	31,766	19,252	2,988
Supplemental disclosure of cash flow information:				
Interest paid, net of amounts capitalized	(79,601)	(16,628)	(1,017)	(158)
Income taxes paid	(57)	(90)	(3)	—
Supplemental schedule of non-cash investing and financing activities:				
Purchases of property and equipment included in payables	(253,447)	(97,835)	—	—
Acquisition of rental assets financed by ADS (Note 4)	—	(22,540)	—	—
Asset acquisition financed by payables and ADS (Note 8)	—	(455,541)	—	—
Asset acquisition settled by ordinary shares	—	—	(164,256)	(23,201)
Payment of debt extinguishment cost by ordinary shares	—	—	(41,961)	(6,512)
Purchases of property and equipment included in new capital lease	(21,279)	—	—	—
Conversion of Series Anon-redeemable preferred shares and mezzanine into ordinary shares	—	(1,425,478)	—	—
Issuance of convertible notes to repurchase ADS from an investor	—	49,251	—	—
Reconciliation to amounts on the consolidated balance sheets:				

	As of September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Cash and cash equivalents	159,799	22,879	16,317	2,532
Restricted cash	91,015	8,887	2,935	456
Total cash, cash equivalents and restricted cash	250,814	31,766	19,252	2,988

The accompanying notes are an integral part of these consolidated financial statements.

Q&K INTERNATIONAL GROUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Renminbi in thousands, except for share data and per share data, unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Q&K International Group Limited (the “Company” or “Q&K”), its subsidiaries and consolidated variable interest entities (the “Group”) is a rental apartment operation platform in the People’s Republic of China (the “PRC”), that provides rental and value-added services to young, emerging urban residents since 2012. The Group sources and converts apartments to standardized furnished rooms and leases to young people seeking affordable residence in cities in the PRC.

As of September 30, 2021, the Group’s significant subsidiaries, variable interest entity (the “VIE”) and the significant subsidiaries of the VIE are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal/beneficial ownership by the Company	Principal activities
Subsidiaries:				
QK365.com INC. (BVI)	September 29, 2014	BVI	100%	Holding
QingKe (China) Limited	July 7, 2014	Hong Kong	100%	Holding
Q&K Investment Consulting Co., Ltd. (“Q&K Investment Consulting” or the “WFOE”)	April 2, 2015	PRC	100%	Holding and Operating
Qingke (Shanghai) Artificial Intelligence Technology Co., Ltd. (“Q&K AI”)	May 13, 2019	PRC	100%	Holding and Operating
Chengdu Liwu Apartment Management Co., Ltd	June 19, 2020	PRC	100%	Operating
VIE:				
Shanghai Qingke E-Commerce Co., Ltd. (“Q&K E-Commerce” or the “VIE”)	August 2, 2013	PRC	100%	Holding and Operating
Subsidiaries of the VIE:				
Shanghai Qingke Equipment Rental Co., Ltd. (“Q&K Rental”)	March 17, 2015	PRC	100%	Operating
Shanghai Qingke Public Rental Housing Leasing Management Co., Ltd. (“Qingke Public Rental”)	November 5, 2014	PRC	100%	Operating
Suzhou Qingke Information Technology Co., Ltd. (“Suzhou Qingke”)	April 3, 2014	PRC	100%	Operating

History of the Group and Reorganization

The Group completed its initial public offering (IPO) on the Nasdaq Global Market in November 2019, for a net offering size of approximately US\$44,534 (equivalent to RMB289,027). The Group offered 2,700,000 ADSs in the IPO, with each ADS represents 30 Class A ordinary shares, par value \$0.00001 per share at \$17 per ADS. In addition, the underwriters of the Group’s IPO have exercised in full their over-allotment option to purchase additional 405,000 ADSs, with each ADS represents 30 Class A ordinary shares, par value \$0.00001 per share at \$17 per ADS.

On October 26, 2021, the Group transferred of all of its equity interest in Shanghai Qingke Investment Consulting to Wangxiancai Limited, which is beneficially owned by the legal representative and executive director of one of the Group’s subsidiaries (the “Transfer of Equity Interest”). (Note 17 – Subsequent Events)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (“US GAAP”).

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group’s ability to generate cash flows from operations, and the Group’s ability to arrange adequate financing arrangements, to support its working capital requirements.

Going concern

The Group has been incurring losses from operations since its inception. Accumulated deficits amounted to RMB 3,809,516 and RMB 4,378,690 as of September 30, 2020 and 2021, respectively. Net cash used in operating activities were RMB 88,189 and RMB 109,661 for the years ended September 30, 2019 and 2021, respectively, while the Group generated cash of RMB 54,841 from operating activities for the year ended September 30, 2020. As of September 30, 2020 and 2021, current liabilities exceeded current assets by RMB 1,758,736 and RMB 2,170,955, respectively.

In addition, the Group's operations have been affected by the outbreak and spread of the coronavirus disease 2019 (COVID-19), which in March 2020, was declared a pandemic by the World Health Organization. The COVID-19 outbreak is causing lockdowns, travel restrictions, and closures of businesses. The Group's businesses have been negatively impacted by the COVID-19 coronavirus outbreak to a certain extent.

Due to the outbreak of COVID-19, in early February 2020, the Chinese government required the nationwide closure of many business activities in the PRC to prevent the spread of COVID-19 and protect public health. During this period, the Group adopted a defensive strategy after a prudent assessment of the broader macroeconomic downturn by consolidating internal resources, further improving operating efficiencies and focusing on asset quality improvement rather than aggressive expansion. During the year ended September 30, 2020 and 2021, the average month-end occupancy rate and the rental spread margin before discount for rental prepayments decreased as compared to fiscal year 2019 mainly due to the impact of COVID-19.

These factors raise substantial doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Group is unable to continue as a going concern.

The Group intends to meet the cash requirements for the next 12 months from the issuance date of this report through a combination of bank loans, issuance of convertible notes, principal shareholder's financial support. The Group will focus on the following activities:

- In July 2020, the Group has executed a convertible note and warrant purchase agreement with two investors (Note 9) to raise proceeds up to \$100 million. By the date of this report, the Group issued the 21 instalments of Notes and raised proceeds aggregating \$43,665 (equivalent to RMB 290,155) from the investors. No issuance cost were incurred. For the years ended September 30, 2020 and 2021, the Group raised proceeds of RMB 163,565 and RMB 113,236, respectively. The Group can raise additional proceeds of \$49,103 by issuance of convertible bonds to the investors; and
- In January 2022, a principal shareholder of the Group, has agreed to consider to provide necessary financial support in the form of debt and/or equity, to the Group to enable the Group to meet its other liabilities and commitments as they become due for at least twelve months from the issuance date of this consolidated financial statements.

However, future financing requirements will depend on many factors, including the scale and pace of the expansion of the Group's apartment network, efficiency in apartment operation, including apartment renovation and pricing, the expansion of the Group's sales and marketing activities, and potential investments in, or acquisitions of, businesses or technologies. Inability to access financing on favourable terms in a timely manner or at all would materially and adversely affect the Group's business, results of operations, financial condition, and growth prospects.

Principles of consolidation

The consolidated financial statements include the financial statements of the Group, its subsidiaries and consolidated variable interest entity and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation.

To comply with the PRC law and regulations which restrict foreign ownership of companies that provide value-added telecommunication services in the PRC, Q&K Investment Consulting entered into VIE Agreements with Q&K E-Commerce and its respective shareholders through which the Group became the primary beneficiary of Q&K E-Commerce and its subsidiaries.

The following is a summary of the key VIE Agreements:

Shareholder Voting Proxy Agreement

Q&K Investment Consulting, Q&K E-Commerce and the shareholders of Q&K E-Commerce entered into a shareholder voting proxy agreement on April 21, 2015. Pursuant to the voting proxy agreement, each shareholder of Q&K E-Commerce irrevocably authorizes any person(s) designated by Q&K Investment Consulting to act as his or her attorney-in-fact to exercise all of such shareholder's voting and other rights associated with the shareholder's equity interest in Q&K E-Commerce, such as the right to appoint or remove directors, supervisors and officers, as well as the right to sell, transfer, pledge and dispose of all or a portion of the shares held by such shareholder. The shareholder voting proxy agreement will remain in force unless Q&K Investment Consulting gives out any instruction in writing or otherwise.

Spousal Consent Letters

The spouse of one shareholder of the VIE who holds 10.47% equity interest in Q&K E-Commerce signed a spousal consent letter on April 14, 2015. Under the spousal consent letter, the signing spouse unconditionally and irrevocably agreed, respectively, that she was aware of the disposal of Q&K E-Commerce shares held by the shareholder in the abovementioned exclusive option agreement, equity pledge agreement, shareholder voting proxy agreement and power of attorney. The signing spouse confirmed not having any interest in the Q&K E-Commerce shares and committed not to impose any adverse assertions upon those shares. The signing spouse further confirmed that her consent and approval are not needed for any amendment or termination of the abovementioned agreements and committed that she shall take all necessary measures needed for the performance of those agreements.

Exclusive Technology Service Agreement

Q&K Investment Consulting and Q&K E-Commerce entered into an exclusive technology service agreement on April 21, 2015. Pursuant to this agreement, Q&K Investment Consulting or its designated party has the exclusive right to provide Q&K E-Commerce with consulting, software and technology services. Without Q&K Investment Consulting's prior written consent, Q&K E-Commerce shall not accept any technical support and services covered by this agreement from any third party. Q&K E-Commerce agrees to pay service fees equivalent to no less than 100% of its annual net profit. Q&K E-Commerce also agrees to pay service fees for any specific technology service and consultation service rendered by Q&K Investment Consulting at Q&K E-Commerce's request from time to time. Q&K Investment Consulting owns the intellectual property rights arising out of the provisions of services under this agreement. Unless terminated mutually, this agreement will remain effective for twenty years. This agreement will be automatically renewed for another ten years, unless there is any written objection rendered third days prior to its expiry.

Exclusive Option Agreement

Q&K Investment Consulting, Q&K E-Commerce and the shareholders of Q&K E-Commerce entered into an exclusive option agreement in 2015. Pursuant to the exclusive option agreement, Q&K E-Commerce and its shareholders have irrevocably granted Q&K Investment Consulting or any third party designated by Q&K Investment Consulting an exclusive option to purchase all or part of their respective equity interests in Q&K E-Commerce. The purchase price shall be the lower of (i) the amount that the shareholders contributed to Q&K E-Commerce as registered capital for the equity interests to be purchased, or (ii) the lowest price permitted by applicable PRC law. The shareholders of Q&K E-Commerce irrevocably agree that if such price is lower than what is allowed by PRC law, the purchase price should be equal to the lowest price allowed by PRC law. Q&K E-Commerce or its shareholders will repay Q&K Investment Consulting or any third party designated by Q&K Investment Consulting the purchase price within ten business days after Q&K E-Commerce or its shareholders receives such purchase price. In addition, Q&K E-Commerce granted Q&K Investment Consulting an exclusive option to purchase, or have its designated entity or person, to purchase, at its discretion, to the extent permitted under PRC law, all or part of Q&K E-Commerce's assets at the net book value of the transferred assets, or the lowest price permitted by applicable PRC law if the latter is higher than the relevant net book value.

Q&K Investment Consulting may transfer any of its rights or obligations under this agreement to a third party after notifying Q&K E-Commerce and its shareholders. Without Q&K Investment Consulting's prior written consent, the shareholders of Q&K E-Commerce shall not, among other things, amend its articles of association, increase or decrease the registered capital, sell, dispose of or set any encumbrance on its assets, business or revenue outside the ordinary course of business, enter into any material contract, merge with any other persons or make any investments, distribute dividends, or enter into any transactions which have material adverse effects on its business. The shareholders of Q&K E-Commerce also undertake that they will not transfer, pledge, or otherwise dispose of their equity interests in Q&K E-Commerce to any third party or create or allow any encumbrance on their equity interests. This agreement will remain effective until Q&K Investment Consulting or any third party designated by Q&K Investment Consulting has acquired all equity interest of Q&K E-Commerce from its shareholders.

Equity Pledge Agreement

Q&K Investment Consulting, Q&K E-Commerce and the shareholders of Q&K E-Commerce entered into an equity pledge agreement on April 21, 2015. Pursuant to the equity pledge agreement, each shareholder of Q&K E-Commerce has pledged all of its equity interest in Q&K E-Commerce to Q&K Investment Consulting to guarantee the performance by such shareholder and Q&K E-Commerce of their respective obligations under the exclusive technology service agreement, shareholder voting proxy agreements, and exclusive option agreement as well as their respective liabilities arising from any breach. If Q&K E-Commerce or any of its shareholders breaches any obligations under these agreements, Q&K Investment Consulting, as pledgee, will be entitled to dispose of the pledged equity and have priority to be compensated by the proceeds from the disposal of the pledged equity. Each of the shareholders of Q&K E-Commerce agrees that before its obligations under the contractual arrangements are discharged, he or she will not dispose of the pledged equity interests, create or allow any encumbrance on the pledged equity interests, or take any action which may result in any change of the pledged equity that may have material adverse effects on the pledgee's rights under this agreement without the prior written consent of Q&K Investment Consulting. The equity pledge agreement will remain effective until Q&K E-Commerce and its shareholders discharge all their obligations under the contractual arrangements. The Group has completed the registration of the equity pledge with the relevant office of the Administration for Industry and Commerce in accordance with PRC Property Rights Law on April 30, 2015.

The Group believes that the contractual arrangements with the VIE are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Group's PRC subsidiaries and VIE;
- discontinue or restrict the operations of any related-party transactions between the Group's PRC subsidiaries and VIE;
- limit the Group's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Group's PRC subsidiaries and VIE may not be able to comply;
- require the Group or the Group's PRC subsidiaries or VIE to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Group's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The imposition of any of these penalties may result in a material adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIE or the right to receive their economic benefits, the Group would no longer be able to consolidate the financial results of the VIE.

The following financial statement amounts and balances of the VIE and its subsidiaries were included in the accompanying consolidated financial statements after elimination of intercompany transactions and balances:

	As of September 30,		
	2020	2021	
	RMB	RMB	USD
ASSETS			
Cash and cash equivalents	15,227	10,982	1,704
Restricted cash	8,887	2,893	449
Accounts receivable, net	1,943	370	57
Amounts due from related parties	168	—	—
Prepaid rent and deposit	51,281	571	89
Advances to suppliers	32,122	5,323	826
Other current assets	44,400	97,978	15,206
Property and equipment, net	358,022	38,940	6,043
Intangible assets, net	222,123	539	84
Land use rights, net	10,448	—	—
Other assets	57,024	108	17
Total assets	801,645	157,704	24,475
LIABILITIES			
Accounts payable	294,469	281,458	43,682
Amounts due to related parties	6,594	—	—
Deferred revenue	152,619	1,125	175
Short-term debt	540,808	256,773	39,851
Rental instalment loans	54,505	33	5
Deposits from tenants	82,191	1,422	221
Accrued expenses and other current liabilities	427,109	875,572	135,887
Long-term debt	464,920	201,041	31,201
Long-term deferred rent	212,054	—	—
Total liabilities	2,235,269	1,617,424	251,022

	For the years ended September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Net revenues	1,233,770	965,093	173,921	26,992
Net loss	(177,738)	(1,491,565)	(375,470)	(58,272)

	For the years ended September 30,			
	2019	2020	2021	
	RMB	RMB	RMB	USD
Net cash provided by (used in) operating activities	393,847	72,293	(108,705)	(16,871)
Net cash used in investing activities	(713,653)	(99,172)	—	—
Net cash provided by (used in) financing activities	392,388	(95,948)	98,466	15,282

The consolidated VIE and VIE's subsidiaries contributed 100%, 80% and 17% of the Group's consolidated revenues for the years ended September 30, 2019, 2020 and 2021. As of September 30, 2020 and 2021, the consolidated VIE and VIE's subsidiaries accounted for an aggregate of 94% and 42%, respectively, of the Group's consolidated total assets, and 79% and 57%, respectively, of the Group's consolidated total liabilities.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Group or its subsidiaries to provide financial support to the VIE. However, if the VIE were ever to need financial support, the Group may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE through loans to the shareholders of the VIE.

There are no assets held in the VIE and its subsidiaries that can be used only to settle obligations of the VIE and its subsidiaries, except for registered capital and the PRC statutory reserves. As the VIE and its subsidiaries are incorporated as a limited liability company under the PRC Company Law, creditors of the VIE do not have recourse to the general credit of the Group for any of the liabilities of the VIE. Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and its share capital, to the Group in the form of loans and advances or cash dividends. Please refer to Note 14 for disclosure of restricted net assets.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the Group's consolidated financial statements include the useful lives and impairment of property and equipment and intangible assets, valuation allowance of deferred tax assets, share-based compensation, contingent earn-out liabilities, fair value of the convertible note without the warrants and the warrants themselves, and valuation of considerations paid for asset acquisition and valuation of assets acquired from asset acquisition.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use that which have original maturities of three months or less when purchased.

Restricted cash

Restricted cash mainly represents the Group's deposits to the bank as a form of security with respect to the Group's debt and tenants' repayment of rental instalment loans. The cash held as deposits in the bank are not available to fund the general liquidity needs of the Group.

