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The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

OVERVIEW

We are the largest marketing and sales SaaS solution provider in China in terms of revenue in 2022, according to Frost & Sullivan. We deliver marketing and sales SaaS solutions through our Marketingforce platform to serve enterprises of any size with a variety of needs, from content and experience, advertising and promotion, social and relationships, sales and delight, data and analytics, to strategy and management. Our precision marketing services also provide one-stop, cross-media online marketing solutions to advertising customers to help them precisely and effectively reach target audiences on leading media platforms. We serve a diverse base of advertising customers across a variety of industries. Leveraging our understanding of their business and marketing demands, we formulate and execute customized marketing plans for them covering designing, launching, monitoring and optimizing their advertisement campaigns.

We have a large and rapidly growing customer base. In 2021, 2022 and 2023, for our SaaS business, we served 24,127, 23,647 and 25,495 users, respectively, across different industries. During the same years, we provided precision marketing services to 845, 998 and 1,042 advertising customers respectively, operating in new economy industries including gaming, e-commerce and online services. By serving such an extensive number of customers with diversified business backgrounds, we are able to collect valuable feedback and obtain first-hand knowledge of customer needs, facilitating our improvement of product and service quality. More importantly, the valuable industry know-how and marketing experience that we have accumulated over the past ten years allows us to acquire more customers in the same or similar industries and enable them to operate more effectively.

We experienced rapid growth during the Track Record Period. Our revenue increased from RMB877.2 million in 2021 to RMB1,142.8 million in 2022 and further to RMB1,232.1 million in 2023, representing a CAGR of 18.5%. Our gross profit increased from RMB477.8 million in 2021 to RMB560.0 million in 2022 and further to RMB706.2 million in 2023, representing a CAGR of 21.6%.

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As of December 31, 2023, we recorded a net liability primarily because we recorded convertible redeemable preferred shares as non-current liabilities. All of the convertible redeemable preferred shares will be converted into ordinary shares of our Company and the liabilities of the convertible redeemable preferred shares will be derecognized and accounted for as an increase in equity upon the [REDACTED]. We expect our net liability position will turn into a positive equity position upon the [REDACTED].

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 23, 2021. We have become an investment holding company after a series of reorganizations. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards (the “IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and is presented in RMB, unless otherwise stated. Our consolidated financial information has been prepared under the historical cost convention, except for certain financial liabilities at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain material accounting estimates. It also requires our management to exercise their judgment in the process of applying our accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 3 to the Accountants’ Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by various factors, some of which are outside of our control. These factors include but are not limited to the following:

General Factors

Our business and operating results are impacted by general factors affecting the broader cloud-based marketing and sales solutions industry in China, including:

- The overall economic growth in China, especially the growth of the internet industry and the development and penetration of digitalization across industries in China;
- The growth media platforms and adoption of SaaS and precision marketing services by companies in China;

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- The digital transformation, with the development of cloud computing, big data analytics and AI technologies and their application to marketing and sales SaaS industries across different industries in China; and
- The expenditures of companies on online marketing and sales SaaS products and other services across different industries in China, along with their future growth trends.

Specific Factors

Our Ability to Expand Our Customer Base

We generate revenue by providing customers with marketing and sales SaaS products and precision marketing services, and our results of operations and continued revenue growth depend on our ability to expand our customer base. The number of customers using our SaaS business and precision marketing services is crucial to our results of operations. The quality of our services and products, dedicated sales and marketing efforts and comprehensive customer relationship management mechanisms, help to form a large and diversified customer base during the Track Record Period. The number of users of our SaaS business amounted to 24,127 in 2021, 23,647 in 2022 and 25,495 in 2023, respectively. The number of users slightly decreased in 2022, primarily due to our reduced marketing activities resulting from the adverse impact of the COVID-19 pandemic. However, the revenue from our SaaS business increased by 20.8% from RMB438.6 million in 2021 to RMB529.9 million in 2022, primarily attributable to the increase in the contract value from users’ subscription in 2021, a portion of which was subsequently recognized as revenue in 2022. As the COVID-19 pandemic subsided, we have recovered from such impacts and continued business expansion, with the number of users of our SaaS business increasing to 25,495 in 2023, attributable to our efforts to launch new functional modules and enhance the effectiveness of existing ones to better address the evolving needs of our users, as well as the expansion of customer base leveraging our established sales network. The number of our advertising customers for our precision marketing business increased from 845 in 2021 to 998 in 2022, and further to 1,042 in 2023. Revenue from our precision marketing services amounted to RMB438.6 million in 2021, RMB612.9 million in 2022 and RMB529.7 million in 2023.

Our ability to attract and successfully acquire new customers is dependent on a range of factors, including, among other things, offering new function modules, upgrading existing products and services, sales and marketing efforts, and customer service quality. To strengthen our marketing and sales capabilities, we have been committed to building up a dedicated sales team and an efficient sales mechanism, prioritizing improving customer experiences and promoting their business growth. As of December 31, 2023, we had developed local direct sales offices in 23 cities. In addition, through serving an increasing number of customers, we obtain valuable feedback from customers and accumulate precious industry experience, which helps us to further improve our products and services and ultimately raise customer satisfaction. We will also continue to enhance our brand image and promote our presence in the Chinese market.

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Our Ability to Deepen Relationship with Customers

We strive to maintain stable and long-term business relationships with our customers. Our all-in-one marketing and sales SaaS products aim to empower enterprises’ entire process of customer acquisition and management. As of December 31, 2023, we offered a comprehensive and diversified functional module matrix for our SaaS products, comprising 237 modules. For our precision marketing services, we provide one-stop, cross-media professional services, ranging from advertising plan formulation, marketing content production, ongoing monitoring and real-time optimization, to enable our advertising customers to achieve satisfactory marketing result. We are dedicated to bringing products and services of excellence to our customers. To deepen our relationship with existing customers, we continue to focus on customer success and superior service quality. In particular, we expect to adapt our products and services to more application scenarios to better address customers’ evolving marketing needs.

We also believe that our customers’ growing spendings with us have driven our rapid growth during the Track Record Period. Quality products and excellent service encourage customers to purchase new services provided by us or upgrade their current packages. To better serve our customers, we have also established a customer success department that is devoted to supporting users of our SaaS products during their entire process of marketing and sales activities.

Continuous Investment in Product and Technology Innovations

Our future growth is dependent on our continuous investment in research and development and our dedication to technology innovations. We rely on our Marketingforce platform to deliver cloud-based services to SaaS users. Our Marketingforce platform is supported by advanced technologies as the foundation. The Marketingforce platform gives us high scalability in handling customers’ requests and significant flexibility in developing and upgrading our SaaS products, constantly enriching our customers’ experiences and catering to their evolving business needs. We have also widely applied big data analytics to our precision marketing to improve the effectiveness of our services. As our customers increasingly realize the benefits of the products and services we provide, they are more willing to upgrade their experience with purchasing additional products and services or updated versions from us, which contributes to the increase of average spending per customers and ultimately to our revenue growth.

To better cater to customers’ marketing and sales needs arising from more complex use cases and growing operation scales, we have been dedicated to investing in research and development. Our research and development expenses amounted to RMB160.6 million, RMB224.6 million and RMB210.0 million in 2021, 2022 and 2023, respectively. We will continue to dedicate our efforts to R&D activities to enrich and enhance product and service offerings and cement our leading position in the market, by enriching the features, functions, and interfaces of our products and services by continuous innovation.

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Our Product and Revenue Mix

Our overall results of operations and profitability also depend on our revenue structure. During the Track Record Period, the gross margin of our SaaS business was generally higher than the same of our precision marketing services. In 2021, 2022 and 2023, the gross margin of our SaaS business was 90.1%, 89.2% and 87.7%, respectively, while the gross margin of our precision marketing services was 18.9%, 14.3% and 17.0%, respectively. Therefore, the combination of our revenue from the two businesses will affect our overall profit margin.

The amount of revenue we recognize from precision marketing services is affected by our role in provision of marketing services to different advertising customers. We recognize revenue generated under our contracts with advertising customers under the arrangements for online advertisement solution services, where we act as principal, on a gross basis. This entails relatively lower gross margin due to the considerable costs incurred for procurement of advertising traffic on media platforms for online advertisement solution services. We recognize revenue generated under our contracts with advertising customers under the arrangements for online advertisement distribution services, where we act as agent, on a net basis and do not record procurement cost of advertising traffic as our cost of services. For further details on our revenue recognition policy in this respect, see “ – Material Accounting Policy Information and Estimates – Revenue Recognition.” The combination of our revenue from different parts of precision marketing services, measured by the portion of revenue recognized on a gross basis and net basis, will affect our profit margin.

Our Ability to Manage Costs and Improve Operational Efficiency

Our ability in cost management is pivotal to improving our overall profitability. In particular, our selling and distribution expenses constituted a relatively significant portion of our total revenue, accounting for 32.4%, 27.6% and 26.5% of our total revenue in 2021, 2022 and 2023, respectively. Further, our employee benefit expenses formed a significant portion of our selling and distribution expenses throughout the Track Record Period. We intend to optimize our operating expenses by achieving economies of scale and improving sales efficiency and effectiveness. As we continue to grow our business, we expect to further improve the structure of our sales force with more experienced sales personnel and offer more training sessions to our sales team. Through those measures, we aim to expand our customer base and maintain stable business relationships with our customers in a more cost-effective manner.