Accounts receivable

Accounts receivable mainly consist of rental receivables, which are recognized and carried at the original invoice amount less an allowance for doubtful accounts. The Group establishes an allowance for doubtful accounts primarily based on the credit risk of specific customers. In evaluating the credit risk of specific customers, the Group considers several factors, including the age of the balance, the customers' payment history and their current credit worthiness, and current economic trends. For the years ended September 30, 2019, 2020 and 2021, the Group wrote off doubtful accounts of RMB nil, RMB nil and RMB 19,463, respectively.

Property and equipment, net

Property and equipment, net are stated at cost less accumulated depreciation and impairment losses. The renovations and interest cost incurred during construction are capitalized. Depreciation of property and equipment is provided using the straight-line method over their expected useful lives. The expected useful lives are as follows:

Leasehold improvements	Shorter of the lease term or their estimated useful lives
Buildings	45 years
Furniture, fixtures and equipment	5-8years
Motor vehicles	8 years

Construction in progress represents leasehold improvements under construction or being installed and is stated at cost. Cost comprises original cost of property and equipment, installation, construction and other direct costs. Construction in progress is transferred to leasehold improvements and depreciation commences when the asset is ready for its intended use.

Expenditures for repairs and maintenance are expensed as incurred. Gain or loss on disposal of property and equipment, if any, is recognized in the consolidated statements of comprehensive loss as the difference between the net sales proceeds and the carrying amount of the underlying asset.

Capitalization of interest

Interest cost incurred on funds used to construct leasehold improvements during the active construction period is capitalized. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for the assets under construction during the period. Total interest expenses incurred were RMB 113,917, RMB 134,092 and RMB 127,377 for the years ended September 30, 2019, 2020 and 2021, respectively, out of which the capitalized amount were RMB19,542, nil and nil, respectively.

Intangible assets, net

On July 22, 2020, the Group entered into a series of asset purchase agreements with Great Alliance Coliving Limited. and its affiliates (“Beautiful House”) to acquire assets, including approximately 72,000 apartment rental contracts with leasehold improvements attached to them, and trademarks of Beautiful House. In addition, the Group also assumed liabilities associated with acquired assets. The Group accounted for the acquisition as an asset acquisition because the Group did not acquire substantive process from Beautiful House.

The total consideration, after deducting the liabilities assumed in the asset acquisition, was allocated to identified apartment rental contracts and trademarks on the basis of their relative fair value. See Note 8.

Purchased intangible assets are mainly comprised of software.

Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Apartment rental contracts	Shorter of the lease term or 8 years
Trademarks	8 years
Software	10 years

Land use rights

Land use rights, which are all located in the PRC, are recorded at cost and amortized on a straight-line basis over the remaining term of the land certificates, which is between 30 to 50 years. Amortization expense of land use rights for the years ended September 30, 2019, 2020 and 2021 amounted to RMB 286, RMB 286 and RMB 286, respectively.

Impairment of long-lived assets

The Group evaluates its long-lived assets and finite lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss equal to the difference between the carrying amount and fair value of these assets.

For the year ended September 30, 2019 and 2020, the Group recognized impairment losses of RMB 46,213 and RMB 846,766 against certain apartments due to the continued underperformance relative to the projected operating results. For the year ended September 30, 2021,

the Group recognized impairment losses of RMB 199,575 against leasehold improvements and furniture, fixtures and equipment used in apartments under capital lease and other financing arrangements. The Group expected it would not receive any cash flow from these property and equipment, as the Group terminated cooperation with the rental service company and no longer received fee income during the year (See Capital lease and other financing arrangement).

Capital lease and other financing arrangement

Leases of leasehold improvements or furniture, fixtures and equipment that transfer to the Group substantially all of the risks and rewards of ownership by the end of the lease term are classified as capital leases. The leasehold improvements and liability are measured initially at an amount equal to the lower of their fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under capital leases are apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

The Group started to cooperate with a rental service company to source and renovate apartments since August 2018. For certain identified newly sourced apartments, the rental service company reimburses the Group for costs incurred for the renovation. The Group then makes payments to the rental service company in instalments equal to the reimbursed renovation costs plus interest and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to the Group. The Group accounts for this arrangement with the rental service company as a capital lease.

As of September 30, 2020, the Group had capital lease payable of RMB 73,430. The leasehold improvements or furniture, fixtures and equipment used in apartments obtained under such capital lease arrangements are with aggregate initial value of RMB 136,146 and carrying value of RMB 50,432 as of September 30, 2020.

Under the same arrangement above, the Group also sells leasehold improvements and furniture, fixtures and equipment of certain existing apartments to the rental service company at carrying value and simultaneously leases them back. Such transaction fails sales and lease-back accounting and is accounted for as a financing arrangement. The proceeds received from the rental service company are reported as other financing arrangement payable. As of September 30, 2020, the Group has RMB 371,124 other financing arrangement payable. The underlying leasehold improvements and furniture, fixtures and equipment are with aggregate initial value of RMB374,609 and carrying value of RMB138,764 as of September 30, 2020.

During the year ended September 30, 2021, the Group terminated cooperation with the rental service company, and the Group reclassified the capital lease payable and other financing payable to the account of “Accrued expenses and other current liabilities”. Because the underlying leasehold improvements or furniture, fixtures and equipment used in apartments did not provide future cash flows for the Group, the Group provided full impairment against these leasehold improvements or furniture, fixtures and equipment. As of September 30, 2021, the Group had no outstanding balances of capital lease payable or other financing arrangement payable.

Lease accounting with tenants

The Group sources apartments from landlords and converts them into standardized furnished rooms to lease to tenants seeking affordable residences in China. Revenues are primarily derived from the lease payments from its tenants and are recorded net of tax.

The Group typically enters into 12 to 26-month leases with tenants and a majority of which have a lock-in period of 12 months or longer. The lock-in period represents the term during which termination will result in the forfeiture of deposit, which is typically 1 or 2 months’ rent. The Group determines that the lock-in period is the lease term under ASC 840. Upon termination of leases, the Group returns unused portions of any prepaid rentals to the tenant within a prescribed period of time. Deposit can only be returned for termination after lock-in period. Monthly rent is fixed throughout the lease term and there is no rent-free period or rent escalations during the period. The Group determines all lease arrangements with tenants are operating leases since the benefits and risks incidental to ownership remains with the Group. Revenue is recognized on a straight-line basis starting from the commencement date stated in the lease agreements.

In April 2020, the Group started to modify arrangements with a rental service company (See ***Capital lease and other financing arrangement***) for apartments in certain cities. For some apartments under this arrangement, the Group no longer leases in apartments from the rental service company or enters into new lease-out agreements with tenants. Instead, the Group transferred existing leases with tenants to the rental service company. The rental service company maintains the lease-in agreements with the landlords of the apartments, collects rental from the tenants directly and enters into lease-out agreements with new tenants directly. The Group and a third-party contractor are engaged by the rental service company to manage these apartments. Pursuant to this arrangement, the Group is responsible for supervising the third-party contractor including in its identification of potential tenants and daily operation, and receives fee income equals to the rental income from tenants minus the rental fee to landlords. For each of these apartments, if the rental collected from the tenants is less than the rental paid to the landlords, the Group is required to pay the rental service company this difference. As of September 30, 2020, the Group had transferred 25,375 of its rental units contracted and managed these rental units under this modified arrangement. Referring to ASC 840-10-15-6(a), the Group determines that it leases-in apartments from the rental service company, and leased-out apartment to tenants through the rental service

company, because the Group has the ability and right to operate the apartments while obtaining more than a minor amount of the output of the apartments. The lease term ranged between 12 and 26 months, and a majority of which have a lock-in period of 12 months or longer. Monthly rent with tenants is fixed throughout the lease term and there is no rent-free period or rent escalations during the period. The Group determines all lease arrangements with tenants are operating leases since the benefits and risks incidental to ownership remains with the Group. Revenue is recognized on a straight-line basis starting from the commencement date stated in the lease agreements. As of September 30, 2020, the cost for leasehold improvements and furniture, fixtures and equipment used in apartments were RMB 449,637 and RMB 212,483, respectively, the accumulated depreciation was RMB 146,402 and RMB 49,861, respectively and the impairment losses was RMB 132,972 and RMB 90,312, respectively.

In December 2020 through August 2021, the Group terminated the arrangements with the rental service company. As of September 30, 2021, the Group did not provide supervision services over the third-party contractor and did not receive fee income from the rental service company. Accordingly the Group ceased recognition of lease income upon termination of the arrangements. In the meantime, the Group provided full impairment of RMB 199,575 against underlying leasehold improvements and furniture, fixtures and equipment used in apartments.

Rental incentives

Tenants who prepay rent are entitled to rental discounts. Tenants who prepay rent of at least the first six months of the lease term can enjoy a 5% rental discount, and tenants who prepay at least the first twelve months of lease term rental can enjoy a 10% rental discount (subject to a RMB200 limit per month). Such incentives are only applicable during the lock-in period. The Group considers the rental discounts as a lease incentive and records it as a reduction in revenue on a straight line basis over the lease term. The Group recorded RMB 72,367, RMB 12,921 and RMB 5,695 of rental incentives for the years ended September 30, 2019, 2020 and 2021, respectively.

Rental instalment loan arrangement

In order to encourage tenants to make advance payments, the Group cooperates with various financial institution partners to facilitate rental instalment loans for its tenants, who apply for rental instalment loans directly with these financial institutions. The financial institutions approve or decline the rental instalment loans based on the tenants credit profile, and approval of the rental instalment loans are not guaranteed to the tenants at lease inception. If the loans are approved by the financial institution partners, the proceeds, which represent the total rental payments for the period covered under the lease agreement, are remitted to the Group by way of the tenant's entrustment loan. The proceeds would then be applied to the tenants' rental payments on monthly basis. The Group records the entire prepayment as rental instalment loans. Tenants repay the loan principal in monthly instalments directly to the financial institutions which equals to the monthly rental payment. The Group pays instalment loan interests on behalf of the tenants and recognizes such payments as interest expense in the consolidated statements of comprehensive loss.

The Group also provides guarantee to these financial institutions with respect to the tenants' repayment of the loans. In the event that the tenants default on the repayment or early terminate the lease agreements, the Group must return the remaining prepayments to the financial institutions within a prescribed period of time. Under the rental instalment loan scheme, the Group has full control of the entire instalment loan proceeds and the security deposits collected from the tenants at lease inception are usually sufficient to cover for the delinquent payments from default. As such, the Group determines that guarantee liability to be nil for the years ended September 30, 2019, 2020 and 2021. The Group did not enter into new rental instalment loan arrangements from April 2021.

Impact on cash flows

For rental instalment loans received directly from financial institutions, the Group determines the substance of the arrangement as akin to a debt from its tenants, and as such, this portion was classified as a cash inflow from financing activities within the Group's consolidated statements of cash flows. During the lease term, constructive receipts and disbursements are recognized on a monthly basis by recognizing the repayment of rental instalment loans as a financing cash outflow and the receipt of monthly rental income as an operating cash inflow.

Rental prepayments received directly from tenants were recorded as deferred revenue in the consolidated balance sheets and classified as a cash inflow from operating activities.

Lease accounting with landlords

The Group leases apartments from landlords usually for a period of five to six years which may be extended for an additional three or two years at the discretion of the landlords. Since all the benefits and risks incidental to ownership remains with the landlord, the Group determines that these arrangements are operating leases. The Group typically negotiates a rent-free period of 90-120 days and locks in a fixed rent for the first three years and approximately 5% annual, non-compounding increase for the rest of the lease period. As such, typically all leases with landlords contain rent holidays and fixed escalations of rental payments during the lease term. The Group determines the lease term under ASC 840 to include the years that can be early terminated by the landlords. The Group records total lease expense on a straight-line basis over the lease term and the difference between the straight-line lease expense and cash payments under the lease is recorded as deferred rent on the consolidated balance sheets.

In December 2020 through August 2021, the Group terminated the arrangements with the rental service company. Accordingly the Group early terminated lease agreements with landlords. Upon termination, the deferred rent was accelerated in recognition as a reduction against rental expenses of RMB 100,962.

As of September 30, 2020 and 2021, deferred rent of RMB 2,503 and RMB nil were recorded in accrued expenses and other current liabilities and RMB 212,054 and RMB nil were recorded as long-term deferred rent, respectively.

Rental expense to the landlords recorded in consolidated statements of comprehensive losses were RMB1,003,572, RMB 813,773 and RMB 642,354 for the years ended September 30, 2019, 2020 and 2021, respectively.

Value-added services and others

The Group adopted ASC 606, Revenue from Contracts with Customers (“ASC 606”) on October 1, 2019, using the modified retrospective approach. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The Group has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Group concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of ASC 605 and therefore there was no material changes.

In accordance with ASC 606, revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those products. The Group also evaluates whether it is appropriate to record the gross amount of product sales. When the Group is a principal, that the Group obtains control of the specified goods before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled to in exchange for the specified goods transferred. Revenues are recorded net of value-added taxes.

For the years ended September 30, 2020 and 2021, the Group generated revenues from provision of value-added services. Value-added services and others primarily consist of fees received from the tenants from the Group’s provision of internet connection and utility services as part of the lease agreement.

The service fees from tenants are fixed in the agreements and is collected on a monthly basis. The Group recognized on a monthly basis during the period of the lease term. The service fees are recognized on a gross basis as the Group is the primary obligor in provision of such services and has discretion in establishing transaction prices.

Pre-operation expenses

The Group expenses certain costs incurred in connection with apartment pre-operation activities, mainly including rental expenses and sourcing staff costs incurred before an apartment is ready for lease.

Selling and marketing expenses

Sales and marketing expenses consist primarily of online and offline marketing expenses, promotion expenses, staff costs of sales personnel and other related incidental expenses that are incurred indirectly to attract or retain tenants for the Group. Advertising expenses incurred were RMB39,583, RMB 10,773 and RMB nil for the years end September 30, 2019, 2020 and 2021, respectively.

Research and development expenses

Research and development expenses include payroll expenses, employee benefits, and other headcount-related expenses associated with platform development and big data analysis to support the Group’s business operations.

Employee benefit expenses

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to various government statutory employee benefit plans, including medical insurance, maternity insurance, workplace injury insurance, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to make contributions to the plan and accrues for these benefits based on certain percentages of the qualified employees’ salaries. The total expenses the Group incurred for the plan were RMB20,051, RMB 18,283 and RMB 3,383 for the years ended September 30, 2019, 2020 and 2021, respectively.

PRC value-added taxes and related taxes

The Group is subject to value-added taxes at the rate of 6%, 9% and 13%, education surtax and urban maintenance and construction tax, on the services provided in the PRC. Education surtax and urban maintenance and construction tax are primarily levied based on revenue at applicable rates and are recorded as a reduction of revenues.

Income taxes

Current income taxes are provided on the basis of profit before income tax for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. The Group follows the asset and liability method of accounting for income taxes.

Deferred income taxes are provided using assets and liabilities method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Deferred tax assets are recognized to the extent that these assets are more likely than not to be realized. In making such determination, the management considers all positive and negative evidence, including future reversals of projected future taxable income and results of recent operation.

In order to assess uncertain tax positions, the Group applies a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheet and under other expenses in its consolidated statement of comprehensive loss. As of September 30, 2020 and 2021, the Group did not have any significant unrecognized uncertain tax positions.

Treasury shares

The Group accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury shares account on the consolidated balance sheets. At retirement of the treasury shares, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital (up to the amount credited to the additional paid-in capital upon original issuance of the shares) and retained earnings. For the year ended September 30, 2020, the Group repurchased 77,250,000 ordinary shares from certain major investors in the IPO, through cash payment of RMB 248,859 and issuance of convertible notes of RMB 49,251 (equivalent to \$7,232). For the year ended September 30, 2021, the Group issued 77,250,000 treasury shares as debt extinguishment costs, to one creditor who made loans to the Group.

For the year ended September 30, 2021, the Group issued 77,100,000 treasury shares and repurchase the same amount of treasury shares which were used as a pledge with SHRB.

As of September 30, 2020 and 2021, the Group had treasury shares account of 77,250,000 and 77,100,000 ordinary shares with total balance of RMB 298,110 and RMB 5.

Foreign currency translation

The reporting currency of the Group is the Renminbi (“RMB”). The functional currency of the Group’s entities incorporated in Cayman Islands, the United States and Hong Kong is the United States dollar (“US dollar”) and the functional currency of the Group’s PRC subsidiaries is RMB. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into the functional currency at the applicable rates of exchange prevailing on the day transactions occurred. Transaction gains and losses are recognized in the consolidated statements of comprehensive loss.

The financial statements of the Group’s non PRC entities are translated from their respective functional currency into RMB. Assets and liabilities are translated into RMB at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive loss in the consolidated statements of comprehensive loss.

The financial records of the Group’s subsidiaries are maintained in local currencies, which are the functional currencies.

Convenience translation

The Group's business is primarily conducted in the PRC and all of the revenues are denominated in RMB. The financial statements of the Group are stated in RMB. Translations of balances in the consolidated balance sheet, and the related consolidated statements of comprehensive loss, shareholders' equity and cash flows from RMB into US dollars as of and for the year ended September 30, 2021 are solely for the convenience of the readers and were calculated at the rate of USD1.00=RMB 6.4434, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on September 30, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into USD at that rate on September 30, 2021, or at any other rate.