IMPACT OF COVID-19 ON OUR OPERATIONS

Since the end of December 2019, the outbreak of COVID-19, a novel strain of coronavirus, had affected the world in various aspects. In the first half of 2022, the spread of Omicron, a new COVID-19 variant that is more infectious, resulted in resurgences of the pandemic in various regions around the world. In response to the COVID-19 pandemic, including the resurgences in 2022, miscellaneous measures were adopted to contain the virus, such as restrictions in travel and public transport, closure of some facilities and premises, and implementation of social distancing measures in various regions from time to time.

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Our business operations and financial conditions were adversely affected by the COVID-19 pandemic in 2022, compared to the early stage of the COVID-19 outbreak during the Track Record Period. Due to the impact of the COVID-19, our operating activities were temporarily restrained, including our daily operations and sales and marketing efforts. In the first half of 2022, our offices in several major cities experienced temporal closure for different periods of time, which included Shanghai, Shenzhen, Wuxi and Suzhou. In particular, our headquarters in Shanghai were temporarily closed in April and May 2022. During the closure period, over 80% of our employees in our headquarters in Shanghai had to work from home, and we experienced higher level of absence in April and May 2022, comparing with that of the same period in 2021.

Furthermore, our sales and marketing efforts also experienced difficulties during the outbreak of COVID-19 in Shanghai, as our sales personnel had to arrange more online customer visits, which are more challenging to secure orders as compared with offline customer visits. The COVID-19 also affected our customer support and after-sale services. For example, we faced difficulties in adjusting contracts promptly for clients who wished to switch their subscription with our products, and we also had trouble delivering invoices to customers during the pandemic, resulting in delayed payments. Our other offices were affected likewise during the relevant COVID-19 outbreak in the first half of 2022. As such, our revenue growth slowed down as our offline sales and marketing activities experienced difficulties during the outbreak.

In addition, due to the impact of the pandemic in Shanghai from March to June in 2022, the value of our newly signed subscription contract for the second quarter decreased by approximately 49.4% compared to the same period in 2021. As a result, we recorded a year-over-year increase of 20.8% in the revenue from SaaS business in 2022, showing a significant decrease from the 94.8% year-over-year increase in 2021. Apart from the reduced sales activities mentioned above, however, our business operations and R&D activities were not materially affected by the COVID-19 pandemic. As a result, our financial condition was also affected in 2022. Our other receivables in relation to prepayments on behalf of advertisers to third parties increased from RMB1,065.8 million as of December 31, 2021 to RMB1,334.2 million as of December 31, 2022, which was partially because of the extended credit periods we granted to some of our advertising customers due to the adverse impact of COVID-19 resurgences in 2022.

To maintain healthy business relationships with these advertising customers amid the COVID-19 pandemic, we granted longer payment terms, mainly from 90 days to 180 days, to such advertising customers. For example, the four largest advertising customers in terms of the ending balance amounts of other receivables in relation to prepayment on behalf of advertising customers as of December 31, 2022 were granted the longer payment terms, with the amount of other receivables in relation to prepayment on behalf of the four advertising customers accounting for 74.3% of our total ending balance of other receivables in relation to prepayment on behalf of advertising customers as of December 31, 2022. Moreover, our cost payable to media platforms on behalf of customers increased from RMB62.8 million as of December 31, 2021 to RMB319.8 million as of December 31, 2022, mainly attributable to that we slowed down our settlement process with media platforms due to COVID-19 pandemic. See “Financial Information – Prepayments, Other Receivables and Other Asset (Current)” and “Financial Information – Other Payables and Accruals (Current).”

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Since the start of June, 2022, we have gradually resumed our normal business operations following the ease of pandemic control across China, including major cities such as Shanghai. Particularly, with the easing of social distancing measures, we had generally resumed our offline sales and marketing activities to a normal level. Nevertheless, with the sporadic resurgences of COVID-19 pandemic in several regions in China since June 2022, our offices in such regions were affected to different extent. Particularly, our sales personnel in those offices temporarily experienced difficulties to conduct in-person customer visits due to the pandemic prevention and control measures in the respective regions. In the third quarter of 2022, we increased sales and marketing activities in light of the improving situation of COVID-19 pandemic. As a result, the newly signed subscription contract value grew slightly by approximately 8.6% and 4.9% compared to the third and fourth quarters of 2021, respectively. Since mid-December 2022, there have been nationwide resurgences of the COVID-19 pandemic in China. As such, our offices in the affected regions experienced disruptions to our operations from time to time.

To mitigate the impact of the COVID-19 pandemic, we adopted measures to mobilize internal resources and leverage our strong technological capabilities, such as enhancing our R&D efforts to refine our products and services, maximizing our sales force capability and implementing various precautionary policies to ensure the safety of our employees working remotely or onsite. As a result, we had maintained our momentum in revenue growth throughout the Track Record Period. As the COVID-19 pandemic has since subsided, we do not anticipate further adverse impact on our business and financial performance. However, we cannot be entirely certain as to when the impact of the COVID-19 pandemic will be completely alleviated. Any prolonged outbreak of the COVID-19 or any similar pandemic may adversely affect our business and financial performance. See “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 and similar pandemic may continue to present challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations.”

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results. We have also not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

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Listed below are accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in further details in Notes 2.4 and 3 to the Accountants' Report included in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

SaaS Business

SaaS business revenue primarily generates from a variety of cloud-based marketing and sales solutions. Revenue is generally recognized over time on a ratable basis over the contract term beginning from the date when cloud is accessible to the customer. SaaS business is provided to customers directly, including those sold directly by our Group and through channel partners. Our Group is responsible to deliver the cloud-based software and ensure the customers have the right to access the cloud-based software in a stable way.

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The channel partners work as the agent and have the contractual obligation to follow our Group's pricing guidance and have no significant performance obligation towards the customers. Therefore our Group is the principal and recognizes revenue at the gross amount billed to the customers by the channel partners. The difference between the gross amount billed to the customer by the channel partners and the amount billed to channel partners by our Group is recognized as contract acquisition cost. Contract acquisition costs are charged to selling and distribution expenses on a ratable basis which is in line with the revenue recognition.

Our Group develops and sells customized self-hosted software. Revenue is recognized when control over the customized software has been transferred to the customer. The customers cannot receive and consume the benefits simultaneously from the customized software as well as control the customized software until the software was delivered to the customer. The customized software generally has no alternative use for our Group due to contractual restrictions. However, an enforceable right to payment does not arise until customized software transfer to customer. Therefore, revenue is recognized at a point in time when the customized software is passed to the customer.

Our Group recognizes an asset in relation to costs to fulfill its customized software development contracts. The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. The contract fulfillment costs are recorded as cost of sales when the customized software is passed to the customer and the revenue is recognized.

Precision Marketing Services

Our Group generates revenue from marketing solutions for advertising in a range of industries on media platforms. Precision marketing services include online advertisement solution services and online advertisement distribution services. Under each particular contract with customers, our Group is acting as a principal or an agent in the specific transactions. In determining whether our Group is acting as a principal or as an agent under the contract, management is required to take into account all relevant factors when making the judgment and evaluation, which are (a) whether our Group is primarily responsible for fulfilling the promise to provide the specified service; (b) whether our Group has inventory risk before or after the specified service or control has been transferred to a customer; and (c) whether our Group has discretion in establishing the prices for the specified service. Specifically, for online advertisement solution service, our Group acts as the principal of these arrangements, correspondingly recognizes revenue on a gross basis; while for online advertisement distribution service, our Group acts as the agent and recognizes revenue on a net basis.

Online Advertisement Solution Services

Our Group provides one-stop, cross-media mobile marketing solutions by designing, producing, launching, monitoring and optimizing their advertisement campaigns, with strategic focus on top media platforms. Our Group charges the customers mainly based on Cost Per Mille ("CPM") and Cost Per Click ("CPC"), which is subject to downward adjustments when the unit costs of advertising exceeded the committed levels. Revenue is recognized at a point in time when the customer benefits from the services.

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While none of the factors individually are considered presumptive or determinative, in these arrangements our Group is the principal and responsible for (i) identifying and contracting with third-party advertisers which our Group views as customers, our Group is primarily responsible for delivering the specified integrated services to the advertisers and committed not to exceed the unit costs of advertising as agreed with the advertisers; (ii) taking certain risk of loss to the extent that the cost incurred for producing contents, formulating advertisement campaign and acquiring traffic from media platforms cannot be compensated by the total consideration received from the advertisers; (iii) performing all the billing and collection activities based on prices negotiated by the Group with the advertisers; and (iv) taking responsibility for the advertising content that our Group produced and placed with media platforms. Our Group controls the specified service before that service is transferred to the advertiser and acts as the principal of these arrangements and therefore recognizes revenue earned and costs incurred related to these transactions on gross basis. Under these arrangements, the rebates obtained from the media platforms are recorded as reduction of cost of sales. Rebates offered to the advertisers are recognized as deduction of revenue.

Online Advertisement Distribution Services

Our Group provides traffic acquisition service to distribute the advertisements produced by the advertisers or our Group. The advertisements are published on the targeted media platforms as determined by the customers. Besides, our Group provides advertisements account charging service to customers upon the request from customers. Revenue is recognized at a point in time when the distribution of advertisements and charging of advertisement accounts are completed.

Our Group is not the principal in this arrangement as our Group does not control the specified service (i.e., the traffic) before that service is delivered to the customer, because (i) it is the targeted media platform, rather than our Group, who is primarily responsible for providing the media publishing service; (ii) the media platforms are identified and determined by the customers, rather than our Group, and our Group did not commit to acquire the traffic before transferring to the customers. Therefore, our Group is not the principal in executing these transactions. Our Group reports the amount received from the customers and the amounts paid to the media platforms related to these transactions on a net basis. Under these arrangements, rebates granted by the media platforms are recorded as revenue in the consolidated statements of profit or loss. Rebates offered to the advertisers are recognized as a deduction of revenue.

Share-based Payments

Our Company operates a share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our Group's operations. Employees (including directors) of our Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

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The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using discounted cash flow method and back-solve method, further details of which are given in Note 32 to the Accountants' Report included in Appendix I to this document.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Track Record Period until the vesting date reflects the extent to which the vesting period has expired and our Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either our Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if our Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and contract acquisition costs), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each period of the Track Record Period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an

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amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

During the Track Record Period, there had been indicators of impairment. In accordance with the management's estimation, the recoverable amount of non-financial assets has been determined on the basis of value in use by estimating future pre-tax cash flows using key assumptions including budgeted gross margins, revenue growth rates and discount rates. The budgeted gross margins used in the impairment testing were determined by the management on the basis of past performance and its expectation for market development of the SaaS business and precision marketing services. The expected revenue growth rates are based on the business plan approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. Based on the result of the assessment, our directors are of the view that the carrying amount of non-financial assets does not exceed the recoverable amount and thus no provision for impairment was required for non-financial assets as of December 31, 2021, 2022 and 2023.

Provision for Expected Credit Losses on Receivables

Our Group uses a provision matrix to calculate expected credit losses ("ECLs") for receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns.

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the customer industry, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on our Group's receivables is disclosed in Notes 20 and 21 to the Accountants' Report in Appendix I to this document.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Revenue	877,231	1,142,776	1,232,120
Cost of services	<u>(399,424)</u>	<u>(582,738)</u>	<u>(525,938)</u>
Gross profit	477,807	560,038	706,182
Other income and gains	39,776	47,702	39,904
Selling and distribution expenses	(284,158)	(314,995)	(326,798)
Administrative expenses	(172,032)	(188,931)	(203,892)
Research and development expenses	(160,588)	(224,621)	(210,037)
Fair value changes of convertible redeemable preferred shares	(122,237)	(61,069)	(107,815)
Other expenses	(1,998)	(125)	(585)
Impairment for financial assets	(15,191)	(6,496)	(31,143)
Finance costs	<u>(26,481)</u>	<u>(27,990)</u>	<u>(35,239)</u>
Loss before tax	(265,102)	(216,487)	(169,423)
Income tax expense	<u>(7,487)</u>	<u>32</u>	<u>(55)</u>
Loss for the year	<u>(272,589)</u>	<u>(216,455)</u>	<u>(169,478)</u>

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

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We define adjusted net loss (non-IFRS measure) as net loss for the year adjusted by adding back fair value changes of convertible redeemable preferred shares, interest on preferred shares, [REDACTED] expenses and share-based compensation expenses. We exclude such items in adjusted net loss (non-IFRS measure) primarily because (i) fair value changes of convertible redeemable preferred shares are non-cash in nature and are not expected to result in future cash payments to be made by us. All of the convertible redeemable preferred shares will be converted into ordinary shares of our Company, and financial liabilities at fair value through profit or loss (“FVTPL”) will be converted into equity upon the [REDACTED]; (ii) the interest on preferred shares is related to the redeemable preferred capital issued by Shanghai Trueland before Reorganization. Due to the redemption rights contained in the investor’s agreement (see Note 27 to the Accountants’ Report in Appendix I to this document), the redeemable preferred capital is recognized as financial liabilities at amortized cost, with accretion of interest recognized in the statement of profit or loss (the accretion itself will only be realized upon redemption and will not give rise to any cash effect). Pursuant to the Reorganization in July 2021, we repurchased the redeemable preferred capital and replaced it with our convertible redeemable preferred shares, which are measured at fair value through profit or loss instead of amortized costs. Thus, no interest was recognized in 2022 and 2023 subsequent to the completion of the Reorganization; (iii) [REDACTED] expenses are expenses related to the [REDACTED]; and (iv) share-based compensation expenses are expenses related to the share incentives and rewards we offered to our employees, which are non-cash expenses and not reflective of our business performance or cash flow. The adjustments have been consistently made during the Track Record Period.

The following table reconciles our adjusted net loss (non-IFRS measure) for the years presented in accordance with IFRS, which is net loss for the year:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Reconciliation of net loss to			
adjusted net loss			
(non-IFRS measure):			
Net loss for the year	<u>(272,589)</u>	<u>(216,455)</u>	<u>(169,478)</u>
Add:			
Fair value changes of convertible redeemable preferred shares	122,237	61,069	107,815
Interest on redeemable preferred shares	8,004	–	–
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Share-based compensation expenses	<u>7,952</u>	<u>8,378</u>	<u>8,378</u>
Adjusted net loss			
(non-IFRS measure)	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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We had net losses during the Track Record Period, primarily because we incurred substantial research and development expenses, administrative expenses and selling and distribution expenses during the process of rapid expansion of our SaaS business. According to Frost & Sullivan, SaaS solution providers often experience losses when expanding their business due to the time lag between revenue recognition and operational expenses. While a SaaS company bears substantial expenses in research and development, as well as selling and distribution and administration, the resultant revenue growth may manifest only at a subsequent phase, as revenue is recognized over the term of the contracts. To timely capture the opportunities from the favorable governmental policies adopted in recent years and the rising marketing and sales SaaS market in China, since 2019, we have experienced significant increases in (i) research and development expenses to enhance the performance of our products and launch new functional modules, (ii) selling and distribution expenses to promote our SaaS business and expand our user base, and (iii) administrative expenses to support the fast growth of our business scale. As we are still in the process of expansion of our SaaS business, we expect to record a net loss in 2023. See “Risk Factors – We have incurred net losses and recorded accumulated losses during the Track Record Period, which may continue in the future.”

Our adjusted net losses (non-IFRS measure) remained relatively stable at RMB130.5 million and RMB132.3 million in 2021 and 2022, respectively. Our adjusted net losses (non-IFRS measure) decreased from RMB132.3 million in 2022 to RMB27.7 million in 2023, primarily due to (i) an increase in gross profit, resulting from the increasing contribution of revenue from SaaS business, and (ii) a decrease in our research and development expenses, resulting from the enhanced efficacy and cost-efficiency of our research and development efforts.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from our SaaS business and precision marketing services, and we recorded a significant increase in our revenue from SaaS business and precision marketing services. The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except percentages)</i>					
SaaS business	438,642	50.0	529,877	46.4	702,378	57.0
Precision marketing services	438,589	50.0	612,899	53.6	529,742	43.0
Total	877,231	100.0	1,142,776	100.0	1,232,120	100.0

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SaaS Business

We deliver comprehensive and diversified SaaS products to our users to fulfill their various marketing and customer relationship management demands. As of December 31, 2023, our SaaS product matrix comprised 237 functional modules. Our revenue from SaaS business was largely generated from the subscription fee that we charge our users. For details on our revenue recognition policy with respect to our SaaS business, see “ – Material Accounting Policy Information and Estimates – Revenue Recognition – SaaS Business.”

Our revenue from SaaS business increased from RMB438.6 million in 2021 to RMB529.9 million in 2022, and further to RMB702.4 million in 2023. The number of users of our SaaS business slightly decreased from 24,127 in 2021 to 23,647 in 2022, primarily due to our reduced marketing activities and higher customer attrition resulting from the adverse impact of the COVID-19 pandemic. In addition, our average contract value per user decreased from RMB45,026 in 2021 to RMB41,584 in 2022, primarily due to that our users reduced marketing and sales spend in light of the resurgences of the COVID-19 pandemic in 2022. Nonetheless, our revenue from SaaS business increased in 2022, primarily attributable to the increase in the contract value from users’ subscription in 2021 as compared to 2020, a portion of which was subsequently recognized as revenue in 2022. The revenue from our SaaS business increased by 32.6% from RMB529.9 million in 2022 to RMB702.4 million in 2023, benefiting from the increase in the number of users of our SaaS business from 23,647 in 2022 to 25,495 in 2023, as well as the increase in the average contract value per user from RMB41,584 in 2022 to RMB51,238 in 2023.

Precision Marketing Services

Our precision marketing services comprise (i) online advertisement solution services, and (ii) online advertisement distribution services. We recognize revenue generated under our contracts with advertising customers for online advertisement solution services, where we act as the principal, on a gross basis. We recognize revenue generated under our contracts with advertising customers for online advertisement distribution services, where we act as the agent, on a net basis. For further details on our revenue recognition policy, see “– Material Accounting Policy Information and Estimates – Revenue Recognition – Precision Marketing Services.”