Concentration of credit risk

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash and, account receivables and amounts due from related parties.

All of the Group's cash and cash equivalents and restricted cash are held with financial institutions that Group management believes to be high credit quality. The Group conducts credit evaluations on its tenants and generally require deposits from tenants as collateral. The Group periodically evaluates the creditworthiness of the existing tenants in determining an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

Other risks

The Group's business, financial condition and results of operations may also be negatively impacted by risks related to natural disasters, extreme weather conditions, health epidemics and other catastrophic incidents, which could significantly disrupt the Group's operations.

Coronavirus ("COVID-19") Impact

The Group's operations have been affected by the outbreak and spread of the coronavirus disease 2019(COVID-19), which in March 2020, was declared a pandemic by the World Health Organization. The COVID-19 outbreak is causing lockdowns, travel restrictions, and closures of businesses. The Group's businesses have been negatively impacted by the COVID-19 coronavirus outbreak to a certain extent.

Due to the outbreak of COVID-19, in early February 2020, the Chinese government required the nationwide closure of many business activities in the PRC to prevent the spread of COVID-19 and protect public health. During this period, the Group adopted a defensive strategy after a prudent assessment of the broader macroeconomic downturn by consolidating internal resources, further improving operating efficiencies and focusing on asset quality improvement rather than aggressive expansion. During the year ended September 30, 2020 and 2021, the average month-end occupancy rate and the rental spread margin before discount for rental prepayments decreased as compared to fiscal year 2019 mainly due to the impact of COVID-19.

As of the filing date of the consolidated financial statements, the spread of COVID-19 in China appears to have slowed down and most provinces and cities have resumed business activities under the guidance and support of the local government. However, based on the assessment of current economic environment, customer demand and revenue trend, and the negative impact from COVID-19 outbreak and spread, it appears that the Group's revenue and operating cash flows may continue to underperform in the next 12 months. Further, a resurgence could further negatively affect both major business segments and impair their ability to regain pre-covid operating levels. As such, the future impact of COVID-19 is still highly uncertain and cannot be predicted as of the financial statement reporting date.

Fair value

The Group defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs may be used to measure fair value include:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Group's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, amounts due from related parties, accounts payable, amounts due to related parties, short-term debt, rental instalment loans, deposits from tenants, other current liabilities, long-term debt, and convertible note.

The following table summarizes the fair value of the Group's financial liabilities that are accounted for at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30, 2020 and 2021:

	Description	Fair Value as of September 30 RMB	Fair Value Measurements at Reporting Date Using			
			Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB	Total Gain for the Year Ended September 30, RMB
As of September 30, 2020	Contingent earn-out liabilities	—	—	—	—	97,417
As of September 30, 2021	Contingent liabilities for payable for asset acquisition	164,254	164,254	—	—	—

The Group recorded a gain from fair value change of contingent earn-out liabilities of RMB 97,417 for the year ended September 30, 2020. The gain from fair value change of contingent earn-out liabilities mainly relates to our contingent earn-out liabilities to series C, C-1 and C-2 preferred shareholders, which were waived in FY 2020 upon the completion of our initial public offering.

The fair value of contingent liabilities for payable for asset acquisition was referred to the market share price of the Group and the liabilities are classified in Level 1 of the valuation hierarchy. See Note 8 for contingent liabilities for payable for asset acquisition.

The Group determines the fair value with the help from third party professional valuation specialists, and the assumptions used in estimating fair value require significant judgment. The use of different assumptions and judgments could result in a materially different estimate of fair value. Key inputs in determining the fair value of the contingent earn-out liabilities include assumptions such as operating income, operating cost, number of new apartments acquired, probabilities of qualified IPO, etc., and changes in these assumptions would affect the number and value of future additional shares to be issued. Contingent earn-out liabilities are classified in Level 3 of the valuation hierarchy.

The following table presents the Group's assets measured at fair value on a non-recurring basis for the years ended September 30, 2019, 2020 and 2021:

Years Ended September 30,	Description	Fair Value as of September 30 RMB	Fair Value Measurements at Reporting Date Using			
			Quoted Prices in Active Markets for Identical Assets (Level 1) RMB	Significant Other Observable Inputs (Level 2) RMB	Significant Unobservable Inputs (Level 3) RMB	Total Loss for the Year Ended September 30, RMB
2019	Property and equipment	124,993	—	—	124,993	46,213
2020		93,635	—	—	93,635	313,354
2021		—	—	—	—	199,575
2020	Apartment rental agreements	134,452	—	—	134,452	425,341
2021		75,883	—	—	75,883	—
2020	Trademarks	86,900	—	—	86,900	108,071
2021		76,038	—	—	76,038	—

The property and equipment subject to impairment test represented leasehold improvements, and furniture, fixtures and equipment used in apartments. Fair value of the property and equipment was determined by the Group based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including projected rooms' revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results. As a result, the Group has determined that the majority of the inputs used to value its property and equipment are unobservable inputs that fall within Level 3 of the fair value hierarchy. The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement, which were 4% and 10% for the year ended September 30, 2019, and 3% and 11% for the year ended September 30, 2020, respectively. As of September 30, 2021, these property and equipment no longer generated cash flow for the Group, the Group recognizes full allowance against the property and equipment.

As a result of reduced expectations of future cash flows from certain leased apartments, the Group determined that the property and equipment was not fully recoverable and consequently recorded impairment charges of RMB46,213, RMB 313,354 and RMB 199,575 for the years ended September 30, 2019, 2020 and 2021, respectively.

The Group acquired from Great Alliance Coliving Limited. and its affiliates (“Beautiful House”) certain assets, including approximately 72,000 apartment rental contracts and leasehold improvements attached to the apartments, and trademarks of Beautiful House. The Group determined the estimated fair values using Level 3 inputs after review and consideration of relevant information, which are unobservable inputs that fall within Level 3 of the fair value hierarchy.

- The apartment rental agreements with both landlords and tenants were valued using the multiperiod excess earnings method, which incorporated certain assumptions including projected rooms’ revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results. The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement, which were negative 12.5% and 19% for the year ended September 30, 2020, and
- the trademarks were valued using the relief from royalty method, which incorporated certain assumptions including projected revenues contributed by trademarks, royalty savings and projected trends of operating results. The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement, which were negative 10% and 19% for the year ended September 30, 2020.

As a result of reduced expectations of future cash flows from certain leased apartments, the Group determined that neither apartment rental contracts nor trademarks were fully recoverable and consequently recorded impairment charges of RMB425,341 and RMB 108,071, respectively, for the year ended September 30, 2020.

As of September 30, 2021, the Group reviewed the fair value of the apartment rental agreements and trademarks based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including projected rooms’ revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results. As a result, the Group has determined that the majority of the inputs used to value its apartment rental agreements and trademarks are unobservable inputs that fall within Level 3 of the fair value hierarchy. The revenue growth rate and the discount rate were the significant unobservable inputs used in the fair value measurement. The revenue growth rate for apartment rental agreements was 3%, as a result of increase of unit rental fee by 3%, and the discount rate was 11% for the year ended September 30, 2021, which met the profit projection target. The revenue growth rate and discount rate for trademarks were negative 8% and 11 %. Because the fair value was higher than the carrying amount of the apartment rental agreements and trademarks, the Group did not recognize impairment against these intangible assets for the year ended September 30, 2021.

The financial instruments primarily including cash and cash equivalents, restricted cash, account receivables, amounts due from related parties, account payables, amounts due to related parties, short-term debt, rental instalment loans, deposits from tenants, other liabilities, are carried at cost which approximates their fair value due to the short-term nature of these instruments. The convertible note and long-term debt approximates their fair values, because the bearing interest rate approximates market interest rate, and market interest rates have not fluctuated significantly since the commencement of loan contracts signed.

Share-based compensation

The Group recognizes share-based compensation in the consolidated statements of comprehensive loss based on the fair value of equity awards on the date of the grant, with compensation expenses recognized over the period in which the grantee is required to provide service to the Group in exchange for the equity award. Vesting of certain equity awards are based on the completion of initial public offering (“IPO”) and has a continued employment provision for a period of time following the grant date. The share-based compensation expenses have been categorized as either general and administrative expenses, research and development expenses or selling and marketing expenses, depending on the job functions of the grantees. For the years ended September 30, 2019, 2020 and 2021, the Group recognized share-based compensation expenses of RMB 8,173, RMB 16,045 and RMB 15,806, respectively, in the consolidated statements of comprehensive loss.

Losses per share

Basic losses per share are computed by dividing net loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period.

The Group’s preferred shares are participating securities as the preferred shares participate in undistributed earnings on an as-if-converted basis. Accordingly, the Group uses the two-class method of computing earnings per share. For the years ended September 30, 2019, 2020 and 2021, two-class method was not applicable as the Group had a net loss while the preferred shares do not have contractual obligations to share in the losses of the Group.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Potential ordinary shares, including preferred shares, convertible notes, share options and warrants are excluded from the computation in income periods should their effects be anti-dilutive. The Group had convertible redeemable and non-redeemable preferred shares, share options, convertible notes and warrants, which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted loss per share, the effect of the convertible redeemable and non-redeemable preferred shares, share options and warrants is computed using the two-class method or the as-if converted method, whichever is more dilutive.

Segment reporting

The Group uses management approach to determine operation segment. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker ("CODM") for making decisions, allocation of resource and assessing performance.

The Group's CODM has been identified as the Chief Executive Officer who reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group. The Group operates and manages its business as a single operating segment.

The Group's long-lived assets are all located in the PRC and all of the Group's revenues are derived from within the PRC. Therefore, no geographical segments are presented.

Asset acquisition

Referring to FASB ASC Topic 805-10-55-5, the Group applied two steps (including step 1, screen test and step 2, evaluation of process and input) in evaluating whether the acquisition is an asset acquisition or a business combination.

The Group measures and recognizes asset acquisitions that are not deemed to be business combinations based on the cost to acquire the assets, which includes transaction costs. Goodwill is not recognized in asset acquisitions, any excess consideration transferred over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets.

Recent accounting pronouncements

In February 2016, the FASB issued ASU2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including final periods within those fiscal years. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In July 2018, the FASB issued ASU No. 2018-10 Codification Improvements to Topic 842, Leases and ASU No. 2018-11, Leases (Topic 842), Targeted Improvements. ASU No. 2018-10 affects narrow aspects of the guidance issued in the amendments in Update 2016-02 and ASU No. 2018-11 allows for an additional optional transition method where comparative periods presented in the financial statements in the period of adoption will not be restated and instead, companies will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In November 2019, the FASB issued ASU2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. ASU2019-10 amends the effective dates for ASU2016-02. The Group is an EGC and expects to adopt ASU2016-02 utilizing the optional transition approach allowed under ASU2018-11 and apply the package of practical expedients beginning October 1, 2022. The Group expects material changes to its consolidated balance sheet to recognize right-of-use lease assets and related lease liabilities for operating leases. The Group is in the process of evaluating the impact on its consolidated financial statements upon adoption.

In June 2016, the FASB issued ASU2016-13, Credit Losses, Measurement of Credit Losses on Financial Instruments. This ASU provides more useful information about expected credit losses to financial statement users and changes how entities will measure credit losses on financial instruments and timing of when such losses should be recognized. This ASU is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. The updates should be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). ASU2019-10 amends the effective dates for ASU2016-13. The Group is an EGC and has elected to adopt the new standard as of the effective date applicable to non-issuers and will implement the new standard on October 1, 2023. The Group is in the process of evaluating the impact on its consolidated financial statements upon adoption.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes. ASU2019-12 is intended to simplify accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, which is 2022 fiscal year for the Group, with early adoption permitted. The Group does not expect adoption of the new guidance to have a significant impact on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU also removes certain settlement conditions that are required for equity-linked contracts to qualify for scope exception, and it simplifies the diluted earnings per share calculation in certain areas. The Group continues to evaluate the impact of ASU 2020-06 on its financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Group's financial statements.

3. OTHER CURRENT ASSETS

	As of September 30,	
	2020	2021
Receivable from sales of buildings under construction (1)	—	100,300
Due from a rental service company (2)	52,410	—
Deductible input value added tax (3)	35,660	—
Due from a service provider (4)	9,501	23,326
Deposit for share settlement (5)	—	19,279
Others	4,232	438
	101,803	143,343

- (1) During the year ended September 30, 2021, the Group sold buildings under construction (See *Note 4, Property and equipment, net*) through judicial sale for the proceeds of RMB 100,300. As of September 30, 2021, the buyer has made cash consideration to the Court, which will allocate the proceeds to the Group's creditors. As of the date of this report, the Court has completed the allocation.
- (2) As of September 30, 2020, the balance due from a rental service company represented the reimbursement renovation costs due from the rental service company. The Group cooperated with the rental service company to source and renovate apartments since August 2018. For certain identified newly sourced apartments, the rental service company reimburses the Group for costs incurred for the renovation. The Group then makes payments to the rental service company in instalments equal to the reimbursed renovation costs plus interest and tax over a period of five years. During the year ended September 30, 2021, the Group terminated cooperation with the rental service company. Accordingly, the Group wrote off the outstanding balance of RMB 41,074, and net off the remaining balance due from the rental service company against instalment payable due to the rental service company. As of September 30, 2021, the Group had no balance due from the rental service company.
- (3) Because the Group made continuous loss over the past years, the Group assessed the input value added tax cannot be recovered. During the year ended September 30, 2021, the Group full impaired the balance of deductible input value added tax of RMB 76,531.
- (4) Upon asset acquisition with Beautiful House (Note 8), the Group engaged a third party service provider to provide apartment operation services to the Group. To support the operation services, the Group made interest free loans to the service provider and the loans are repayable on demand.
- (5) Upon settle payables due to Beautiful House arising from asset acquisition (Note 8), the Group paid a deposit of RMB 19,279 to Beautiful House, which is expected to get repaid upon share settlement.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of September 30,	
	2020	2021
Cost:		
Buildings	40,167	40,167
Leasehold improvements	230,473	-
Furniture, fixtures and equipment used in apartments	108,914	-
Vehicle	3,043	3,043
Office furniture, fixtures and equipment	20,504	20,456
	403,101	63,666
Construction in progress	73,054	—
Less: Accumulated depreciation	(118,133)	(24,726)
	358,022	38,940

In December 2019, the Group acquired from a third party certain rental assets with fair value of RMB 22,540. The consideration was 7,662,060 shares of the Group's Class A ordinary shares. As of September 30, 2021, the share consideration was paid and was in the account of "additional paid-in capital".

During the year ended September 30, 2021, the Group sold the buildings under construction in progress through judicial sales for proceeds of RMB 100,300. The Court assisted the Group to sell the building under construction and collected the proceeds on behalf of the Group. As of September 30, 2021, the Court has not allocated the proceeds to creditors and the Group recorded the proceeds as "Receivable from sales of buildings under construction" in other current assets (See Note 3, Other current assets).

Upon the Group terminated cooperation with a rental service company during April 2021 through August 2021, the Group expected it would not receive any cash flow from leasehold improvements and furniture, fixtures and equipment used in apartments under capital lease and other financing arrangements (See Note 2 – Summary of Principal Accounting Policies - Capital lease and other financing arrangement). Accordingly, the Group accrued full impairment against leasehold improvements and furniture, fixtures and equipment used in apartments.

Depreciation expenses were RMB214,192, RMB187,092 and RMB 20,039 for the years ended September 30, 2019, 2020 and 2021, respectively. Impairment loss against property and equipment were RMB 46,213, RMB 313,354 and RMB 199,575 for the years ended September 30, 2019, 2020 and 2021, respectively.

For the years ended September 30, 2020 and 2021, the Group disposed of certain property and equipment, including leasehold improvements, furniture, fixtures and equipment used in apartments, and office furniture, fixtures and equipment, at no consideration. On the disposal date, the disposed property and equipment were comprised of the following. In September 30, 2021, the Group sold buildings under construction with original cost of RMB 81,431 through judicial sale for the proceeds of RMB 100,300. For the years ended September 30, 2020 and 2021, the Group recognized net loss from disposal from property and equipment of RMB 454,224 and RMB 19,448, respectively.

	As of September 30,	
	2020	2021
Cost:		
Leasehold improvements	620,354	45,548
Furniture, fixtures and equipment used in apartments	253,205	22,830
Office furniture, fixtures and equipment	500	50
	874,059	68,428
Less: Accumulated depreciation	(419,835)	(42,012)
	454,224	26,416

5. INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following:

	As of September 30,	
	2020	2021
Cost:		
Apartment rental contracts	134,452	112,849
Trademarks	86,900	86,900
Software	2,275	2,275
	223,627	202,024
Less: Accumulated amortization	(1,504)	(49,560)
	222,123	152,464

Amortization expenses were RMB 178, RMB 75,660 and RMB 58,934 for the years ended September 30, 2019, 2020 and 2021, respectively. Impairment loss against intangible assets were RMB nil, RMB 533,412 and RMB nil for the years ended September 30, 2019, 2020 and 2021, respectively.