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The following table sets forth a breakdown of our revenue generated from precision marketing services for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except percentages)</i>					
Online advertisement solution services	355,330	81.0	529,158	86.3	445,033	84.0
Online advertisement distribution services	83,259	19.0	83,741	13.7	84,709	16.0
Revenue	<u>438,589</u>	<u>100.0</u>	<u>612,899</u>	<u>100.0</u>	<u>529,742</u>	<u>100.0</u>

Revenue generated from our precision marketing services increased from RMB438.6 million in 2021 to RMB612.9 million in 2022. This was primarily attributable to the increase in revenue from online advertisement solution services, which was recognized on a gross basis. The rapid growth of the revenue from our online advertisement solution services was primarily due to (i) the continuous enhancement of our marketing capability and improvement of service quality, helping us to further raise our brand awareness and attract more advertising customers for our online advertisement solution services; (ii) our strategic focus on quality advertising customers with stronger marketing needs and the willingness to procure professional marketing services from us; and (iii) the fast development of the online marketing market in China, where we strive to capture and address the concerns of the growing number of enterprises with marketing demands.

Revenue generated from our precision marketing services decreased from RMB612.9 million in 2022 to RMB529.7 million in 2023, primarily due to the decrease in the revenue from online advertisement solution services, which was mainly attributable to the decrease in the number of advertising customers for online advertisement solution services. Such decrease was mainly due to that we proactively adjusted our customer portfolio based on the factors such as the customers' credit history, business prospect and gross billing. This is in line with our general strategy to focus on the advertisement distribution services going forward, with a view to improving overall profitability and operation efficiency while minimizing risk exposure.

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The following table illustrates the reconciliation of our gross billing and our revenue under precision marketing services for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Gross billing	4,646,707	5,875,889	6,308,073
Less: advertising traffic charges from media platforms (netting off the rebates from media platforms)	4,208,118	5,262,990	5,778,331
Revenue	438,589	612,899	529,742

The following table sets forth a breakdown of our number of advertising customers and average spending per advertising customers for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Gross billing <i>(RMB in thousands)</i>	4,646,707	5,875,889	6,308,073
Number of advertising customers	845	998	1,042
– For online advertisement solution services	8	3	2
– For online advertisement distribution services	837	995	1,040
Average spending per advertising customers ⁽¹⁾ <i>(RMB in thousands)</i>	5,499	5,888	6,054

Note:

- (1) The average spending per advertising customers refers to the average gross billing generated per advertising customers for the relevant year.

Cost of Services

Our cost of services primarily consists of (i) advertising traffic costs on media platforms, which largely represents the costs we pay to media platforms to purchase traffic in connection with our precision marketing services, (ii) broadband and other hardware cost, which was mainly related to the broadband services and hardware such as servers for our SaaS business, (iii) employee benefit expenses, (iv) tax and surcharges, and (v) depreciation and amortization. With regard to depreciation and amortization, the amortization period and the amortization method for an intangible asset other than goodwill with a finite useful life are reviewed at least at each financial year end. The principal annual rate applied for this purpose is between 10% to 20% for our the software, which represents five to 10 years of useful life. We estimated the useful life of software based on difference pace of technological updating and market demand for services provided by using these assets. See Note 2.4 to the Accountants’ Report in Appendix I to this document.

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According to Frost & Sullivan, the cost structure of the cost of services of our SaaS business and precision marketing business are generally in line with those of other major market players. For SaaS business, the cost of services primarily includes their employee benefits and IT costs, representing approximately 10%-35% and 50%-80% of the cost of sales, respectively; for precision marketing business, advertising traffic procurement cost to media platforms typically contributes 90%-99% of cost of services.

The following table sets forth a breakdown of our cost of services by nature in absolute amounts and as a percentage of our total cost of services for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except percentages)</i>						
Advertising traffic costs on media platforms	346,125	86.7	520,813	89.4	437,532	83.2
Broadband and other hardware cost	33,183	8.3	36,210	6.2	60,617	11.5
Employee benefit expenses	13,427	3.3	20,894	3.6	20,096	3.8
Tax and surcharges	3,484	0.9	1,178	0.2	2,470	0.5
Depreciation and amortization	3,205	0.8	3,643	0.6	5,223	1.0
Total	<u>399,424</u>	<u>100.0</u>	<u>582,738</u>	<u>100.0</u>	<u>525,938</u>	<u>100.0</u>

During the Track Record Period, advertising traffic costs on media platforms constituted the largest component of our cost of services, which are attributable to our online advertisement solution services. Our advertising traffic costs on media platforms increased from RMB346.1 million in 2021 to RMB520.8 million in 2022. This was generally in line with the business growth of our online advertisement solution services. Our advertising traffic costs on media platforms decreased from RMB520.8 million in 2022 to RMB437.5 million in 2023, which was in line with the decrease in the revenue from online advertisement solution services. In 2021, 2022 and 2023, cost of precision marketing services accounted for a larger portion of our cost of services, representing 89.1%, 90.2% and 83.6% of our cost of services in relevant year respectively. In contrast, during the Track Record Period, cost of services in relation to our SaaS business accounted for 10.9%, 9.8% and 16.4% of our cost of services in relevant year respectively.

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The following table sets forth a breakdown of our cost of services by business segment in absolute amounts and as a percentage of our cost of services for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except percentages)</i>					
SaaS business	43,550	10.9	57,192	9.8	86,223	16.4
Precision marketing services	<u>355,874</u>	<u>89.1</u>	<u>525,546</u>	<u>90.2</u>	<u>439,715</u>	<u>83.6</u>
Total	<u>399,424</u>	<u>100.0</u>	<u>582,738</u>	<u>100.0</u>	<u>525,938</u>	<u>100.0</u>

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit by business segment in absolute amounts and gross margins, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross Gross Profit	Margin (%)	Gross Gross Profit	Margin (%)	Gross Gross Profit	Margin (%)
	<i>(RMB in thousands, except percentages)</i>					
SaaS business	395,092	90.1	472,685	89.2	616,155	87.7
Precision marketing services	82,715	18.9	87,353	14.3	90,027	17.0
– Online advertisement solution services	8,460	2.4	7,942	1.5	7,348	1.7
– Online advertisement distribution services	<u>74,255</u>	<u>89.2</u>	<u>79,411</u>	<u>94.8</u>	<u>82,679</u>	<u>97.6</u>
Total	<u>477,807</u>	<u>54.5</u>	<u>560,038</u>	<u>49.0</u>	<u>706,182</u>	<u>57.3</u>

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During the Track Record Period, our gross profit increased robustly along with our increasing revenue because of our business growth, and in particular, the growth in our SaaS business. Our overall gross margins decreased from 54.5% in 2021 to 49.0% in 2022, and increased to 57.3% in 2023. The fluctuations in our overall gross margins were generally in line with the changes in our revenue structure, as the revenue contribution from SaaS business with a relatively higher gross profit margin accounted for 50.0%, 46.4% and 57.0% of our total revenue in 2021, 2022 and 2023, respectively. Our SaaS business recorded higher gross margin than precision marketing services because of the different cost structures. For SaaS business, the cost of services primarily includes employee benefit expenses, broadband and other hardware, depreciation and amortization and other costs, with employee benefit expenses and broadband and other hardware costs contributing the majority of cost of services. Following the initial investments in broadband and other hardware at the commencement of SaaS business, we are able to benefit from the economies of scale, and the depreciation and amortized costs are typically insignificant in absolute amount. In addition, the employee benefit expenses generally do not increase proportionately to the growth of SaaS revenue, thus accounting for the relatively higher gross margin. For precision marketing business, substantially all of the cost of services comes from the traffic procurement cost to media platforms for our online advertisement solution services, which is typically large in absolute amount and accounts for the relatively lower gross margin.

Benefiting from the business growth and economies of scale, the gross margin of our SaaS business was 90.1% in 2021 and remained relatively stable at 89.2% in 2022. The gross margin of our SaaS business slightly decreased to 87.7% in 2023, primarily attributable to an increase in the procurement of advertising data service to enhance the performance of our SaaS products.

The gross margins of our precision marketing service fluctuated during the Track Record Period, being 18.9% in 2021, 14.3% in 2022 and 17.0% in 2023, generally in line with the changes in the revenue structure. Revenue generated from our online advertisement solution services, accounting for 81.0%, 86.3% and 84.0% in 2021, 2022 and 2023, respectively, was recognized on a gross basis and entailed a relatively lower gross margin of 2.4%, 1.5% and 1.7% in 2021, 2022 and 2023, respectively. By comparison, revenue generated from our online advertisement distribution services was recognized on a net basis with a higher gross margin of 89.2%, 94.8% and 97.6% for the same years, respectively. The fluctuations in the gross margin of online advertisement solution services were primarily attributable to the changes in rebate rates received from media platforms and granted to customers. See "Business – Precision Marketing – Rebates." The overall increase in the gross margin of online advertisement distribution services was primarily due to a decrease in the staff costs as we enhanced the operational efficiency of our teams. For example, we have developed our proprietary automatic charging system. Once an advertising customer submits an account recharge request, the system autonomously reviews the request and finalizes the top-up procedures, eliminating the time of logging into the media platform backend to place orders manually for our operation teams. Moreover, when producing advertising content, our team uses advertisement design tools to facilitate the production of advertising materials based on the proposals provided by advertising customers as a supplement to traditional content production methods. These measures have helped us streamline our work processes and effectively improved personnel efficiency.