For the years ended September 30, 2020 and 2021, the Group disposed of certain apartment rental contracts with net book value of RMB 14,756 and RMB 10,725, respectively, at no consideration. For the years ended September 30, 2020 and 2021, the Group recognized loss from disposal of intangible assets of RMB 14,756 and RMB 10,725, respectively.

The following table sets forth the Group's amortization expenses for the five years since September 30, 2021:

	Amortization expenses
Year ending September 30, 2022	42,804
Year ending September 30, 2023	33,608
Year ending September 30, 2024	22,982
Year ending September 30, 2025	15,600
Year ending September 30, 2026 and thereafter	37,470
	152,464

6. DEBT

The short-term and long-term debt as of September 30, 2020 and 2021 were as follows:

	As of September 30,	
	2020	2021
Short-term debt:		
Short-term bank borrowings (1)	176,752	116,376
Long-term bank borrowings, current portion (1)	159,721	219,121
Capital lease and other financing arrangement payable, current portion (2)	201,835	—
Other short-term payable (3)	223,828	223,208
	762,136	558,705
Long-term debt:		
Long-term bank borrowings, non-current portion (1)	196,682	175,534
Capital lease and other financing arrangement payable, non-current portion (2)	242,719	-
Other long term payable (3)	25,519	25,507
	464,920	201,041
	1,227,056	759,746

(1) Bank borrowings

On December 17, 2020, the Group entered into a 18-month borrowing agreement with Zhejiang MY Bank (the "MY Bank") under which the Group borrowed RMB 26,652. The borrowing is used to repay the rental instalment loans for the lessees. The interest rate is 8.5% per annum. Pursuant to the borrowing agreement, the Group is obliged to make monthly repayment of RMB 400 and interest expenses for the first six months and RMB 2,224 and interest expenses of the remaining twelve months. As of September 30, 2021, the Group had outstanding borrowings of RMB 24,652 due to MY Bank.

On September 26, 2016, the Group entered into a three-year bank credit facility with Shanghai Huarui Bank (the "SHRB") under which the Group can draw-down up to RMB 300,000 by September 26, 2019. The interest rate for this credit facility was determined on the draw-down date. The credit facility is collateralized by future cash flows generated by rental service revenue of certain rental units of the Group. The three-year revolving bank credit facility matured in September 2019.

In July and November 2020, SHRB extended due date of borrowing for the principal of RMB 27,000 to January through March of 2022, and due date of borrowing for the principal of RMB 132,000 to March 2023. In December 2020, the Group borrowed two new bank borrowing from SHRB with principal of RMB 25,929 and RMB 9,000, respectively. Both loans bear interest rate of 7.5% per annum and are due in December 2022. These two loans were guaranteed by Suzhou Qingke, collateralize by Suzhou Qinke and Qingke Public Rental, pledged by the accounts receivables guarantee of Suzhou Qingke, Qingke Public Rental and Hangzhou Qingke Residential Management Co., Ltd., and pledged by 77,100,000 treasury shares. The Group used the bank borrowings to repay the outstanding bank borrowings. As of September 30, 2021, the Group had an outstanding balance of RMB 193,929, of which RMB 27,000 was subject to an interest rate of 8.75% per annum and remaining balance was subject to an interest rate of 7.5% per annum. The weighted average interest rate for borrowings drawn under such credit facility was 7.5% and 7.9% per annum for the years ended September 30, 2020 and 2021, respectively.

On September 26, 2020, the Group entered into an 18-month bank credit facility with SHRB under which the Group can draw-down up to RMB108,000 by March 26, 2021 to repay the rental instalment loans on behalf of tenants who early terminated the rented apartments ("departed tenants") and for the daily operating expenditures. The interest rate for this credit facility was 8.5% per annum. In April 2021, SHRB renewed the terms under which the Group can draw-down up to RMB91,400 by September 27, 2021 and extended the loan term to September 26, 2022. As of September 30, 2021, the Group has drawn down RMB 90,400, all of which is to be repaid within one year. These

loans were guaranteed by Suzhou Qingke, collateralized by Suzhou Qingke and Qingke Public Rental, and pledged by 77,100,000 treasury shares.

On April 30, 2020, the Group entered into an 18 month bank loan contract with SHRB under which the Group borrowed RMB 50,000 to repay the rental instalment loans on behalf of departed tenants. The rate of the loan was 7.5% per annum. In April 2021, SHRB extended due date of borrowing for the principal of RMB 50,000 to February 2022. Q&K Investment Consulting and Q&K E-commerce provided guarantee on the loans. As of September 30, 2021, the outstanding balance of the borrowing was RMB 50,000, which is to be repaid in February 2022.

On May 28, 2020, the Group entered into an 18-month bank loan contract with SHRB under which the Group borrowed RMB 50,000 to repay the rental instalment loans on behalf of departed tenants. The rate of the loan was 7.5% per annum. In April 2021, SHRB extended due date of borrowing for the principal of RMB 50,000 to February 2022. Q&K Investment Consulting and Q&K E-commerce provided guarantee on the loans. As of September 30, 2021, the outstanding balance of the borrowing was RMB 50,000, which is to be repaid in February 2022.

On June 13, 2017, the Group entered into a 10-year bank loan contract with China Merchants Bank under which the Group borrowed RMB17,210 to purchase buildings for administration office purposes. The loan was collateralized by the buildings purchased under this loan contract. As of September 30, 2021, the net carrying value of the collateralized buildings was RMB 33,626. The weighted average interest rate of the loan was 5.39% per annum for the years ended September 30, 2020 and 2021. As of September 30, 2021, the Group has drawn down RMB 10,326, of which RMB 1,721 is to be repaid within one year, RMB 8,605 to be repaid over one year.

In the first quarter of 2019, the Group obtained a three-year revolving bank credit facility with SHRB under which the Group can draw-down up to RMB2,000,000, of which RMB1,000,000 is for rental instalment loans, by February 2022 with annual interest rate of 7.5%. As of September 30, 2021, excluding the rental instalment loan facility, the Group did not draw down bank borrowings. As of September 30, 2021, the tenants has drawn down rental instalment loans of RMB 3,507, and the Group recorded the amount in the account of “rental instalment loans”.

On June 27, 2019, the Group entered into a six-month bank revolving loan contract with China Construction Bank under which the Group can draw-down up to RMB650,000. The interest rate for this credit facility was determined on the draw-down date and the credit facility required the Group to make a deposit of US\$105,000. The loan was repaid in October 2019.

(2) Capital lease and other financing arrangement payable

Because the underlying leasehold improvements or furniture, fixtures and equipment used in apartments did not provide future cash flows for the Group, the Group provided full impairment against these leasehold improvements or furniture, fixtures and equipment. As of September 30, 2021, the Group had no outstanding balances of capital lease payable or other financing arrangement payable.

(3) Other short and long term payable

Other long term payable mainly represents loans from certain third party entities with no fixed term at an annual interest rate of 5%. Other short term payable mainly represents loans from certain third party entities due within one year at an annual interest rate ranging between 5% and 6%.

For the year ended September 30, 2021, one of the loans from a third party matured and the Group did not repay the principal when due. The Group and the borrower entered into an interest payment agreement, pursuant to which the Group paid 77,250,000 treasury shares to the borrower as interest expenses and extended the loans. Because the interest payment agreement took effective after original borrowing agreement matured, and the original borrowing agreement does not qualify as a trouble debt restructuring under ASC 470-60, such a modification of loan agreement is treated as an extinguishment of original loan agreement. The reacquisition of the loan is referred to the value of the 77,250,000 treasury shares, which was RMB 41,964 and was recorded as a debt extinguishment cost in the consolidated statement of operations.

7. OPERATING COSTS

Operating costs include all direct costs incurred in the operation of the leased properties.

	For the years ended September 30,		
	2019	2020	2021
Rental cost	975,342	813,773	642,354
Depreciation expenses	207,814	256,056	75,332
Personnel cost	23,698	77,392	224,125
Cost for value-added services and others	98,138	56,194	7,843
	1,304,992	1,203,415	949,654

8. ASSET ACQUISITION

On July 22, 2020, the Group entered into a series of asset purchase agreements with Great Alliance Coliving Limited. and its affiliates (“Beautiful House” or the “Sellers”) to acquire assets, including approximately 72,000 apartment rental contracts with leasehold improvements attached to, and trademarks of Beautiful House. In addition, the Group also assumed liabilities of RMB 349,665 associated with acquired assets. The consideration was comprised of cash of \$29,000 (approximately RMB 205,306) and 128,589,392 shares of the Group’s Class A ordinary shares with total value of \$42,673 (approximately RMB 289,733), reflecting discount for lack of marketability. The number of shares to be issued is determined based on the total share consideration amount agreed and average closing price of the Group’s ADS of 90 days prior to the execution of the asset purchase agreements. The shares are payable in three instalments of 30%, 40% and 30% with lockup periods expiring on June 30, 2021, 2022 and 2023, respectively. As of September 30, 2020, the Group made a cash payment of \$5,800 (equivalent of RMB39,498). There were no material direct transaction costs related to the transaction. The remaining cash consideration payable of \$23,200 (equivalent of RMB 165,808) and share consideration of RMB289,733 were recorded in the account of “Payable for asset acquisition” and “additional paid-in capital”, respectively.

The Group accounted for the acquisition as an asset acquisition because the Group did not acquire substantive process from Beautiful House.

On the date of asset acquisition, the Group determined the estimated fair values using Level 3 inputs after review and consideration of relevant information, including contract value of apartment rental agreements and estimates made by management. The apartment rental agreements with both landlords and tenants were valued using the multiperiod excess earnings method and the trademarks were valued using the relief from royalty method. The fair value of apartment rental agreements and trademarks was RMB 289,591 and RMB 86,900, respectively.

The total consideration of RMB 495,039, after deducting the liabilities of RMB 349,665 assumed in the asset acquisition, was allocated to identified assets on the basis of their relative fair value. The allocation is as follows:

	RMB
Apartment rental agreements	649,733
Trademarks	194,971
Liabilities assumed by the Group	(349,665)
	495,039

In May 2021, the Group entered into an agreement to settle the outstanding payables with the Sellers, pursuant to the agreement, the Group delivered 186,375,850 ordinary shares to settle both cash consideration payable and share consideration payable. The Sellers are entitled to trade the ordinary shares in open market. In addition, among the 186,375,850 shares delivered, 57,786,458 ordinary shares will oblige the Group to make up the shortfall if the cash collected by the Sellers are lower than \$0.4014 per share. Additionally, 20,860,749 of the 57,786,458 ordinary shares are redeemable at a per share price of \$0.4015 if the Sellers do not trade in open market.

The 57,786,458 ordinary shares are subject to a make-whole cash-settled provision, and 20,860,749 ordinary shares of which are also subject to redemption. The Group assessed the redemption terms and assessed it is probable that the Group will redeem these ordinary shares. The 57,786,458 ordinary shares fall in the classification of a liability. As of September 30, 2021, the Group recorded the liabilities of RMB 164,254, or \$25,492 in the account of “Contingent liabilities for payable for asset acquisition”.

9. CONVERTIBLE NOTE, NET

The Group has executed a convertible note and warrant purchase agreement dated July 22, 2020 (the “Purchase Agreements”) with one investor which is controlled by one principal shareholder of the Group (Note 15) and one third party investor under which the investors may subscribe at par for up to \$100,000 in aggregate principal amount of the Group’s four-year convertible notes (the “Notes”) and five-year warrants to subscribe to a certain number of the ADSs.

As of September 30, 2021, the Group closed 14 issuances of Notes of \$48,824 (approximately RMB 326,790). The maturity dates of these Notes shall be the fourth anniversary of issuance dates.

Each Note is comprised of two series of notes. Series 1 Note bears interest of 7.5% per annum payable in cash annually and another 7.5% per annum payable in cash on the maturity date. Series 2 Note bears interest of 3.5% per annum payable in cash annually and another 13.5% per annum payable in cash on the maturity date. In the event of a Fundamental Change, as defined in the Purchase Agreement, the interest rate increases to 25% per annum and the holders of the Notes can require the Group to redeem the outstanding principal and interest for cash.

Each of the holders of the Notes at any time on or after the 41st day after the issuance date of the Notes and prior to the maturity date, at its option, may convert in whole but not in part the entire outstanding principal amount and the accrued and unpaid interest into ADSs. The conversion price is as follows:

- (1) \$11.2508 per ADS for the July Notes and \$10.1003 per ADS for September Notes, or

- (2) if the Group completes an ADS offering of at least \$50,000 within eighteen (18) months after the issuance date of this Note, eighty percent (80)% of the issue price per ADS in such offering, such adjusted conversion price shall be effective on the day immediately succeeding the closing date of the ADS offering.

The conversion price is subject to adjustment in the event of a Make Whole Fundamental Change, as defined in the Purchase Agreement.

The Group may at its option, upon the delivery of a mandatory conversion notice to the holders of the Notes (the “Mandatory Conversion Notice”, and such date of delivery, the “Mandatory Conversion Date”), require the holders of the Notes to convert all the outstanding principal amount and all the accrued but unpaid share interest as of the Mandatory Conversion Date into the ADSs, in the event that: (i) the reported sales price of the ADS of the Group is no less than \$22.00 per ADS, subject to adjustment in the event of fundamental change, as defined, for more than sixty (60) consecutive trading days and (ii) the average daily trading volume during such sixty (60) consecutive trading days is more than \$15,000 per trading day.

In addition, the Group issued to the holder of the Notes, warrants to purchase ADSs equal to 4% of the principal balance on the date of issuance and 4%, 6%, 7% and 8% of the principal amount of the Notes outstanding as of such anniversary dates. Each of the warrants expire five years after its respective issue date and has an exercise price equivalent to 110% of the volume weighted average price (“VWAP”) of the ADSs over the 60 trading days preceding the date of issuance of each warrant, subject to certain adjustments upon the occurrence of certain dilutive events.

A summary of warrants activity for the years ended September 30, 2021 and 2021 was as follows:

	Number of shares	Weighted average life	Expiration dates
Balance of warrants outstanding as of September 30, 2019	—		
Grants of Warrants on July 29, 2020	104,871	5 years	July 29, 2025
Grants of Warrants on September 25, 2020	4,696	5 years	September 25, 2025
Balance of warrants outstanding as of September 30, 2020	109,567	4.84 years	
Grants of Warrants on October 14, 2020	4,815	5 years	October 14, 2025
Grants of Warrants on October 20, 2020	13,848	5 years	October 20, 2025
Grants of Warrants on October 29, 2020	15,619	5 years	October 29, 2025
Grants of Warrants on December 15, 2020	28,718	5 years	December 15, 2025
Grants of Warrants on February 25, 2021	23,152	5 years	February 25, 2026
Grants of Warrants on April 7, 2021	15,870	5 years	April 7, 2026
Grants of Warrants on May 18, 2021	8,599	5 years	May 18, 2026
Grants of Warrants on June 21, 2021	13,575	5 years	June 21, 2026
Grants of Warrants on July 13, 2021	37,177	5 years	July 13, 2026
Grants of Warrants on July 30, 2021	8,865	5 years	July 30, 2026
Grants of Warrants on September 8, 2021	6,556	5 years	September 8, 2026
Grants of Warrants on September 30, 2021	6,772	5 years	September 30, 2026
Balance of warrants outstanding as of September 30, 2021	293,133	4.25 years	

The warrants are subject to anti-dilution provisions to reflect stock dividends and splits or other similar transactions, but not as a result of future securities offerings at lower prices.

The convertible notes did not contain beneficial conversion feature. The embedded conversion features, redemption features and acceleration features were not bifurcated from the debt hosts as they were clearly and closely related to the debt hosts. The convertible notes were classified as debt measured at amortized cost. The warrants were cashless settled and were classified as an equity because the warrants were indexed to the Group's own stocks and classified in the shareholders' equity in the consolidated balance sheets.

The proceeds from issuance of the Notes were allocated to the relative fair values of the Notes and warrants. The Group estimated fair value of Notes were RMB 264,082, using discount cash flow model, which took into consideration the term yields ranging between 18.12% and 25.58%. The Group estimated fair value of the warrants issued at RMB 5,369, using the Black-Scholes valuation model, which took into consideration the underlying price of ordinary shares, a risk-free interest rate, expected term and expected volatility. As a result, the valuation of the warrant was categorized as Level 3 in accordance with ASC 820, "Fair Value Measurement". The Group allocated proceeds of RMB 7,176 to the warrants which was recorded as an additional paid-in capital.

The key assumption used in estimates are as follows:

	July 29, 2020	September 25, 2020	October 14, 2020	October 20, 2020	October 29, 2020	December 15, 2020	February 25, 2021	April 7, 2021	May 18, 2021
Terms of warrants	60 months	60 months	60 months	60 months	60 months	60 months	60 months	60 months	60 months
Exercise price	11.4618	10.2214	9.3041	8.6653	7.6830	5.1676	3.5418	3.3271	2.0312
Risk free rate of interest	0.21%	0.21%	0.29%	0.29%	0.29%	0.28%	0.58%	0.61%	0.69%
Dividend yield	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Annualized volatility of underlying stock	40.0%	39.0%	39.0%	39.0%	39.0%	40.0%	41.0%	40.0%	40.0%

	June 21, 2021	July 13, 2021	July 30, 2021	September 8, 2021	September 30, 2021
Terms of warrants	60 months	60 months	60 months	60 months	60 months
Exercise price	2.0312	1.6072	1.6072	1.1944	1.1944
Risk free rate of interest	0.69%	0.52%	0.52%	0.76%	0.76%
Dividend yield	0.00	0.00	0.00	0.00	0.00
Annualized volatility of underlying stock	40.0%	40.0%	40.0%	40.0%	40.0%

The discounts of RMB 7,176 will be amortized as additional interest expense over the terms of Notes. For the years ended September 30, 2020 and 2021, the Group accrued accretion of interest expenses of RMB 214 and RMB 1,988, respectively.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of September 30,	
	2020	2021
Due to a rental service company (1)	182,542	603,884
Tenant deposits	83,682	102,355
Payable to a constructor for leasehold improvements	53,623	62,498
Other tax payable	51,832	67,491
Interest payable	13,435	106,439
Deferred rent	2,503	—
Accrued utilities	22,513	25,503
Operation service payable	6,602	35,514
Accrued payroll and welfare	10,451	4,471
Others	16,235	16,727
	443,418	1,024,882

- (1) As of September 30, 2020, the balance of due to a rental service company primarily represented the rental deposits and prepaid rental fee collected from tenants. The rental deposits and prepaid rental fee belonged to the rental service company, for which the Group provided apartment operation services since April 2020.

The Group started to cooperate with a rental service company to source and renovate apartments since August 2018. For certain identified newly sourced apartments, the rental service company reimburses the Group for costs incurred for the renovation. The Group then makes payments to the rental service company in instalments equal to the reimbursed renovation costs plus interest and tax over a period of five years. At the end of the five-year period, the ownership of the renovation will be transferred to the Group. The Group accounts for this arrangement with the rental service company as a capital lease.

During the year ended September 30, 2021, the Group terminated cooperation with the rental service company, and the Group reclassified the capital lease payable and other financing payable of RMB 472,662 to the account of “Accrued expenses and other current liabilities”.

11. SHARE BASED COMPENSATION

The Group utilized Yijia Inc., a company controlled by the Founder as a vehicle to hold shares that will be used to provide incentives and rewards to employees and executives who contribute to the success of the Group’s operations. According to the Group’s board resolutions, in July 2017 and March 2018, 86 million shares were reserved to Yijia Inc. Yijia Inc. has no activities other than administrating the incentive program and does not have any employees. On behalf of the Group and subject to approvals from the board or directors, the Founder has the authority to select eligible participants to whom equity awards will be granted; determine the number of shares covered; and establish the terms, conditions and provision of such awards. The board resolutions allow the grantees to hold options to purchase from the Yijia Inc. the equity shares of the Group.

All the share information disclosed in this section refers to the shares of the Group the grantees are entitled through Yijia Inc. shares. The related expenses are reflected in the Group’s consolidated financial statements as share-based compensation expenses with an offset to additional paid-in capital. Given the shares owned by Yijia Inc. for the purpose of the incentive program are existing and outstanding shares of the Group, the options do not have any dilution effect on the loss per share (see Note 12).

Stock Option A

On August 31, 2014, April 21, 2016, October 17, 2016 and October 18, 2016, the Group granted an aggregate number of 26.86 million share options to certain management, employees and non-employees of the Group. Under the plan, the exercise price was US\$0.31 (RMB2.00) per share and vests 50% on the first and second anniversary after the IPO date. All grantees were restricted from transferring more than 25% of their total exercised ordinary shares each year after the exercise date. Given the vesting was contingent on the IPO and vested on the first and second anniversary after the IPO date, no share-based compensation expense is recognized until the date of IPO. For the year ended September 30, 2021, no share options were vested or exercised. As of September 30, 2020 and 2021, the number of outstanding options is 10,600,000 and 10,250,000, respectively, which was equal to the number of option expected to be vested. Because the exercise price is out of money, the weighted average intrinsic value of the outstanding options and the options expected to vest was RMB nil.

Stock Option B

On July 31, 2017, the Group granted 43.14 million share options to management and employees of the Group. The options vested immediately upon the grant date and the exercise price were US\$0.31 (RMB2.00) per share. All grantees were restricted from transferring its exercised ordinary shares during certain periods subsequent to the IPO date (the “lock-up period”). If the grantee resigned from the Group before the IPO or during the lock-up period, the Group has the right to repurchase the share options or ordinary shares at the exercise price. The Group believes that the repurchase feature is effectively to require the employee to remain throughout the requisite period in order to receive any economic benefit from the award. As such, the repurchase feature functions as a vesting condition that is contingent on the IPO, no share-based compensation expense is recognized until the date of IPO. As of September 30, 2020 and 2021, the Group had 31,150,000 and 23,950,000 share options outstanding, vested and exercisable. Because the exercise price is out of money, the weighted average intrinsic value of these share options were RMB nil.

Binomial options pricing model was applied in determining the estimated fair value of the options granted. The model requires the input of highly subjective assumptions including the estimated expected stock price volatility and, the exercise multiple for which employees are likely to exercise share options. The estimated fair value of the ordinary shares, at the option grants, was determined with assistance from an independent third party valuation firm. The Group’s management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The following table presents the assumptions used to estimate the fair values of the share options granted in the years presented:

	April 2016		October 2016		July 2017	
Risk-free rate of return	3.18%		3.18%		3.21%	
Contractual life of option	10 years		10 years		8.4 years	
Estimated volatility rate	37%		37%		35%	
Expected dividend yield	0%		0%		0%	
Fair value of underlying ordinary shares	US \$	0.03	US \$	0.04	US \$	0.05

A summary of option activity during the year ended September 30, 2021 is presented below:

	Number of Options	Exercise Price RMB	Remaining Contractual Life
Outstanding, as of September 30, 2020	41,750,000	2	6.10
Granted	—	—	—
Exercised	—	—	—
Forfeited	(7,550,000)	2	6.10
Outstanding, as of September 30, 2021	34,200,000	2	4.96
Vested or expected to vest as of September 30, 2021	34,200,000	2	4.96

The Group recognized the compensation cost for the stock options on a straight line basis over the requisite service periods.

Given the vesting was contingent on the IPO, no share-based compensation expense is recognized until the date of the IPO. For the years ended September 30, 2019, 2020 and 2021, the Group recorded compensation expenses of RMB nil, RMB 16,045 and RMB 1,236 in connection with the above stock options.

Restricted shares

In March 2021, the Group issued 25,000,000 restricted share units (“RSU”) to a consulting company for the service provided. All of the RSU were vested immediately upon grant. The Group recorded RSU at the measurement date fair value per share of US\$0.09 by reference to the share price in the open market on grant date.

In 2017, the Group issued 15.99 million RSU to a consulting company, of which 5.2 million RSU vested immediately upon grant, and the Group has the right to repurchase the remaining 10.79 million RSU anytime at its discretion with nominal price before certain dates (“repurchase rights”). The Group determined RSU with repurchase rights are not considered issued until the expiration of such rights. At each of the expiration dates, the corresponding RSU are considered issued and vested immediately, and a measurement date has been reached. Under such arrangement, the Group recorded 2.6 million, 2.6 million, 2.8 million, 2.8 million and 2.6 million RSU at the measurement date fair value per share of US\$0.05, US\$0.06, US\$0.10, US\$0.20 and US\$0.25 on March 16, 2017, November 12, 2017, April 1, 2018, December 1, 2018 and April 1, 2019, respectively. In July 2019, the Group repurchased total 5.19 million RSUs.

For the years ended September 30, 2019, 2020 and 2021, the Group recorded compensation expenses of RMB 8,173, RMB nil and RMB 14,570 in connection with the above stock options.

For the years ended September 30, 2019, 2020 and 2021, the total compensation expenses were comprised of the following:

	For the years ended September 30,		
	2019	2020	2021
Selling and marketing expenses	—	83	7
General and administrative expenses	8,173	15,596	15,991
Research and development expenses	—	366	(192)
	8,173	16,045	15,806

12. LOSS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the years indicated:

	For the years ended September 30,		
	2019	2020	2021
Numerator:			
Net loss attributable to Q&K International Group Limited	(498,242)	(1,533,592)	(569,174)
Deemed dividend	(307,389)	—	—
Net loss attributable to ordinary shareholders—basic and diluted	(805,631)	(1,533,592)	(569,174)
Denominator:			
Weighted average ordinary shares outstanding—basic and diluted	430,450,490	1,351,127,462	1,460,692,909
Net loss per share—basic and diluted	(1.87)	(1.14)	(0.39)

For the years ended September 30, 2019, 2020 and 2021, potential ordinary shares from assumed conversion of 912,410,360, 0 and 0 preferred shares and 0, 2,789,720 and 7,452,445 convertible notes as well as 68,220,000, 41,750,000 and 34,200,000 options and 0, 109,567 and 293,133 warrants to purchase the Group's ordinary shares have not been reflected in the calculation of diluted net loss per share as their inclusion would have been anti-dilutive.

13. INCOME TAXES

Cayman Islands

Under the current laws of the Cayman Islands, the Group, Q&K International Group Limited is not subject to tax on income or capital gain.

BVI Islands

Under the current laws of the British Virgin Islands ("BVI"), the Group, QK365.com Inc. incorporated in BVI is not subject to tax on income or capital gain.

Hong Kong

QingKe (China) Limited is subject to Hong Kong profit tax. The applicable tax rate for the first Hong Kong dollar ("HKD\$") \$2,000 of assessable profits is 8.25% and assessable profits above HKD\$2,000 will continue to be subject to the rate of 16.5% for corporations in Hong Kong, effective from the year of assessment 2018/2019. No Hong Kong profit tax has been provided as the Group has not had assessable profit that was earned in or derived from Hong Kong during the years presented.

United States of America

The Group's subsidiary in the U.S. is registered in the state of Delaware and is subject to a flat U.S. federal corporate income tax rate of 21%.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), which was effective from January 1, 2008, domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%.

Tax expense is comprised of the following:

	For the years ended September 30,		
	2019	2020	2021
Current tax	63	13	31
Deferred tax	—	—	—
	63	13	31

A reconciliation between the effective income tax rate and the PRC statutory income tax rate are as follows:

	For the years ended September 30,		
	2019	2020	2021
PRC statutory tax rate	25%	25%	25.0%
Effect of different tax rates of group entities operating in other jurisdictions and preferential tax rates of group entities	—	0.5%	(5.0)%
Tax effect of other expenses that are not deductible in determining taxable profit	(2.4)%	—	(0.9)%
Effect of share-based compensation	—	(0.3)%	(0.7)%
Tax effect of loss on disposal of long-term assets	—	(7.6)%	(2.0)%
Effect of change in valuation allowance	(22.6)%	(17.6)%	(16.4)%
	(0.0)%	(0.0)%	(0.0)%

The principal components of the Group's deferred income tax assets as of September 30, 2020 and 2021 are as follows:

	As of September 30,	
	2020	2021
Deferred tax assets:		
Net losses carry forwards	268,477	215,193
Impairment loss on long-term assets	263,774	313,668
Allowance of doubtful accounts	—	37,668
Other accrued expenses	21,322	22,746
Deferred rent	53,757	—
Advertising expenses	12,592	12,592
Valuation allowance	(619,922)	(601,867)
	—	—

Movement of the valuation allowance is as follows:

Balance as of September 30, 2018	233,191
Addition	105,773
Write off	—
Balance as of September 30, 2019	338,964
Addition	280,958
Write off	—
Balance as of September 30, 2020	619,922
Addition	94,809
Write off	(112,864)
Balance as of September 30, 2021	601,867

The write down of the valuation allowance is related to a reduction of the deferred tax asset for net operating losses to the realizable amount based on prior tax filings

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Group's experience with tax attributes expiring unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more likely than not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law.

As of September 30, 2021, the Group had tax loss carryforwards of RMB 860,268 which will expire between 2022 and 2026 if not used.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of income taxes is due to computational errors made by the taxpayer. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined, but an underpayment of income tax liability exceeding RMB100 is specifically listed as a special circumstance. In the case of a transfer pricing related adjustment, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The Group's PRC subsidiaries are therefore subject to examination by the PRC tax authorities from 2017 through 2021 on non-transfer pricing matters, and from 2011 through 2021 on transfer pricing matters.

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises (“FIEs”) earned after January 1, 2008, are subject to a 10% withholding income tax. In addition, under tax treaty between the PRC and Hong Kong, if the foreign investor is incorporated in Hong Kong and qualifies as the beneficial owner, the applicable withholding tax rate is reduced to 5%, if the investor holds at least 25% in the FIE, or 10%, if the investor holds less than 25% in the FIE. A deferred tax liability should be recognized for the undistributed profits of PRC subsidiaries unless the Group has sufficient evidence to demonstrate that the undistributed dividends will be reinvested and the remittance of the dividends will be postponed indefinitely. The Group plans to indefinitely reinvest undistributed profits earned from its China subsidiaries in its operations in the PRC. Therefore, no withholding income taxes for undistributed profits of the Group’s subsidiaries have been provided as of September 30, 2020 and 2021.

Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Group completed its feasibility analysis on a method, which the Group will ultimately execute if necessary to repatriate the undistributed earnings of the VIE without significant tax costs. As such, the Group does not accrue deferred tax liabilities on the earnings of the VIE given that the Group will ultimately use the means.

Aggregate undistributed earnings of the Group’s PRC subsidiaries and VIE that are available for distribution was not material as of September 30, 2020 and 2021.

14. STATUTORY RESERVES AND NET RESTRICTED ASSETS

The Group’s ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the VIE and subsidiaries of the VIE incorporated in PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The consolidated results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group’s subsidiaries.

Under PRC law, the Group’s subsidiaries and consolidated VIEs located in the PRC (collectively referred as the (“PRC entities”) are required to provide for certain statutory reserves, namely a general reserve, an enterprise expansion fund and a staff welfare and bonus fund. The PRC entities are required to allocate at least 10% of their after tax profits on an individual company basis as determined under PRC accounting standards to the statutory reserve and has the right to discontinue allocations to the statutory reserve if such reserve has reached 50% of registered capital on an individual company basis. In addition, the registered capital of the PRC entities is also restricted.

Amounts restricted including paid-in capital and statutory reserve funds as determined pursuant to PRC Laws were 1,754,615 and RMB 1,754,615 as of September 30, 2020 and 2021, respectively.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The following entities are considered to be related parties to the Group. The related parties mainly act as service providers and service recipients to the Group. The Group is not obligated to provide any type of financial support to these related parties.

Related Party	Relationship with the Group
Shanghai Laiguan Property Management Co., Ltd. (“Laiguan”) (iii)	An entity controlled by certain shareholders of the Group
Shanghai Qingke Robot Technology Co., Ltd. (“Robot”)(i)	An affiliate of Founder and CEO of the Group
Shanghai Yijia Property Management Co., Ltd. (“Yijia Property”) (iii)	An entity controlled by certain shareholders of the Group
Shanghai Xulong Trading Co., Ltd. (“Xulong”)(ii)	An entity controlled by the parents of Founder and CEO of the Group
Shanghai Youzhen Information Technology Co., Ltd. (“Youzhen”) (iii)	An entity controlled by the parents of Founder and CEO of the Group
Shanghai Qingji Property Management Co., Ltd. (“Qingji”) (iii)	An entity controlled by certain shareholders of the Group
Key Space (S) Pte Ltd (“Key Space”)	An entity controlled by certain shareholders of the Group

(i) Robot ceased to be a related party of the Group in April 2019.

- (ii) Xulong ceased to be a related party of the Group in March 2019.
 (iii) Laiguan, Yijia, Youzhen and Qingji ceased to be a related party of the Group in January 2021.

The Group entered into the following transactions with its related parties:

For the years ended September 30, 2019, 2020 and 2021, services provided by the related parties were RMB139,026, RMB 47,464 and RMB nil, respectively:

	For the years ended September 30,		
	2019	2020	2021
Purchases of property and equipment from Xulong.	12,205	—	—
Labor outsourcing service expense to Laiguan	43,003	25,059	—
Labor outsourcing service expense to Qingji.	41,180	22,405	—
Value-added service cost to Robot	28,336	—	—
Storage and logistic service expense to Xulong	4,582	—	—
Marketing service expense to Xulong.	9,720	—	—
	139,026	47,464	—

As stated in Note 9, for the years ended September 30, 2020 and 2021 the Group issued convertible notes in exchange for cash of \$24,018 (RMB 163,565) and \$17,574 (RMB 113,236), respectively, to Key Space.

Among the convertible notes issued in the year ended September 30, 2020, \$7,133 and \$16,885 are subject to interest rate of 15% per annum and 17% per annum, respectively. Among the convertible notes issued in the year ended September 30, 2021, \$5,220 and \$12,354 are subject to interest rate of 15% per annum and 17% per annum, respectively. For the year ended September 30, 2020 and 2021, the Group accrued interest expenses of RMB 4,365 and RMB 49,512 on the convertible notes.