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee benefit expenses of our sales and marketing personnel, (ii) contract acquisition costs, which represents the payment we make to our channel partners for our SaaS business, (iii) office and rental expenses, and (iv) marketing and promotion expenses, which represents the costs incurred from our sales and marketing activities relating to our SaaS business. Our selling and distribution expenses accounted for 32.4%, 27.6% and 26.5% of our revenue in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of the major components of our selling and distribution expenses for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Employee benefit expenses	170,272	195,574	186,776
Contract acquisition costs	32,225	32,780	34,747
Office and rental expenses	28,032	20,522	24,137
Marketing and promotion expenses	31,673	31,474	45,595
Depreciation and amortization	21,956	34,645	35,543
Total	<u>284,158</u>	<u>314,995</u>	<u>326,798</u>

Our employee benefit expenses for our sales and marketing personnel increased RMB170.3 million in 2021 to RMB195.6 million in 2022, primarily because we maintained a reasonable size of sales team and raised our hiring standards and compensation levels in 2022. Our employee benefit expenses for our sales and marketing personnel decreased from RMB195.6 million in 2022 to RMB186.8 million in 2023, primarily due to the decrease in the monthly average number of sales and marketing personnel from 1,227 in 2022 to 957 in 2023. See “Business – Employees.” In addition, we granted performance-based bonus to direct sales team of RMB7.0 million, RMB3.5 million and RMB2.9 million in 2021, 2022 and 2023, respectively, and the total sales commission amounted to RMB18.1 million, RMB17.4 million and RMB20.0 million for 2021, 2022 and 2023, respectively. See “Business – Sales and Marketing – SaaS Business.”

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Our depreciation and amortization increased from RMB22.0 million in 2021 to RMB34.6 million in 2022, and further increased to RMB35.5 million in 2023, primarily because we leased more office properties and purchased more office equipments along with the expansion of our business scale.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses for our administrative personnel, (ii) office and rental expenses, (iii) depreciation and amortization, (iv) share-based payment expenses, (v) professional service fees and (vi) [REDACTED] expense. Our employee benefit expenses for our administrative personnel increased from RMB92.7 million in 2021 to RMB105.0 million in 2022, primarily due to the increased average compensation to strengthen our headquarter functions. Our employee benefit expenses for our administrative personnel decreased from RMB105.0 million in 2022 to RMB99.9 million in 2023, primarily due to the decrease in the monthly average number of administrative personnel from 536 in 2022 to 447 in 2023. Our depreciation and amortization increased from RMB19.8 million in 2021 to RMB28.3 million in 2022, and further increased to RMB30.2 million in 2023, primarily because we leased more office properties and purchased more office equipments along with the expansion of our business scale. We recorded professional service fees of RMB18.1 million in 2021, which primarily represented expenses that we incurred for the consulting and professional services incurred from financing activities. Our administrative expenses accounted for 19.6%, 16.5% and 16.5% of our revenue in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of the components of our general and administrative expenses for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Employee benefit expenses	92,712	104,977	99,946
Office and rental expenses	26,672	18,435	22,078
Depreciation and amortization	19,825	28,316	30,213
Share-based payment expenses	7,952	8,378	8,378
Professional service fees	18,079	4,979	6,889
[REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Others	2,871	9,181	10,839
	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>[REDACTED]</u></u>	<u><u>[REDACTED]</u></u>	<u><u>[REDACTED]</u></u>

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Research and Development Expenses

Our research and development efforts mainly focus on developing and upgrading technologies and functional modules for our SaaS products. Our research and development expenses primarily consist of (i) employee benefit expenses for our R&D personnel, (ii) depreciation and amortization, and (iii) office and rental expenses. Employee benefit expenses for our R&D personnel increased from RMB116.2 million in 2021 to RMB172.8 million in 2022, primarily due to the expansion of our R&D team throughout the year. In particular, employee benefit expenses for our R&D personnel and the number of our R&D personnel increased significantly in 2021, primarily because we launched various projects to further enhance the data analytics, integration and processing capabilities of the Marketingforce platform. Our R&D team is essential to the improvement of our core technological capabilities to help our SaaS products stay competitive, such as upgrading and iterating the functional modules and enhancing the data analytics capability of the Marketingforce platform. Our employee benefit expenses for our R&D personnel decreased from RMB172.8 million in 2022 to RMB149.8 million in 2023, primarily due to the decrease in the monthly average number of R&D personnel from 596 in 2022 to 511 in 2023, as we streamlined our R&D forces and outsourced certain ancillary R&D tasks to third-party technical service providers, such as the development of system browser extensions that enhance the functionality of our products. Meanwhile, we focus on the in-house R&D activities on core technologies development, which allows us to further upgrade functional modules for our SaaS products and enhance the data analytics capability of our Marketingforce platform. See “Business – Research and Development.” Our research and development expenses accounted for 18.3%, 19.7% and 17.0% of our revenue in 2021, 2022 and 2023, respectively. To maintain our strength in R&D capabilities, we have been and will continue to invest in R&D activities.

The following table sets forth a breakdown of the components of our research and development expenses for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Employee benefit expenses	116,225	172,795	149,777
Depreciation and amortization	20,065	26,063	27,828
Office and rental expenses	15,620	16,619	11,592
Professional service fees	8,678	9,144	20,840
	160,588	224,621	210,037
Total	160,588	224,621	210,037

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Other Income and Gains

Our other income and gains primarily consist of (i) additional deductible input VAT, (ii) government grants, and (iii) bank interest income. The following table sets forth a breakdown of the major components of our other income and gains for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Additional deductible input VAT	32,525	33,239	25,332
Government grants	6,650	11,947	12,727
Bank interest income	526	1,109	1,048
Gains on disposal of right-of-use assets and lease liabilities	13	208	424
Gains on modification of right-of-use assets and lease liabilities	–	–	281
Foreign exchange gains, net	–	971	–
Others	62	228	92
	62	228	92
Total	39,776	47,702	39,904

Additional deductible input VAT provided to us related to VAT deduction for eligible companies, which was conditional in nature. VAT deduction refers to a certain percentage (10% between April 2019 to December 2022 and 5% for the year of 2023) weighted deduction of creditable input VAT from the tax amount payable. The deduction is calculated based on the cost of services of our SaaS business and precision marketing solution services registered with the relevant tax authorities, pursuant to the Circular Announcement on Deepening Policies Related to VAT Reform (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) issued by the MOF, the STA and the General Administration of Customs in March 2019 and subsequent related laws and policies. See “Regulatory Overview – Regulations – Regulations Relating to Tax in the PRC – Value-Added Tax.”

Finance Costs

Our finance costs comprise (i) interest on redeemable preferred capital, which is related to the preferred shares, (ii) interest on interest-bearing bank borrowings, and (iii) interest on lease liabilities. Our finance costs amounted to RMB26.5 million, RMB28.0 million and RMB35.2 million in 2021, 2022 and 2023, respectively.

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Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares represent the fair value change relating to the liability element of the convertible redeemable preferred shares issued to Pre-[REDACTED] Investors. The convertible redeemable preferred shares are initially recognized at fair value at the time of issuance. We recognize changes in the redemption element of convertible redeemable preferred shares in profit or loss. See Notes 29 to the Accountants’ Report in Appendix I to this document. We recorded fair value changes of convertible redeemable preferred shares of RMB122.2 million, RMB61.1 million and RMB107.8 million in 2021, 2022 and 2023, respectively.

Other Expenses

Our other expenses primarily comprise (i) losses on disposal of items of property, plant and equipment, (ii) losses on disposal of right-of-use assets and lease liabilities, and (iii) foreign exchange losses. See Notes 9 to the Accountants’ Report in Appendix I to this document. Our other expenses amounted to RMB2.0 million, RMB0.1 million and RMB0.6 million in 2021, 2022 and 2023, respectively.

The table below sets for a breakdown of other expenses for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Losses on disposal of items of property, plant and equipment	132	125	30
Foreign exchange losses, net	1,422	–	60
Others	444	–	495
	<u>444</u>	<u>–</u>	<u>495</u>
Total	<u>1,998</u>	<u>125</u>	<u>585</u>

Impairment for Financial Assets

Impairment for financial assets represents the impairment loss recognized on financial assets under expected credit losses model. See Notes 2.4 to the Accountants’ Report in Appendix I to this document. Our impairment for financial assets amounted to RMB15.2 million, RMB6.5 million and RMB31.1 million in 2021, 2022 and 2023, respectively. The increase in 2023 was primarily due to the assessment of the expected credit losses for trade receivables and other receivables, taking into account the general market condition.

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Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which our members are domiciled and operate. Under the current laws of the Cayman Islands, our Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by our Company to its shareholders, no Cayman Islands withholding tax is imposed.

The subsidiary incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

Under the Law of the PRC on Corporate Income Tax (the “**CIT Law**”) and Implementation Regulation of the CIT Law, the CIT rate of the PRC subsidiaries is 25% during the Track Record Period unless subject to tax concession. For details of the tax concession granted to our PRC subsidiaries during the Track Record Period, see Note 12 to the Accountants’ Report in Appendix I to this document. The increase in the income tax expenses during the Track Record Period was primarily due to the increase in taxable income of some subsidiaries of our Group. Our PRC Legal Advisor has confirmed that none of our PRC operating subsidiaries was subject to administrative penalties imposed by the relevant tax authorities due to serious violations of the tax laws and regulations during the Track Record Period.

In 2021, 2022 and 2023, we recorded expenses not deductible for tax of RMB19.4 million, RMB9.5 million and RMB18.7 million, respectively. Expenses not deductible for tax mainly represented the fair value loss on convertible redeemable preferred shares, which are not deductible for tax.

The following table sets forth a breakdown of the major components of our income tax expense for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Current income tax	7,509	7	–
Deferred income tax	(22)	(39)	55
	7,487	(32)	55
Total	7,487	(32)	55

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased from RMB1,142.8 million in 2022 to RMB1,232.1 million in 2023, primarily due to the increase in the revenue from SaaS business, partially offset by the decrease in the revenue from precision marketing services.

SaaS Business

Our revenue from SaaS business increased by 32.6% from RMB529.9 million in 2022 to RMB702.4 million in 2023, primarily attributable to the increases in the number of users of our SaaS business from 23,647 in 2022 to 25,495 in 2023, and the average contract value per user from RMB41,584 in 2022 to RMB51,238 in 2023. Such increases were mainly attributable to (i) our improvement and expansion of SaaS product offerings, incentivizing the users to increase spending and (ii) our continuous dedication to customer success, helping users to better understand and create the most value of our SaaS products.

Precision Marketing Services

Our revenue from our precision marketing services decreased by 13.6% from RMB612.9 million in 2022 to RMB529.7 million in 2023, primarily attributable to the decrease in the revenue from online advertisement solution services from RMB529.2 million in 2022 to RMB445.0 million in 2023. Such decrease was mainly due to the decreased number of advertising customers of online advertisement solution services, as we proactively adjusted our customer portfolio based on factors such as the customers’ credit history, business prospect and gross billing. This is in line with our general strategy to focus on the advertisement distribution services going forward, with a view to improving the overall profitability and operation efficiency while minimizing risk exposure.

Cost of Services

Our cost of services decreased by 9.7% from RMB582.7 million in 2022 to RMB525.9 million in 2023, primarily due to the decrease in the cost of services of our precision marketing services, partially offset by the increase in the cost of services of our SaaS business.

SaaS Business

Our cost of services of SaaS business increased by 50.7% from RMB57.2 million in 2022 to RMB86.2 million in 2023. Such increase was primarily due to the procurement of broadband, hardware and other ancillary services to enhance the performance of our SaaS products.

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Precision Marketing Services

Our cost of services of precision marketing services decreased by 16.3% from RMB525.5 million in 2022 to RMB439.7 million in 2023, generally in line with the decrease in our revenue from precision marketing services in the same year.

Gross Profit and Gross Margin

As a result of the foregoing, our overall gross profit increased by 26.1% from RMB560.0 million in 2022 to RMB706.2 million in 2023, and our overall gross margin increased from 49.0% in 2022 to 57.3% in 2023. The increase in our overall gross margin was primarily attributable to the increasing proportion of the revenue from our SaaS business, which is relatively higher-margin in nature.

SaaS Business

Our gross profit of our SaaS business increased by 30.4% from RMB472.7 million in 2022 to RMB616.2 million in 2023. Our gross margin decreased from 89.2% in 2022 to 87.7% in 2023. The decrease in gross margin was primarily attributable to an increase in costs, which was mainly due to the procurement of advertising data service to enhance the performance of our SaaS products.

Precision Marketing Services

Our gross profit of our precision marketing service increased by 3.1% from RMB87.4 million in 2022 to RMB90.0 million in 2023. The gross margin of our precision marketing service increased from 14.3% in 2022 to 17.0% in 2023. The increase was mainly attributable to the increased proportion of revenue from online advertisement distribution services, which was recognized on a net basis with relatively high gross margin.

Selling and Distribution Expenses

Our selling and distribution expenses slightly increased from RMB315.0 million in 2022 to RMB326.8 million in 2023, which was primarily due to an increase in marketing and promotion expenses as a result of the increased promotion efforts along with the expansion of our SaaS business, partially offset by the decrease in employee benefit expenses resulting from the decreased monthly average number of sales and marketing personnel from 1,227 in 2022 to 957 in 2023.

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Administrative Expenses

Our administrative expenses increased by 7.9% from RMB188.9 million in 2022 to RMB203.9 million in 2023, mainly due to (i) the increase in [REDACTED], and (ii) the increase in professional service fees, mainly incurred from the consulting services relating to our daily operations, partially offset by the decrease in employee benefit expenses resulting from the decreased monthly average number of administrative personnel from 536 in 2022 to 447 in 2023, benefiting from our efforts in enhancing the operational efficiency of administrative management.

Research and Development Expenses

Our research and development expenses decreased from RMB224.6 million in 2022 to RMB210.0 million in 2023, primarily due to (i) the decrease in employee benefit expenses, resulting from the decrease in the monthly average number of R&D personnel from 596 in 2022 to 511 in 2023, partially offset by the increase in professional service fees, as we streamlined our R&D forces and outsourced certain ancillary R&D tasks to third-party technical service providers. Meanwhile, we directed our internal R&D resources towards the in-house development of core technologies.

Other Income and Gains

Our other income and gains decreased by 16.4% from RMB47.7 million in 2022 to RMB39.9 million in 2023, primarily due to the decrease in government grants refunding deductible VAT that we were entitled to.

Finance Costs

Our finance costs increased by 25.7% from RMB28.0 million in 2022 to RMB35.2 million in 2023, primarily due to the increase in interest on interest-bearing bank and other borrowings.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred share increased from RMB61.1 million in 2022 to RMB107.8 million in 2023, primarily due to the fair value change relating to the liability element of the financial instruments issued to the Pre-[REDACTED] Investors.

Other Expenses

Our other expenses amounted to RMB0.1 million and RMB0.6 million in 2022 and 2023, respectively.

FINANCIAL INFORMATION

Impairment for Financial Assets

Our impairment for financial assets amounted to RMB6.5 million and RMB31.1 million in 2022 and 2023, respectively.

Income Tax Expenses

We recorded income tax credit of RMB0.0 million and income tax expense of RMB0.1 million in 2022 and 2023, respectively.

Loss for the Year

As a result of the foregoing, our net loss decreased from RMB216.5 million in 2022 to RMB169.5 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 30.3% from RMB877.2 million in 2021 to RMB1,142.8 million in 2022, primarily due to the increase in the revenue from both SaaS business and precision marketing services.

SaaS Business

We have recorded a lower-than-expected revenue growth for our SaaS business in 2022 as compared to 2021, because our offline sales and marketing activities and business operations have been disrupted by the COVID-19 outbreak and the pandemic control measures during the first half of 2022. Despite the negative impact brought by the pandemic, we still managed to record a revenue growth in SaaS business, which increased by 20.8% from RMB438.6 million in 2021 to RMB529.9 million in 2022, primarily attributable to the increase in the contract value from users' subscription in 2021 as compared to 2020, which was subsequently recognized as revenue in the next year. Such increase was mainly because (i) we continued to enhance sales and marketing efforts as a result of our established sales offices across China, (ii) we launched more refined products and editions launched with upgraded functional modules that address users' needs in various business scenarios, attracting new users and incentivizing the existing users to increase spending, and (iii) our relentless dedication to customer success and helping users to better understand and create the most value of our SaaS products, partially offset by the decreased average contract value per user due to the temporarily-reduced budgets of our users in light of the resurgences of the COVID-19 pandemic in 2022.

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Precision Marketing Services

Revenue from our precision marketing services increased by 39.7% from RMB438.6 million in 2021 to RMB612.9 million in 2022. This was due to (i) increased revenue from online advertisement solution services from RMB355.3 million in 2021 to RMB529.2 million in 2022 and (ii) to a lesser extent, the increased revenue from online advertisement distribution services from RMB83.3 million in 2021 to RMB83.7 million in 2022. Such increases were mainly attributable to (i) the increase in the number of advertising customers from 845 in 2021 to 998 in 2022, and (ii) the increase in the average spending per advertising customers from RMB5.5 million in 2021 to RMB5.9 million in 2022. Such increases are driven by the increasing online marketing demands of enterprises in 2022, during which period certain business and sales activities have shifted to online channels due to the impact of COVID-19 outbreak.

Cost of Services

Our cost of services increased by 45.9% from RMB399.4 million in 2021 to RMB582.7 million in 2022, which was generally in line with our business growth of SaaS business and precision marketing services.

SaaS Business

Our cost of services of SaaS business increased by 31.3% from RMB43.6 million in 2021 to RMB57.2 million in 2022, which was generally in line with the revenue increase from SaaS business resulting from the business growth in 2022.

Precision Marketing Services

Cost of services of our precision marketing services increased by 47.7% from RMB355.9 million in 2021 to RMB525.5 million in 2022. This was primarily due to the increase in advertising traffic acquisition costs on media platforms resulting from the business growth of online advertisement solution services, which was recognized on a gross basis.