As of September 30, 2020 and 2021, amounts due from related parties were RMB168 and RMB 201, respectively, and details are as follows:

	As of September 30,	
	2020	2021
Youzhen.	125	—
Others	43	201
	168	201

As of September 30, 2020 and 2021, amounts due to related parties were RMB 6,594 and RMB nil, respectively, and details are as follows:

	As of September 30,	
	2020	2021
Yijia Property	4,156	—
Qingji	1,539	—
Laiguan	882	—
Others	17	—
	6,594	—

16. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

The Group has entered into lease agreements for properties which it operates. Such leases are classified as operating leases. Future minimum lease payments under non-cancellable operating lease agreements at September 30, 2021 were as follows:

For the years ending September 30,	
2022	559,843
2023	409,420
2024	222,260
2025	89,834
2026	44,175
Thereafter	4,995
Total	1,330,527

(b) Purchase Commitments

As of September 30, 2021, the Group's did not have commitments related to leasehold improvements and installation of equipment.

(c) Contingencies

During the year ended September 30, 2020, the Group, via short message notification, early terminated certain apartment rental agreements with landlords. The Group continued to make estimation of contingent compensation expenses due to landlords. As of September 30, 2021, the Group had the below accrual of contingent compensation expenses:

- As of September 30, 2020, Certain landlords had disputes on the early termination and entered into legal proceedings against the Group for compensation aggregating RMB 5,211. For the year ended September 30, 2021, the Group paid compensation expenses of RMB 1,302 to landlords who won the legal proceedings. The Group estimated it exposed to the remaining compensation of RMB 3,909 as of September 30, 2021 and recorded the contingent liability in the account of "accrued expenses and other current liabilities".
- Certain landlords had disputes but did not enter into legal proceedings against the Group. These landlords had rights to file legal proceedings against the Group within 3 years from the short message notification, for a maximum compensation of RMB 58,003, which is three times of the rental agreement value. However the Group estimated the likelihood of the legal proceeding as reasonably possible though these landlords has not initiated legal proceedings as of the report date. In addition, the compensation amount will be negotiated with each individual landlord, the amount of compensation cannot be reasonably estimated as of the date of report date. As of September 30, 2021, the Group did not accrue the contingent liability in the balance sheet.
- Certain landlords did not reply to the Group's short message within three months, which legally implied that they agreed with the termination, and the Group is not obliged to compensation for these landlords.

The Group is subject to periodic legal or administrative proceedings in the ordinary course of business. Except for the above-mentioned contingencies, the Group does not believe that any currently pending legal or administrative proceeding to which the Group is a party will have a material effect on its business or financial condition.

17. SUBSEQUENT EVENTS

On October 26, 2021, the Group transferred of all of its equity interest in Shanghai Qingke Investment Consulting to Wangxiancai Limited, which is a related party of the Group, and is beneficially owned by the legal representative and executive director of one of the Group's subsidiaries (the "Transfer of Equity Interest"). The Transfer of Equity Interest is made at nominal consideration. The WFOE has a series of contractual arrangements with Shanghai Qingke E-commerce, the Group's variable interest entity, through which the Group carried out certain rental apartment operation business. Shanghai Qingke Investment Consulting and Shanghai Qingke E-commerce, on a consolidated basis, had been loss making. According to the contractual arrangements, Shanghai Qingke E-commerce agrees to pay service fees equivalent to no less than 100% of its annual net profit to Shanghai Qingke Investment Consulting. However, Shanghai Qingke E-commerce had never paid any service fee to the Shanghai Qingke Investment Consulting under the contractual arrangement as it had been loss making. The Transfer of Equity Interest was performed to dedicate the Group's business resources to operate higher-quality rental apartments through the Group's subsidiaries in China. As a result of the Transfer of Equity Interest, the Group no longer conducts any operation through a variable interest entity. After the Transfer of Equity Interest, in January 2022, Qingke Public Rental, one of the subsidiaries of the VIE, filed the voluntary petition for bankruptcy under the Article 2 of the PRC Enterprise Bankruptcy Law with Shanghai Third Intermediary Court ("Court"). The Court announced the effectiveness of the petition on January 4, 2022.

In January 2022, a principal shareholder of the Group, has agreed to consider to provide necessary financial support in the form of debt and/or equity, to the Group to enable the Group to meet its other liabilities and commitments as they become due for at least twelve months from the issuance date of this consolidated financial statements.

18. CONDENSED FINANCIAL STATEMENTS OF THE PARENT COMPANY

Pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, condensed financial information is required as to the financial position, changes in financial position and results of operations of a parent company as of the same date and for the same period for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The Group does not include condensed financial information as to the changes in deficit as such financial information is the same as the consolidated statements of changes in shareholders' deficit.

The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries and consolidated VIEs. For the parent company, the Group records its investments in subsidiaries and consolidated VIEs under the equity method of accounting as prescribed in ASC 323, Investments—Equity Method and Joint Ventures. Such investments are presented on the Condensed Balance Sheets as “Investments in subsidiaries and consolidated VIE and VIE's subsidiaries” and the subsidiaries and consolidated VIEs' losses as “Equity in losses of subsidiaries and consolidated VIE and VIE's subsidiaries” on the Condensed Statements of Comprehensive Loss. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of Schedule I, the parent company has continued to reflect its share, based on its proportionate interest, the losses of subsidiaries and consolidated VIEs regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.

For the years ended September 30, 2019, 2020 and 2021, there were no material contingencies, significant provisions of long-term obligations, guarantees of the Group.

Translations of balances in the additional financial information of Parent Company—Financial Statements Schedule I from RMB into US\$ as of and for the year ended September 30, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00= RMB 6.4434, as set forth in H.10 statistical release of the Federal Reserve Board on September 30, 2021. The translation is not intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into United States dollars at that rate on September 30, 2021, or at any other rate.

PARENT COMPANY CONDENSED BALANCE SHEETS
(Renminbi in thousands, except share data and per share data, unless otherwise stated)

	As of September 30,		
	2020	2021	
	RMB	RMB	USD
Assets			
Cash and cash equivalents	6,015	1,355	209
Other receivables, deposits and other assets	—	—	—
Amounts due from subsidiaries and consolidated VIEs	1,385,814	1,465,312	227,413
Total assets	1,391,829	1,466,667	227,622
Liabilities			
Short-term borrowings	221,328	210,776	32,712
Accrued expenses and other current liabilities	13,126	-	-
Contingent liabilities for payable for asset acquisition	—	164,254	25,492
Convertible notes	206,251	313,870	48,712
Deficit of investments in subsidiaries and consolidated VIEs	2,955,202	3,272,273	507,849
Total liabilities	3,395,907	3,961,173	614,765
Shareholders' deficit:			
Ordinary shares	92	110	17
Treasury stock	(298,110)	(5)	(1)
Additional paid-in capital	2,085,099	1,845,295	286,385
Accumulated deficits	(3,809,516)	(4,378,690)	(679,562)
Accumulated other comprehensive(loss) income	18,357	38,784	6,018
Total shareholders' deficit	(2,004,078)	(2,494,506)	(387,143)
Total liabilities and shareholders' deficit	1,391,829	1,466,667	227,622

PARENT COMPANY CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Renminbi in thousands, unless otherwise stated)

	For the Years Ended September 30,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD
Selling, general and administrative expenses	(15,888)	(37,557)	(27,302)	(4,237)
Interest income (expenses)	1,761	(42,507)	(61,265)	(9,508)
Debt extinguishment loss	—	—	(41,961)	(6,512)
Fair value change of contingent earn-out liabilities	42,404	97,417	—	—
Income (loss) before equity in losses of subsidiaries and consolidated VIEs and VIE's subsidiaries	28,277	17,353	(130,528)	(20,257)
Equity in losses of subsidiaries and consolidated VIE and VIE's subsidiaries	(526,614)	(1,550,994)	(438,674)	(68,082)
Net loss	(498,337)	(1,533,641)	(569,202)	(88,339)
Foreign currency translation adjustments	(7,621)	24,265	20,427	3,170
Deemed dividend	(307,389)	—	—	—
Comprehensive loss	(813,347)	(1,509,376)	(548,775)	(85,169)

CONDENSED STATEMENTS OF CASH FLOWS
(Renminbi in thousands, unless otherwise stated)

	For the Years Ended September 30,			
	2019 RMB	2020 RMB	2021 RMB	2021 USD
Net cash used in operating activities	(20,149)	(17,452)	(30,664)	(4,759)
Net cash used in investing activities	(460,663)	(407,297)	(87,232)	(13,538)
Net cash provided by financing activities	530,002	329,839	113,236	17,574
Effect of exchange rate changes	2,087	(232)	—	47
Net increase (decrease) in cash and cash equivalents	51,277	(95,142)	(4,660)	(676)
Cash and cash equivalents and restricted cash at the beginning of the year	49,880	101,157	6,015	886
Cash and cash equivalents and restricted cash at the end of the year	101,157	6,015	1,355	210

Dated [•], 2021

BETWEEN:

Q&K International Group Limited
(as Chargor)

AND

Shanghai Huarui Bank Co., Ltd.
(as Chargee)

SHARE CHARGE

TABLE OF CONTENTS

1. INTERPRETATION	4
2. CHARGOR'S COVENANTS	5
3. SECURITY	6
4. DEALINGS WITH CHARGED PROPERTY	7
5. PRESERVATION OF SECURITY	7
6. ENFORCEMENT OF SECURITY	9
7. FURTHER ASSURANCES	11
8. INDEMNITIES	11
9. POWER OF ATTORNEY	12
10. EXPENSES	12
11. NOTICES	13
12. ASSIGNMENTS	13
13. MISCELLANEOUS	14
14. LAW AND JURISDICTION	14
SCHEDULE 1 SHARE TRANSFER FORM	20

BETWEEN:

- (A) **Q&K International Group Limited**, a company incorporated under the laws of the Cayman Islands and having its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands (the “**Chargor**”); and
- (B) **Shanghai Huarui Bank Co., Ltd.** a company incorporated under the laws of PRC (the “**Chargee**”).

WHEREAS:

- (A) Each of Shanghai Qingke Public Rental Housing Leasing Management Co., Ltd. (上海青客公共租赁住房租赁经营管理股份有限公司), Shanghai Qingke Equipment Lease Co., Ltd. (上海青客设备租赁有限公司), or Hangzhou Qingke Apartment Management Co., Ltd. (杭州青客公寓管理有限公司) as an indirectly owned subsidiary of the Chargor, as borrower (the “**Borrower**”), has entered into several loan agreements with Shanghai Huarui Bank Co., Ltd. (上海华瑞银行股份有限公司), as lender (the “**Lender**”) (the “**Loan Agreements**”, which have been attached hereto as Appendix A).
- (B) The Chargor has an authorized share capital of US\$500,000 consisting of 50,000,000,000 shares, par value of US\$0.00001 each, of which (i) 37,500,000,000 are designated as Class A ordinary shares; (ii) 2,500,000,000 are designated as Class B ordinary shares; and (iii) 10,000,000,000 are designated as preferred shares, of which, 77,100,000 Class A ordinary shares are registered in the name of the Chargor as treasury shares.
- (C) It is a condition precedent to the Chargee advancing the Loans (as defined below) to the Borrower that the Chargor shall execute this Charge in favor of the Chargee and the same is executed by the Chargor in consideration of the Chargee agreeing to advance the Loans to the Borrower and for other good and valuable consideration (the sufficiency of which the Borrower and the Chargor hereby acknowledge).

NOW THIS CHARGE WITNESSES as follows:

1. INTERPRETATION

1.1 In this Charge (as defined below), the following words and expressions shall have the following meanings:

“Charge”	means this share charge;
“Charged Property”	means the Charged Shares and all dividends or other distributions, interest and other moneys paid or payable after the date hereof in connection therewith and all interests in and all rights accruing at any time to or in respect of all or any of the Charged Shares and all and any other property that may at any time be received or receivable by or otherwise distributed to the Chargor in respect of or in substitution for, or in exchange for, or on account of, any of the foregoing, including, without limitation, any shares or other securities resulting from the subdivision, consolidation, change, conversion or reclassification of any of the Charged Shares, or the reorganization, merger, or amalgamation of the Chargor with any other body corporate, or the occurrence of any event which results in the substitution or exchange of the Charged Shares (the rights to voting or dividends are only in so far as entitled under applicable law);
“Charged Shares”	77,100,000 Class A ordinary shares of the Chargor as described in Recital (B);
“Loans”	means the loans made available pursuant to the Loan Agreements; For avoidance of doubt, Appendix A is not an exhaustive list of all of the Loan Agreements and a “Loan Agreement” shall include a Loan Agreement listed in Appendix A and/or other agreement, or instrument associated with the foregoing Loan Agreements, among others, retention agreement, agreement of pledge on/assignment of accounts receivable, subordinated agreement, supplement agreement or a series of agreements, each as amended, novated, supplemented, extended or restated from time to time, whether executed as of the date hereof;
“Parties”	means the parties to this Charge collectively; “Party” means any one of them;
“Secured Obligations”	means all of the present and future payment and other obligations of the Obligors to the Lender under the Loan Agreement; and
“Security Period”	means the period commencing on the date of execution of this Charge and terminating upon discharge of the security created by this Charge by payment and/or discharge in full of the Secured Obligations.

1.2 In this Charge unless the context otherwise requires:

- (a) references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other provisions from time to time and shall include references to any provisions of which they are re-enactments (whether with or without modification);

- (b) references to clauses and schedules are references to clauses hereof and schedules hereto; references to sub-clauses or paragraphs are, unless otherwise stated, references to sub-clauses of the clauses hereof or paragraphs of the schedule in which the reference appears;
- (c) references to the singular shall include the plural and vice versa and references to the masculine shall include the feminine and/or neuter and vice versa;
- (d) references to persons shall include companies, partnerships, associations and bodies of persons, whether incorporated or unincorporated;
- (e) references to assets include property, rights and assets of every description; and
- (f) references to any document are to be construed as references to such document as amended, restated or supplemented in any manner whatsoever from time to time.

2. CHARGOR'S COVENANTS

The Chargor hereby covenants with the Chargee:

- 2.1 That the Chargor will, on demand of the Chargee and at the expense of the Chargor, execute and deliver to the Chargee or to such person or persons as the Chargee may nominate, such additional charge or charges of the Charged Property (or any part thereof) for the purpose of further securing the payment and discharge of all Secured Obligations, each such additional charge to be in such form as the Chargee may reasonably require;
- 2.2 That the Chargor shall, on request of the Chargee, provide to the Chargee immediately on receipt by the Chargor a copy of all notices, written consents, reports, accounts, circulars and other written communications issued by the Chargor or by any third party in respect of the Charged Shares;
- 2.3 That, except as expressly permitted under the Loan Agreements, the Chargor will not without the prior written consent of the Chargee:
 - (a) permit any person other than the Chargor, the Chargee or any transferee nominated by the Chargee on enforcement of this Charge to be the registered holder of any of the Charged Shares;
 - (b) permit any adverse variation of the rights attaching to the Charged Shares;
 - (c) effect or permit the Chargor to be continued to another jurisdiction outside of the Cayman Islands;
 - (d) effect or permit any scheme of arrangement, merger, consolidation, or other reorganization applicable to the Chargor; or
 - (e) permit any amendment to the memorandum or articles of association of the Chargor that will adversely impact or alter the rights attaching to the Charged Shares.
- 2.4 That the Chargor shall within five(5) Cayman Islands business days from the date of this Charge make or procure the making of any necessary filing, registration or entries in its register of mortgages and charges maintained pursuant to section 54 of the Companies Act of the Cayman Islands (2021 Revision).
- 2.5 That the Chargor shall within five(5) Cayman Islands business days from the date of this Charge procure that there is entered a statement on the register of members of the Chargor as follows: “77,100,000 Class A ordinary shares held in the name of Q&K International Group Limited as treasury shares and represented by share certificate #[•] have been charged by it to Shanghai Huarui Bank Co., Ltd] (the “**Chargee**”) pursuant to a Share

3. SECURITY

- 3.1** In consideration of the Chargee making the Loans available to the Borrower and as a continuing security for the Secured Obligations, the Chargor as legal and beneficial owner hereby assigns and agrees to assign to the Chargee all benefits, present and future, actual and contingent, accruing in respect of the Charged Property and hereby charges and agrees to charge in favor of the Chargee all of its interest in the Charged Property by way of a first fixed and floating charge.
- 3.2** The Chargor hereby agrees to deliver or cause to be delivered to the Chargee, no later than the date of this Charge:
- (a) duly executed undated share transfers in respect of the Charged Shares in favor of the Chargee or its nominees in the form set out in Schedule 1;
 - (b) the share certificate(s) representing the Charged Shares (if any); and
 - (c) an executed letter appointing a process agent and evidence that the process agent has accepted its appointment to the satisfaction of the Chargee.
- 3.3** The Chargor will deliver, or cause to be delivered, to the Chargee immediately upon the issue of any further Charged Shares, the items listed in Clauses 3.2 and in respect of all such further Charged Shares.
- 3.4** The Chargor hereby covenants that during the Security Period it will remain the legal and beneficial owner of the Charged Property (subject only to the Security hereby created) and that it will not:
- (a) create or suffer the creation of any Security (other than those created by this Charge) on or in respect of the whole or any part of the Charged Property or any of its interest therein; or
 - (b) sell, assign, transfer or otherwise dispose of any of its interest in the Charged Property,
- in any case not in compliance with the Loan Agreements and this Charge.
- 3.5** The Chargor and the Borrower shall remain liable to perform all the obligations assumed by each of them in relation to the Charged Property and the Chargee shall be under no obligation of any kind whatsoever in respect thereof or be under any liability whatsoever in the event of any failure by the Chargor or the Borrower to perform its obligations in respect thereof.
- 3.6** Upon the Chargee being satisfied that the Secured Obligations have been unconditionally and irrevocably paid and discharged in full, and following a written request therefor from the Chargor, the Chargee will, subject to being indemnified to its reasonable satisfaction for the costs and expenses incurred by the Chargee in connection therewith, release the security constituted by this Charge.