Gross Profit and Gross Margin

As a result of foregoing, our overall gross profit increased by 17.2% from RMB477.8 million in 2021 to RMB560.0 million in 2022, and our overall gross margin decreased from 54.5% in 2021 to 49.0% in 2022. This was primarily attributable to the increasing proportion of the revenue from our precision marketing services, which is relatively lower-margin in nature.

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SaaS Business

Our gross profit of our SaaS business increased by 19.6% from RMB395.1 million in 2021 to RMB472.7 million in 2022, which was in line with our revenue growth of SaaS business. The gross margin of our SaaS business remained relatively stable at 90.1% and 89.2% in 2021 and 2022, respectively.

Precision Marketing Services

Gross profit of our precision marketing services increased by 5.6% from RMB82.7 million in 2021 to RMB87.4 million in 2022, whilst gross margin of our precision marketing services decreased from 18.9% in 2021 to 14.3% in 2022. This was primarily due to the increase in the proportion of revenue from online advertisement solution services, which was recognized on gross basis with a relatively low gross profit margin.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 10.8% from RMB284.2 million in 2021 to RMB315.0 million in 2022, primarily due to the increase in employee benefit expenses. The increase was mainly attributable to the growth of employee benefit expenses for our sales and marketing personnel from RMB170.3 million in 2021 to RMB195.6 million in 2022. We experienced fluctuations in the number of our sales staff in 2022, which decreased in the second quarter of 2022 as our sales and marketing activities were adversely impacted by the COVID-19 pandemic and the relevant measures. However, in the third quarter of 2022, we recruited relatively more sales staff to enhance our selling and marketing efforts in light of the improving situation of COVID-19 pandemic. Overall, in 2022, we managed to maintain a reasonable size of sales team in light of the sporadic resurgences of the COVID-19 pandemic, with the monthly average number of sales staff slightly decreasing from 1,412 in 2021 to 1,227 in 2022. In addition, in 2022, we raised our hiring standards and compensation levels to attract qualified talents to enhance our sales capabilities, further contributing to increased sales and distribution expenses.

Administrative Expenses

Our administrative expenses increased by 9.8% from RMB172.0 million in 2021 to RMB188.9 million in 2022, primarily due to the increase in employee benefit expenses from RMB92.7 million in 2021 to RMB105.0 million in 2022, resulting from the increased average compensation to strengthen our headquarter functions, partially offset by decrease in professional service fees.

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Research and Development Expenses

Our research and development expenses increased by 39.9%, from RMB160.6 million in 2021 to RMB224.6 million in 2022. This was primarily due to (i) the increase in employee benefit expenses resulting from the increased average compensation for our R&D personnel to continue investing in R&D on our SaaS business, and (ii) the increase in professional services incurred by the R&D projects focusing on product upgrade and iteration of our SaaS products, and the enhancement of the data analytics capability of the data middle platform.

Other Income and Gains

Our other income and gains increased by 19.9% from RMB39.8 million in 2021 to RMB47.7 million in 2022, primarily due to the increase in government grants refunding deductible VAT that we were entitled to.

Finance Costs

Our finance costs remained relatively stable at RMB26.5 million and RMB28.0 million in 2021 and 2022, respectively.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred share decreased by 50.0% from RMB122.2 million in 2021 to RMB61.1 million in 2022, primarily due to the fair value change relating to the liability element of the financial instruments issued to the Pre-[REDACTED] Investors.

Other Expenses

Our other expenses amounted to RMB2.0 million and 0.1 million in 2021 and 2022, respectively.

Impairment for Financial Assets

Our impairment for financial assets amounted to RMB15.2 million and RMB6.5 million in 2021 and 2022, respectively.

Income Tax Expense

We recorded income tax expense of RMB7.5 million in 2021 and income tax credit of RMB0.0 million in 2022.

Loss for the Year

As a result of the foregoing, our net loss decreased from RMB272.6 million in 2021 to RMB216.5 million in 2022.

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Non-Current assets			
Property, plant and equipment	110,109	121,422	93,353
Right-of-use assets	155,414	172,663	115,316
Intangible assets	5,092	3,761	2,884
Prepayments, other receivables and other assets	7,995	14,994	17,459
Deferred tax assets	23	55	–
Contract acquisition cost	364	1,108	1,390
	<u>278,997</u>	<u>314,003</u>	<u>230,402</u>
Non-Current liabilities			
Lease liabilities	126,277	136,597	89,643
Other payables and accruals	1,428	1,575	3,370
Contract liabilities	57,296	64,718	66,337
Convertible redeemable preferred shares	942,483	1,096,475	–
Deferred tax liabilities	7	–	–
	<u>1,127,491</u>	<u>1,299,365</u>	<u>159,350</u>

Property, Plant and Equipment

Our property, plant and equipment increased by 10.3% from RMB110.1 million as of December 31, 2021 to RMB121.4 million as of December 31, 2022, primarily due to the procurement of office equipment, furniture and fixtures for our newly established second headquarter in Wuhan. Our property, plant and equipment decreased by 23.1% from RMB121.4 million as of December 31, 2022 to RMB93.4 million as of December 31, 2023, primarily due to the depreciation charge and the decreased additions during the year.

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Right-of-Use Assets

Our right-of-use assets primarily comprised leasehold land and office premises. Our right-of-use assets increased by 11.1% from RMB155.4 million as of December 31, 2021 to RMB172.7 million as of December 31, 2022. Such increase was primarily because we leased additional office premises along with our business expansion. Our right-of-use assets decreased by 33.2% from RMB172.7 million as of December 31, 2022 to RMB115.3 million as of December 31, 2023, primarily due to depreciation of leases.

Convertible Redeemable Preferred Shares

In 2021, we entered into subscription agreements with the Pre-[REDACTED] Investors and issued the convertible redeemable preferred shares. For further details of the identity and background of the the Pre-[REDACTED] Investors, and the principal terms of the relevant investments, see “History, Reorganization and Corporate Development – Early Investments in Shanghai Trueland and Pre-[REDACTED] Investments.” As of December 31, 2021, 2022 and 2023, we recorded non-current convertible redeemable preferred shares of RMB942.5 million, RMB1,096.5 million and nil, respectively. These amounts were recognized as non-current liabilities in 2021 and 2022. Such convertible redeemable preferred shares were recategorized as current liabilities in 2023, amounting to RMB1,223.8 million, as the redemption rights were set to mature in less than twelve months as of December 31, 2023. In January 2024, the shares were categorized back to non-current liabilities due to the changes on the redemption rights pursuant to the amended memorandum and articles of association. See Notes 2.2 and 27 to the Accountants’ Report in Appendix I to this document. They would not, however, have an impact on our cash position or capital resources upon the [REDACTED]. Upon the [REDACTED] and the conversion of such convertible redeemable preferred shares into our ordinary shares, such liability will be derecognized.

Net Current Assets/(Liabilities)

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	February 29,
	<i>(RMB in thousands)</i>			2024
				<i>(unaudited)</i>
Current assets				
Trade and bills receivables	174,218	130,886	112,663	156,012
Contract acquisition cost	19,790	14,314	38,406	40,867
Prepayments, other receivables and other assets	1,114,108	1,399,852	1,711,324	1,462,635

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	As of December 31,			As of
	2021	2022	2023	February 29, 2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Financial assets at fair value through other comprehensive income	–	2,055	1,602	20
Tax recoverable	8,306	2,707	–	–
Restricted cash	–	9,109	20,481	11,427
Short-term bank deposits	–	–	50,000	50,000
Cash and cash equivalents	215,658	203,506	138,022	361,539
Total current assets	1,532,080	1,762,429	2,072,498	2,082,500
Current liabilities				
Trade payables	15,568	43,669	50,950	45,328
Other payables and accruals	213,642	581,544	612,701	542,021
Interest-bearing bank and other borrowings	507,432	412,878	619,812	738,857
Lease liabilities	43,248	71,358	54,304	44,847
Contract liabilities	357,793	418,848	509,788	423,206
Tax payable	4,358	7	7	7
Convertible Redeemable preferred capital	–	–	1,223,789	–
Other current liabilities	24,231	28,656	32,894	28,032
Total current liabilities	1,166,272	1,556,960	3,104,245	1,822,298
Net current (liabilities)/assets	365,808	205,469	(1,031,747)	260,202

We had net current assets of RMB236.5 million as of January 31, 2024, compared to net current liabilities of RMB1,031.7 million as of December 31, 2023, primarily due to the recategorization of convertible redeemable preferred capital to non-current liabilities. See “– Convertible Redeemable Preferred Shares.”

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We had net current liabilities of RMB1,031.7 million as of December 31, 2023, compared to net current assets of RMB205.5 million as of December 31, 2022, primarily due to (i) the record of convertible redeemable preferred capital of RMB1,223.8 million that was recognized as current liabilities in 2023, (ii) an increase of RMB206.9 million in interest bearing bank and other borrowings, and (iii) an increase of RMB90.9 million in contract liabilities partially offset by an increase of RMB311.5 million in prepayments, other receivables and other assets, which was mainly in relation to prepayments on behalf of advertisers to third parties resulting from the business growth in our online advertisement distribution services.