4. DEALINGS WITH CHARGED PROPERTY

4.1 Unless and until an Event of Default has occurred:

- (a) the Chargor shall be entitled to exercise all voting and/or consensual powers pertaining to the Charged Property or any part thereof for all purposes not inconsistent with the terms of this Charge and/or the Loan Agreements (the rights to voting are only in so far as entitled under applicable law); and
- (b) the Chargor shall be entitled to receive all notices pertaining to the Charged Shares.

4.2 The Chargor shall pay all calls, instalments or other payments, and shall discharge all other obligations, which may become due in respect of any of the Charged Property and in an Event of Default, the Chargee may if it thinks fit make such payments or discharge such obligations on behalf of the Chargor. Any sums so paid by the Chargee in respect thereof shall be repayable on demand and pending such repayment shall constitute part of the Secured Obligations.

4.3 The Chargee shall not have any duty to ensure that any distributions, interest or other moneys and assets receivable in respect of the Charged Property are duly and punctually paid, received or collected as and when the same become due and payable or to ensure that the correct amounts (if any) are paid or received on or in respect of the Charged Property or to ensure the taking up of any (or any offer of any) stocks, shares, rights, moneys or other property paid, distributed, accruing or offered at any time by way of redemption bonus, rights, preference, or otherwise on or in respect of, any of the Charged Property.

4.4 The Chargor hereby authorizes the Chargee to arrange at any time and from time to time after the occurrence of an Event of Default for the Charged Property or any part thereof to be registered in the name of the Chargee (or its nominee) thereupon to be held as so registered subject to the terms of this Charge.

5. PRESERVATION OF SECURITY

5.1 It is hereby agreed and declared that:

- (a) the Security created by this Charge shall be held by the Chargee as a continuing security for the payment and discharge of the Secured Obligations and the security so created shall not be satisfied by any intermediate payment or satisfaction of any part of the Secured Obligations;
- (b) the Security so created shall be in addition to and shall not in any way be prejudiced or affected by any of the other transaction security documents;
- (c) the Chargee shall not be bound to enforce any other security before enforcing the security created by this Charge;
- (d) no delay or omission on the part of the Chargee in exercising any right, power or remedy under this Charge shall impair such right, power or remedy or be construed as a waiver thereof nor shall any single or partial exercise of any such right, power or remedy preclude any further exercise thereof or the exercise of any other right, power or remedy. The rights, powers and remedies herein provided are cumulative and not exclusive of any rights, powers and remedies provided by law and may be exercised from time to time and as often as the Chargee may deem expedient; and

- (e) any waiver by the Chargee of any terms of this Charge shall only be effective if given in writing and then only for the purpose and upon the terms for which it is given.

5.2 Any settlement or discharge under this Charge between the Chargee and the Chargor shall be conditional upon no security or payment to the Chargee by the Chargor or any other person being avoided or set-aside or ordered to be refunded or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency, administration or liquidation for the time being in force and, if such condition is not satisfied, the Chargee shall be entitled to recover from the Chargor on demand the value of such security or the amount of any such payment as if such settlement or discharge had not occurred.

5.3 The rights of the Chargee under this Charge and the security hereby constituted shall not be affected by any act, omission, matter or thing which, but for this provision, might operate to impair, affect or discharge such rights and security, in whole or in part, including without limitation, and whether or not known to or discoverable by the Chargor, the Chargee or any other person:

- (a) any time or waiver granted to or compromise with the Borrower, the Chargor or any other person;
- (b) the taking, variation, compromise, renewal or release of or refusal or neglect to perfect or enforce any rights, remedies or securities against the Borrower, the Chargor or any other person;
- (c) any legal limitation, disability, incapacity or other circumstances relating to the Borrower, the Chargor or any other person;
- (d) any amendment or supplement to the Loan Agreements, the memorandum and articles of association of the Chargor or any other document or security;
- (e) the dissolution, liquidation, merger, consolidation, reconstruction or reorganization of the Borrower, the Chargor or any other person; or
- (f) the unenforceability, invalidity or frustration of any obligations of the Borrower or any other person under the Loan Agreements or any other document or security.

5.4 Until the Secured Obligations have been unconditionally and irrevocably satisfied and discharged in full pursuant to the terms of the Finance Documents, the Chargor shall not by virtue of any payment made hereunder on account of the Secured Obligations or by virtue of any enforcement by the Chargee of its rights under, or the security constituted by, this Charge or by virtue of any relationship between or transaction involving the Chargor and the Borrower (whether such relationship or transaction shall constitute the Chargor a creditor of the Company, a guarantor of the obligations of the Company or a party subrogated to the rights of others against the Company or otherwise howsoever and whether or not such relationship or transaction shall be related to, or in connection with, the Charged Shares):

- (a) exercise any rights of subrogation in relation to any rights, security or moneys held or received or receivable by the Chargee or any person;
- (b) exercise any right of contribution from any co-surety liable in respect of such moneys and liabilities under any other guarantee, security or agreement;
- (c) exercise any right of set-off or counterclaim against the Borrower or any such co- surety;

- (d) receive, claim or have the benefit of any payment, distribution, security or indemnity from the Borrower or any such co-surety; or
- (e) unless so directed by the Chargee (when the Chargor will prove in accordance with such directions), claim as a creditor of the Borrower or any such co-surety in competition with the Chargee.

5.5 The Chargor shall hold in trust for the Chargee and forthwith pay or transfer (as appropriate) to the Chargee any such payment (including an amount equal to any such set-off), distribution or benefit of such security, indemnity or claim in fact received by it.

5.6 Until the Secured Obligations have been unconditionally and irrevocably satisfied and discharged in full to the satisfaction of the Chargee, the Chargee may at any time keep in a separate account or accounts (without liability to pay interest thereon) in the name of the Chargee for as long as it may think fit, any moneys received, recovered or realized under this Charge or under any other guarantee, security or agreement relating in whole or in part to the Secured Obligations without being under any immediate obligation to apply the same or any part thereof in or towards the discharge of such amount.

6. ENFORCEMENT OF SECURITY

6.1 Upon the occurrence of an Event of Default the security hereby constituted shall become immediately enforceable and the Chargee may, at any time, without notice to, or consultation with, or the consent of, the Chargor so far as permitted by applicable law:

- (a) following the transfer of legal title of the Charged Shares to the Chargee or its nominee, and the Charged Shares ceasing to be treasury shares, solely and exclusively exercise all voting and/or consensual powers pertaining to the Charged Property or any part thereof and may exercise such powers in such manner as the Chargee may think fit (the rights to voting are only in so far as entitled under applicable law); and/or
- (b) following the transfer of legal title of the Charged Shares to the Chargee or its nominee, and the Charged Shares ceasing to be treasury shares, receive and retain all dividends, interest, distributions or other moneys or assets accruing on or in respect of the Charged Property or any part thereof, such dividends, interest, distributions or other moneys or assets to be held by the Chargee, until applied in the manner described in Clause 6.4, as additional security charged under and subject to the terms of this Charge and any such dividends, interest, distributions or other moneys or assets received by the Chargor after such time shall be held in trust by the Chargor for the Chargee and paid or transferred to the Chargee on demand (the rights to dividends are only in so far as entitled under applicable law); and/or
- (c) appoint by instrument any person to be a receiver of the Charged Property (the “Receiver”) and remove any Receiver so appointed and appoint another or others in his stead; and/or
- (d) subject to the express terms of the Loan Agreements sell, transfer, grant options over or otherwise dispose of the Charged Property or any part thereof at such place and in such manner and at such price or prices as the Chargee may deem fit, and thereupon the Chargee shall have the right to deliver, assign and transfer in accordance therewith the Charged Property so sold, transferred, granted options over or otherwise disposed of; and/or
- (e) complete any undated blank share transfer forms of all or any part of the Charged Property by dating the same and/or inserting its name or the name of its nominee as transferee.

- 6.2** The Chargee shall not be obliged to make any enquiry as to the nature or sufficiency of any payment received by it under this Charge or to make any claim or to take any action to collect any moneys assigned by this Charge or to enforce any rights or benefits assigned to the Chargee by this Charge or to which the Chargee may at any time be entitled hereunder.
- 6.3** Upon any sale of the Charged Property or any part thereof by the Chargee the purchaser shall not be bound to see or enquire whether the Chargee's power of sale has become exercisable in the manner provided in this Charge and the sale shall be deemed to be within the power of the Chargee, and the receipt of the Chargee for the purchase money shall effectively discharge the purchaser who shall not be concerned with the manner of application of the proceeds of sale or be in any way answerable therefor.
- 6.4** Neither the Chargee nor its agents, managers, officers, employees, delegates or advisers shall be liable for any claim, demand, liability, loss, damage, cost or expense incurred or arising in connection with the exercise or purported exercise of any rights, powers and discretions hereunder, and in no event shall the Chargee be liable for consequential damages.
- 6.5** The Chargee shall not by reason of the taking of possession of the whole or any part of the Charged Property hereof be liable to account as mortgagee-in-possession or for anything except actual receipts or be liable for any loss upon realization or for any default or omission for which a mortgagee-in-possession might be liable.
- 6.6** In addition to all other rights or powers vested in the Chargee hereunder or by statute or otherwise, the Receiver may take such action in relation to the enforcement of this Charge to:
- (a) take possession of, redeem, collect and get in all or any part of the Charged Property;
 - (b) raise or borrow money and grant security therefor over all or any part of the Charged Property;
 - (c) appoint an attorney or accountant or other professionally qualified person to assist him in the performance of his functions;
 - (d) do all acts and to execute in the name and on behalf of the Chargor any document or deed in respect of all or any part of the Charged Property;
 - (e) in the name of the Chargor or in his own name, bring, prosecute, enforce, defend and abandon applications, claims, disputes, actions, suits and proceedings in connection with all or any part of the Charged Property and to submit to arbitration, negotiate, compromise and settle any such applications, claims, disputes, actions, suits or proceedings;
 - (f) sell, call in, collect and convert to money the Charged Property or any of it at such place and in such manner and at such price or prices as he shall think fit;
 - (g) exercise any powers, discretion, voting or other rights or entitlements in relation to the Charged Property and generally to carry out any other action which he may in his sole discretion deem appropriate in relation to the enforcement of this Charge (the rights to voting are only in so far as entitled under applicable law);
 - (h) make any arrangement or compromise which he shall think expedient; and
 - (i) do all such other acts and things as may be considered to be incidental or conducive to any of the matters or powers aforesaid and which the Receiver lawfully may or can do as agent for the Chargor.

6.7 Every Receiver shall, so far as it concerns responsibility for his acts, be deemed to be an agent of the Chargor, which shall be solely responsible for his acts and defaults and for the payment of his remuneration and no Receiver shall at any time act as agent for the Chargee.

6.8 Every Receiver shall be entitled to remuneration for his services at a rate to be fixed by agreement between him and the Chargee (or, failing such agreement, to be fixed by the Chargee) appropriate to the work and responsibilities involved, upon the basis of current industry practice.

7. FURTHER ASSURANCES

7.1 The Chargor shall execute and do all such assurances, acts and things as the Chargee in its absolute discretion may require for:

- (a) perfecting, protecting or ensuring the priority of the Security hereby created (or intended to be created);
- (b) preserving or protecting any of the rights of the Chargee under this Charge;
- (c) ensuring that the security constituted by this Charge and the covenants and obligations of the Chargor under this Charge shall inure to the benefit of any assignee of the Chargee;
- (d) facilitating the realization of the Charged Property or any part thereof; or
- (e) exercising any power, authority or discretion vested in the Chargee under this Charge, in any such case forthwith upon demand by the Chargee and at the expense of the Chargor.

7.2 The Chargor shall provide such assurances and do all acts and things the Receiver may in his absolute discretion require for the purpose of exercising the powers (or giving effect to the exercise of the powers) conferred on the Receiver hereunder and the Chargor hereby irrevocably appoints the Receiver to be the lawful attorney-in-fact of the Chargor to do any act or thing and to exercise all the powers of the Chargor for the purpose of exercising the powers (or giving effect to the exercise of the powers) conferred on the Receiver hereunder.

8. INDEMNITIES

8.1 The Chargor will indemnify and hold harmless the Chargee, the Receiver and each agent or attorney appointed under or pursuant to this Charge (each an “**Indemnatee**”) to the fullest extent permitted by applicable law from and against any and all expenses, claims, liabilities, losses, taxes, costs, duties, fees and charges properly and reasonably suffered, incurred or made by the Chargee, the Receiver or such agent or attorney:

- (a) in the exercise or purported exercise of any rights, powers or discretions vested in them pursuant to this Charge;
- (b) in the preservation or enforcement of the Chargee's rights under this Charge or the priority thereof; or
- (c) on the release of any part of the Charged Property from the security created by this Charge,

and the Chargee, the Receiver or such agent or attorney may retain and pay all sums in respect of the same out of money received under the powers conferred by this Charge. All amounts recoverable by the Chargee, the Receiver or such agent or attorney or any of them shall be recoverable on a full indemnity basis.

8.2 If, under any applicable law or regulation, and whether pursuant to a judgment being made or registered against the Chargor or the bankruptcy or liquidation of the Chargor or for any other reason any payment under or in connection with this Charge is made or falls to be satisfied in a currency (the “**Payment Currency**”) other than the currency in which such payment is due under or in connection with this Charge (the “**Contractual Currency**”), then to the extent that the amount of such payment actually received by the Chargee when converted into the Contractual Currency at the rate of exchange, falls short of the amount due under or in connection with this Charge, the Chargor, as a separate and independent obligation, shall indemnify and hold harmless the Chargee against the amount of such shortfall. For the purposes of this Clause, “rate of exchange” means the rate at which the Chargee is able on or about the date of such payment to purchase the Contractual Currency with the Payment Currency and shall take into account any premium and other costs of exchange with respect thereto.

9. POWER OF ATTORNEY

9.1 The Chargor, by way of security and in order more fully to secure the performance of its obligations hereunder hereby irrevocably appoints the Chargee and the persons deriving title under it jointly and also severally to be its attorney:

- (a) to execute and complete in favor of the Chargee or its nominees or of any purchaser any documents which the Chargee may from time to time require for perfecting its title to or for vesting any of the Charged Property in the Chargee or its nominees or in any purchaser and to give effectual discharges for payments;
- (b) to take and institute on non-payment (if the Chargee in its sole discretion so decides) all steps and proceedings in the name of the Chargor or of the Chargee for the recovery of such moneys, property and assets hereby charged and to agree accounts;
- (c) to make allowances and give time or other indulgence to any surety or other person liable;
- (d) otherwise generally to act for it and in its name and on its behalf; and
- (e) to sign, execute, seal and deliver and otherwise perfect and do any such legal assignments and other assurances, charges, authorities and documents over the moneys, property and assets hereby charged, and all such deeds, instruments, acts and things (including, without limitation, those referred to in Clause 7) which may be required for the full exercise of all or any of the powers conferred or which may be deemed proper on or in connection with any of the purposes aforesaid.

9.2 The power hereby conferred shall be a general power of attorney and the Chargor hereby ratifies and confirms and agrees to ratify and confirm any instrument, act or thing which any such attorney may execute or do. In relation to the power referred to herein, the exercise by the Chargee of such power shall be conclusive evidence of its right to exercise the same.

10. EXPENSES

10.1 The Chargor shall pay to the Chargee on demand all costs, fees and expenses (including, but not limited to, legal fees and expenses) and taxes thereon incurred by the Chargee or for which the Chargee may become liable in connection with:

- (a) the negotiation, preparation and execution of this Charge;

- (b) the preserving or enforcing of, or attempting to preserve or enforce, any of its rights under this Charge or the priority hereof;
- (c) any variation of, or amendment or supplement to, any of the terms of this Charge; and/or
- (d) any consent or waiver required from the Chargee in relation to this Charge,

and in any case referred to in Paragraphs (c) and (d) regardless of whether the same is

actually implemented, completed or granted, as the case may be.

- 10.2** The Chargor shall pay promptly any stamp, documentary and other like duties and taxes to which this Charge may be subject or give rise and shall indemnify the Chargee on demand against any and all liabilities with respect to or resulting from any delay or omission on the part of the Chargor to pay any such duties or taxes.

11. NOTICES

- 11.1** Any notice required to be given hereunder shall be in writing in the English language, together with a Chinese translation, and shall be served by sending the same by prepaid recorded post, facsimile or by delivering the same by hand to the address of the Party or Parties in question as set out below (or such other address as such Party or Parties shall notify the other Parties of in accordance with this Clause). Any notice sent by post as provided in this Clause shall be deemed to have been served five Business Days after dispatch and any notice sent by facsimile as provided in this Clause shall be deemed to have been served at the time of dispatch and in proving the service of the same it will be sufficient to prove in the case of a letter that such letter was properly stamped, addressed and placed in the post; and in the case of a facsimile that such facsimile was duly dispatched to a current facsimile number of the addressee.

Chargor:	Q&K International Group Limited
Name:	Chengcai Qu
Address:	Suite 1607, Building A, No.596 Middle Longhua Road, Xuhui District, Shanghai, 200032, People's Republic of China
Chargee:	Shanghai Huarui Bank Co., Ltd
Name:	FuNing Hou
Address:	3rd Floor, Building 1 Jinkong Square, LuJiazui, Pudong District, Shanghai, CHINA
Fax:	8621-33268988

12. ASSIGNMENTS

- 12.1** This Charge and all non-contractual obligations arising out of or in connection with it shall be binding upon and shall inure to the benefit of the Chargor and the Chargee and each of their respective successors and (subject as hereinafter provided) assigns and references in this Charge to any of them shall be construed accordingly.
- 12.2** The Chargor may not assign or transfer all or any part of its rights and/or obligations under this Charge.
- 12.3** The Chargee may assign or transfer all or any part of its rights or obligations under this Charge to any assignee or transferee with the consent of the Chargor, such consent not to be unreasonably withheld, provided that no such consent shall be required if an Event of Default affecting the Chargor has occurred and is continuing. The Chargee shall notify the Chargor promptly following any such assignment or transfer.

13. MISCELLANEOUS

- 13.1** The Chargee, at any time and from time to time, may delegate by power of attorney or in any other manner to any person or persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Chargee under this Charge in relation to the Charged Property or any part thereof. Any such delegation may be made upon such terms and be subject to such regulations as the Chargee may think fit. The Chargee shall not be in any way liable or responsible to the Chargor for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate provided the Chargee has acted reasonably in selecting such delegate.
- 13.2** This Charge, together with any documents referred to herein, contains the whole agreement between the Parties in respect of the subject matter of this Charge and supersedes and replaces any prior written or oral agreements, representations or understandings between them relating to such subject matter. The Parties confirm that they have not entered into this Charge on the basis of any representation that is not expressly incorporated into this Charge or the Finance Documents. However, nothing in this Charge purports to exclude liability for any fraudulent statement or act.
- 13.3** No variations of this Charge shall be effective unless made in writing and signed by each of the Parties.
- 13.4** The headings in this Charge are inserted for convenience only and shall not affect the construction of this Charge.
- 13.5** This Charge may be executed in counterparts each of which when executed and delivered shall constitute an original but all such counterparts together shall constitute one and the same instrument.
- 13.6** If any of the Clauses, Sub-Clauses, Paragraphs, conditions, covenants or restrictions of this Charge or any deed or document emanating from it shall be found to be void but would be valid if some part thereof were deleted or modified, then such Clause, Sub- Clause, Paragraph, condition, covenant or restriction shall apply with such deletion or modification as may be necessary to make it valid and effective.

14. LAW AND JURISDICTION

- 14.1** This Charge shall be governed by and construed in accordance with the laws of the State of New York and the Parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of the U.S. federal and state courts in the Borough of Manhattan in The City of New York, provided that nothing in this Clause shall affect the right of the Chargee to serve process in any manner permitted by law or limit the right of the Chargee to take proceedings with respect to this Charge against the Chargor in any jurisdiction nor shall the taking of proceedings with respect to this Charge in any jurisdiction preclude the Chargee from taking proceedings with respect to this Charge in any other jurisdiction, whether concurrently or not.

IN WITNESS whereof the Parties have caused this Charge to be duly executed as a deed the day and year first before written.

Chargor:

SIGNED as a **DEED** by)
Chengcai Qu) /s/ Chengcai Qu
authorized signatory for) (Seal)
Q&K International Group Limited)
in the presence of:)

Name: /s/ Lu Wang
[Name of witness]

Chargee:

Shanghai Huarui Bank Co., Ltd

By: /s/ FuNing Hou
Name: FuNing Hou
Title: Legal Representative

(Seal)

Appendix A Loans Agreements

贷款序号	借款人	名称	签署日期	内容
1	上海青客设备租赁有限公司	《流动资金借款合同》 (合同编号: ZHGS2016110400007), 包括对该协议的任何修订或补充	2016年 9月26日	借款金额: 75,000,000 元 借款期限: 2016年9月26日至2020年9月26日 借款利息: 固定利率, 年利率 8.75% 担保方式: (1) 金光杰提供连带责任保证担保; (2) 上海青客电子商务有限公司提供连带责任保证担保; (3) 上海青客投资咨询有限公司提供连带责任保证担保; (4) 上海青客公共租赁住房租赁经营管理股份有限公司提供应收账款质押担保
		《借款展期合同》 (合同编号: ZHGS2020060500009), 包括对该协议的任何修订或补充 这份合同系上海青客设备租赁有限公司不能如期足额偿还编号为 ZHGS2016110400007 的《流动资金借款合同》, 所形成的《借款展期合同》。	2020年 6月7日	借款金额: 9,000,000 元 借款期限: 2017年6月9日至2021年12月8日 借款利息: 固定利率, 年利率 8.75% 担保方式: (1) 金光杰提供连带责任保证担保; (2) 上海青客电子商务有限公司提供连带责任保证担保; (3) 上海青客投资咨询有限公司提供连带责任保证担保; (4) 上海青客公共租赁住房租赁经营管理股份有限公司提供应收账款质押担保
		《借款展期合同》 (合同编号: ZHGS2020071600001), 包括对该协议的任何修订	2020年 7月16日	借据 1: 借款金额: 9,000,000 元 借款期限: 2017年7月18日至2022年1月17日

贷款序号	借款人	名称	签署日期	内容
		或补充 这份合同系上海青客设备租赁有限公司不能如期足额偿还编号为 ZHGS2016110400007 的《流动资金借款合同》，所形成的《借款展期合同》。		借款利息：固定利率，年利率 8.75% 借据 2： 借款金额：9,000,000 元 借款期限：2017 年 8 月 23 日至 2022 年 2 月 22 日 借款利息：固定利率，年利率 8.75% 担保方式：（1）屈成才提供连带责任保证担保；（2）上海青客电子商务有限公司提供连带责任保证担保；（3）上海青客投资咨询有限公司提供连带责任保证担保；（4）上海青客公共租赁住房租赁经营管理股份有限公司提供应收账款质押担保
		《流动资金借款合同》 (合同编号：ZHGS20201216000001)， 包括对该协议的任何修订或补充	2020 年 12 月 11 日	借款金额：8,997,542.35 元 借款期限：2020 年 12 月 11 日至 2022 年 12 月 10 日 借款利息：固定利率，年利率 7.5% 担保方式：（1）上海青客电子商务有限公司提供连带责任保证担保；（2）上海青客投资咨询有限公司提供连带责任保证担保
2	上海青客公共租赁住房租赁经营管理股份有限公司	《流动资金借款合同》 (合同编号：ZHGS20200429000001)， 包括对该协议的任何修订或补充	2020 年 4 月 29 日	借款金额：50,000,000 元 借款期限：2020 年 4 月 30 日至 2021 年 10 月 29 日 借款利息：固定利率，年利率 7.5% 担保方式：（1）金光杰提供

贷款序号	借款人	名称	签署日期	内容
				连带责任保证担保；（2）上海青客公共租赁住房租赁经营管理股份有限公司提供最高额抵押担保；（3）苏州青客信息科技有限公司提供最高额抵押担保。
		《流动资金借款合同》 (合同编号： ZHGS20200528000001)， 包括对该协议的任何修订 或补充	2020 年 5 月 31 日	借款金额：50,000,000 元 借款期限：2020 年 5 月 28 日至 2021 年 11 月 27 日 借款利息：固定利率，年利 率 7.5% 担保方式：（1）金光杰提供 连带责任保证担保
		《流动资金借款合同》 (合同编号： ZHGS20201216000002)， 包括对该协议的任何修订 或补充	2020 年 12 月 11 日	借款金额：25,929,186.07 元 借款期限：2020 年 12 月 11 日至 2022 年 12 月 10 日 借款利息：固定利率，年利 率 7.5% 担保方式：（1）上海青客电 子商务有限公司提供连带责 任保证担保；（2）上海青客 投资咨询有限公司提供连带 责任保证担保
3	杭州青客公寓管理有限 公司	《流动资金借款合同》 (合同编号： ZHGS20181015000002)， 包括对该协议的任何修订 或补充	2018 年 10 月 12 日	借款金额：208,000,000 元 借款期限：2018 年 10 月 12 日至 2022 年 10 月 11 日 借款利息：固定利率，年利 率 7.5% 担保方式：（1）金光杰提供 连带责任保证担保；（2）上 海青客公共租赁住房租赁经 营管理股份有限公司提供最 高额抵押担保；（3）苏州青

贷款 序号	借款人	名称	签署日 期	内容
				客信息科技有限公司提供最高额抵押担保；（4）上海青客公共租赁住房租赁经营管理股份有限公司、杭州青客公寓管理有限公司、苏州青客信息科技有限公司提供应收账款质押担保；（5）苏州青客信息科技有限公司提供保证担保
		《流动资金借款合同》 (合同编号： ZHGS2020092000001)， 包括对该协议的任何修订 或补充	2020 年 9 月 25 日	借款金额：108,000,000 元 借款期限：2020 年 9 月 27 日至 2022 年 3 月 26 日 借款利息：固定利率，年利 率 8.5% 担保方式：信用



SCHEDULE 1
SHARE TRANSFER FORM

Equity Transfer Agreement of Shanghai Qingke Investment Consulting Co., Ltd.

This Agreement is made and entered into on this 26th day of October, 2021 in Shanghai by and between:

Transferor: Qingke (China) Limited (hereinafter referred to as "Party A"), Company Registration No.: 2116935, Address: Room D, 10/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong; and

Transferee: WANGXIANCAI LIMITED (hereinafter referred to as "Party B"), Company Registration No.: 3048118, Address: FLAT 1506,15/F LUCKY CTR NO 165-171 WAN CHAI RD WAN CHAI HK

The registered capital of Shanghai Qingke Investment Consulting Co., Ltd. (hereinafter referred to as the "Subject Company") is USD40 million, of which USD40 million was contributed by Party A, accounting for 100% thereof. In accordance with the relevant laws and regulations, both Parties to this Agreement have reached the following terms through amicable consultation:

Article 1 (Subject Matter of the Equity Transfer and Transfer Price)

1. Party A shall transfer 100% of the equity of the Subject Company held by it (i.e. the capital contribution of USD40 million subscribed by it) to Party B at a price of USD1 (SAY USD ONE ONLY). Thereafter, the unpaid capital contribution to the Subject Company (if any) shall be paid up by Party B.

2. As at the date of this Agreement, Party B shall be entitled to the interests under 100% of the equity of the Subject Company (i.e. the capital contribution of USD40 million subscribed by it) and assume the related shareholder's obligations, and other rights attached to the equity shall be transferred together with the transfer of the equity.

Article 2 (Undertakings and Warranties)

Party A warrants that the equity transferred to Party B under Article 1 hereof is legally owned by Party A and Party A has the full and effective right to dispose thereof. Party A warrants that the equity transferred by it is not subject to any pledge or other security right and is free from recourse by any third party.

Article 3 (Liability for Breach of Contract)

In case of any breach of contract, the breaching Party shall assume all the responsibilities.

Article 4 (Method of Dispute Resolution)

This Agreement shall be governed by and construed in accordance with the relevant laws of the People's Republic of China.

Any dispute arising out of or in connection with this Agreement shall be resolved by both Parties through friendly consultation. If the consultation fails, either Party may directly bring a suit in a people's court.

Article 5 (Miscellaneous)

1. This Agreement is made in three originals, one for each Party, and one for the Subject Company for completing the relevant formalities.

2. This Agreement shall come into effect upon being signed by both Parties.

(The remainder of this page intentionally left blank, and the next page is the signature page)

(This page is the signature page of the Equity Transfer Agreement of Shanghai Qingke Investment Consulting Co., Ltd.)

Party A: Qingke (China) Limited
Representative (Signature): /s/ Chengcai Qu

Party B: WANGXIANCAI LIMITED
Representative (Signature): /s/ Xiancai Wang

Date: October 26, 2021

Significant Subsidiaries of the Registrant

Significant Subsidiaries of the Registrant

Place of Incorporation

QK365.com INC.
FENGLINJU (CHINA) LIMITED
Haoju (Shanghai) Artificial Intelligence Technology Co., Ltd.
Chengdu Liwu Apartment Management Co., Ltd.

British Virgin Islands
Hong Kong
China
China

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chengcai Qu, certify that:

1. I have reviewed this annual report on Form 20-F of Q&K International Group Limited;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
 4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
 5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.
-

Date: February 15, 2022

By: /s/ Chengcai Qu
Name: Chengcai Qu
Title: Chairman of the Board of Directors, Chief Executive Officer, Chief
Operating Officer and Vice President

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zhichen (Frank) Sun, certify that:

1. I have reviewed this annual report on Form 20-F of Q&K International Group Limited;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
 4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
 5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.
-

Date: February 15, 2022

By: /s/ Zhichen (Frank) Sun
Name: Zhichen (Frank) Sun
Title: Chief Financial Officer (principal financial officer)

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Q&K International Group Limited (the “Company”) on Form 20-F for the fiscal year ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Zhichen (Frank) Sun, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 15, 2022

By: /s/ Zhichen (Frank) Sun

Name: Zhichen (Frank) Sun

Title: Chief Financial Officer (principal financial officer)

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Q&K International Group Limited (the “Company”) on Form 20-F for the fiscal year ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chengcai Qu, Chairman of the Board of Directors, Chief Executive Officer, Chief Operating Officer and Vice President of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 15, 2022

By: /s/ Chengcai Qu

Name: Chengcai Qu

Title: Chairman of the Board of Directors, Chief Executive Officer, Chief Operating Officer and Vice President



New York Office
7 Penn Plaza, Suite 830
New York, NY 10001
T 212.279.7900



Exhibit 15.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Q&K International Group Limited on Form F-3 (FILE NO. 333-258187) of our report dated February 15, 2022, which includes an explanatory paragraph as to the company's ability to continue as a going concern with respect to our audits of the consolidated financial statements of Q&K International Group Limited as of September 30, 2021 and 2020 and for each of the two years in the period ended September 30, 2021 appearing in the Annual Report on Form 20-F of Q&K International Group Limited for the fiscal year ended September 30, 2021.

/s/ Marcum Bernstein & Pinchuk LLP
Marcum Bernstein & Pinchuk LLP
New York, NY
February 15, 2022

www.marcumbp.com



26/F, HKRI Centre One, HKRI Taikoo Hui
288 Shimen Road (No.1)
Shanghai 200041, P. R. China
T: (86-21) 5298-5488
F: (86-21) 5298-5492

February 15, 2022

Q&K International Group Limited
Suite 1607, Building A
No.596 Middle Longhua Road
Xuhui District, Shanghai, 200032
People's Republic of China

Dear Sir/Madam:

We hereby consent to the references to our firm's name under the headings "Part I", "Item 3. Key Information—D. Risk Factors", "Item 4. Information on the Company—B. Business Overview" and "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information" in Q&K International Group Limited's annual report on Form 20-F for the fiscal year ended September 30, 2021 (the "Annual Report"), which will be filed with the Securities and Exchange Commission (the "SEC") on the date hereof. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Beijing Head Office
Tel: (86-10) 8519-1300
Fax: (86-10) 8519-1350
Haikou Office
Tel: (86-898) 6851-2544
Fax: (86-898) 6851-3514

Shanghai Office
Tel: (86-21) 5298-5488
Fax: (86-21) 5298-5492
Tianjin Office
Tel: (86-22) 5990-1301
Fax: (86-22) 5990-1302

Shenzhen Office
Tel: (86-755) 2587-0765
Fax: (86-755) 2587-0780
Qingdao Office
Tel: (86-532) 6869-5000
Fax: (86-532) 6869-5010

Guangzhou Office
Tel: (86-20) 2805-9088
Fax: (86-20) 2805-9099
Chengdu Office
Tel: (86-28) 6739-8000
Fax: (86-28) 6739-8001

Dalian Office
Tel: (86-411) 8250-7578
Fax: (86-411) 8250-7579
Hong Kong Office
Tel: (852) 2167-0000
Fax: (852) 2167-0050

New York Office
Tel: (1-212) 703-8702
Fax: (1-212) 703-8720

Silicon Valley Office
Tel: (1-888) 886-8168
Fax: (1-888) 808-2168

www.junhe.com

Very truly yours,

JunHe LLP

/s/ JunHe LLP

February 15, 2022

Securities and Exchange Commission
100F Street, N.E. Washington, D.C.
20549-7561

Dear Sirs/Madams,

We have read Item 16F of Q&K International Group Limited's Form 20-F dated February 15, 2022 and have the following comments:

1. We agree with the statements made in the first sentence of paragraph 1 and paragraph 2 of Item 16F for which we have a basis on which to comment on, and we agree with, the disclosures.
2. We have no basis on which to agree or disagree with the statements made in sentence 2 of paragraph 1 of Item 16F.

Yours faithfully,

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China