Our net current assets decreased from RMB365.8 million as of December 31, 2021 to RMB205.5 million as of December 31, 2022, primarily due to (i) an increase of RMB367.9 million in other payables and accruals, (ii) an increase of RMB61.1 million in contract liabilities, (iii) a decrease of RMB43.3 million in trade and bills receivables, (iv) an increase of RMB28.1 million in trade payables, and (v) an increase of RMB28.1 million in lease liabilities, partially offset by (i) an increase of RMB285.7 million in prepayments, other receivables and other assets, which was mainly attributable to the increase in other receivables in relation to prepayments on behalf of advertisers to third parties resulting from the business growth in our online advertisement distribution services, and (ii) a decrease of RMB94.6 million in interest-bearing bank and other borrowings.

We recorded net liabilities of RMB482.7 million and RMB779.9 million as of December 31, 2021 and 2022, respectively. The increase was mainly attributable to the loss for the year of RMB216.5 million in 2022 and exchange differences on translation of RMB89.1 million in 2022. Our net liabilities increased from RMB779.9 million as of December 31, 2022 to RMB960.7 million as of December 31, 2023, primarily due to the loss for the year of RMB169.5 million in 2023 and exchange differences on translation of RMB19.7 million in 2023. All of the convertible redeemable preferred shares will be converted into ordinary shares of our Company and the liabilities of the convertible redeemable preferred shares will be derecognized and accounted for as an increase in equity upon the [REDACTED]. We expect our net liability position will turn into a net asset position upon the [REDACTED].

Trade and Bills Receivables

Our trade receivables primarily relate to the amounts due from (i) our advertising customers of our precision marketing services, and (ii) users of our SaaS business. Our bills receivables mainly relate to the amounts due from our advertising customers of our online advertisement distribution services.

FINANCIAL INFORMATION

The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Bills receivables	116,154	12,650	1,436
Trade receivables	74,454	129,799	129,139
Impairment	(16,390)	(11,563)	(17,912)
Total	<u>174,218</u>	<u>130,886</u>	<u>112,663</u>

During the Track Record Period, we have implemented effective credit management system and policies. For our precision marketing services, our trading terms with customers are mainly on credit, and we normally provide our customers with a credit term not exceeding 90 days subject to the creditworthiness of the relevant customers according to our customer credit management system. For our SaaS business, we typically require users to pay upfront before the delivery of SaaS products, while allowing credit term for up to three months upon delivery of products or services for certain high-value customers.

The following table sets forth an aging analysis of our trade receivables based on the date of recognition and net of allowance as of the dates indicated:

	As of December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except percentages)</i>					
Within 90 days	44,753	75.6	108,465	91.7	72,757	65.4
90 to 180 days	4,799	8.1	6,267	5.3	20,530	18.5
181 days to 1 year	3,885	6.6	1,001	0.8	14,128	12.7
Over 1 year	5,751	9.7	2,637	2.2	3,823	3.4
Total	<u>59,188</u>	<u>100.0</u>	<u>118,370</u>	<u>100.0</u>	<u>111,238</u>	<u>100.0</u>

Our trade receivables increased from RMB74.5 million as of December 31, 2021 to RMB129.8 million as of December 31, 2022, primarily due to: (i) the revenue from online advertisement solution services increased along with our business expansion, under which we grant credit terms to our customers, and (ii) some of our customers slowed down the settlement process due to the adverse impact of COVID-19 resurgences in 2022. Our trade receivables remained relatively stable, being RMB129.8 million as of December 31, 2022 and RMB129.1 million as of December 31, 2023. We had an increase in the trade receivables aged over 90 days as of December 31, 2023, mainly due to the increase in the trade receivables from certain major advertising customers, who have established long-term business relationship with us and were granted longer credit period. As of March 31, 2024, RMB25.1 million, or approximately 65.3% of trade receivables aged over 90 days as of December 31, 2023 had been settled.

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The following table sets forth the major components of our bills receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Discounted but not derecognized bills	115,116	12,650	–
Bills receivables on hand	1,038	–	1,436
Total	116,154	12,650	1,436

Historically, certain of our advertising customers of online advertisement distribution services made payments by bank acceptance bills. Under our accounting policy, we assess the financial risk associated with these bills, and retain the risks and rewards by recognizing them as bills receivables until such bills become due, at which time the risk is considered eliminated. As all bank acceptance bills received in 2021 became due in 2022 and were derecognized, the balance of discounted but not derecognized bank acceptance bills decreased to RMB12.7 million as of December 31, 2022, leading to the decrease in bills receivables from RMB116.2 million as of December 31, 2021 to RMB12.7 million as of December 31, 2022. As of December 31, 2023, we recorded bills receivables of RMB1.4 million.

As of December 31, 2021, 2022 and 2023, our bills receivables within one year based on the date of recognition and net of allowance amounted to RMB115.0 million, RMB12.5 million and RMB1.4 million, respectively. As of December 31, 2023, substantially all of our bills receivables were within one year.

We have also implemented trade and bills receivables management policies to monitor and enhance the collection of trade and bills receivables in the ordinary course of business. Our finance department is responsible for preparing a monthly report of the collection process of trade and bills receivables. We assign the collection of trade and bills receivables to our sales team. The responsible sales team should contact relevant customers in an expeditious manner for the settlement of payment following the commencement of relevant services or the delivery of relevant products, and the sales team is required to maintain frequent communications with our customers to ensure effective credit control. If the customer cannot make immediate settlement when the payment is overdue, the sales team will contact the customer and implement a payment plan to ensure the recoverability of the trade and bills receivables. Specifically, for each customer whose receivables are aged over two years with total amount exceeding RMB0.5 million, we would issue a written notice to such customer. If the payment is not made within 30 days following the issuance of the written notice, we would transfer the case to our legal department where appropriate, and our legal department will take actions, including legal proceedings for collection if necessary.

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We have assessed the recoverability of the relevant outstanding trade and bills receivables by taking into account of financial position of our customers, credit rating and credit history of our customers, the years of relationship between our Group and customers and future changes in market or environment that have a significant adverse effect on our customers’ ability to meet their payment obligation to us and other factors. We believe that the risk of not being able to recover the relevant trade and bills receivables is relatively low primarily because we have evaluated the customers’ historical credit standings.

We apply the approach to make provisions for expected credit losses prescribed by IFRS 9. As of December 31, 2021, 2022 and 2023, the expected credit loss rate for bills receivables was 0.97%, 1.06% and 0.77%, respectively. The fluctuation of expected loss rate for bills receivables was primarily due the change in the composition of bills receivables, which include commercial acceptance bills and bank acceptance bills. Compared with bank acceptance bills, commercial acceptance bills feature higher credit risks, thus resulting in higher expected credit loss rates. In addition, notwithstanding the relatively lower credit risks, the credit risks of bank acceptance bills vary among different acceptance banks. Therefore, the average expected credit loss rates would fluctuate along with the changes in the composition of bills receivables.

Our policy for impairment loss on trade and bills receivables is based on an evaluation of collectability and aging analysis of the receivables, which requires the use of judgment and estimation, considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of the customers and influence from macro economy. We closely review the trade and bills receivable balance and any overdue balances on an ongoing basis and assess the collectability of overdue balances. As of December 31, 2021, 2022 and 2023, impairment for trade and bills receivables amounted to RMB16.4 million, RMB11.6 million and RMB17.9 million, respectively. For further information about our accounting for trade and bills receivables and description of ECL information, see Note 20 to the Accountants’ Report included in Appendix I to this document. In light of the above, we believe that there is no recoverability issue of trade and bills receivables, and that sufficient provision has been made.

The following table sets forth the turnover days of our trade receivables for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Trade receivables turnover days ⁽¹⁾	<u>48</u>	<u>33</u>	<u>38</u>

Note:

- (1) Trade receivables turnover days equal to the average of the opening and closing trade receivables balances for the period divided by total revenue for the relevant period, multiplied by the number of days in the relevant period.

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Our trade receivables turnover days decreased from 48 days in 2021 to 33 days in 2022 primarily due to (i) the tightened credit term policies in 2021 for our SaaS products, typically requiring users to pay upfront before the delivery of SaaS products, and (ii) enhanced management over trade receivables. Our trade receivables turnover days increased from 33 days in 2022 to 38 days in 2023, primarily because we extended the credit term for certain of our advertising customers who had good creditworthiness.

As of March 31, 2024, RMB84.0 million, or approximately 74.6% of our trade and bills receivables as of December 31, 2023 had been settled.

Prepayments, Other Receivables and Other Asset (Current)

Our prepayments, other receivables and other assets primarily comprise (i) other receivables in relation to prepayment on behalf of advertisers – third parties, which mainly represent the amount due from advertising customers that purchased our online advertisement distribution services, (ii) other prepayments, (iii) other tax recoverable, and (iv) deposits and other receivables.

The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Other receivables in relation to prepayment on behalf of advertisers – third parties	1,065,794	1,334,168	1,670,000
Other prepayments	26,132	20,592	23,637
Other tax recoverable	17,560	39,978	27,966
Deposits	15,028	22,930	12,603
Prepayments for purchasing advertising traffic	9,853	2,885	4,758
Capitalization of [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Contract fulfillment cost	–	–	6,663
Others	872	605	5,034
Impairment allowance	(22,438)	(24,627)	(40,483)
Total	[REDACTED]	[REDACTED]	[REDACTED]

Our prepayments, other receivables and other assets increased from RMB[REDACTED] million as of December 31, 2021 to RMB[REDACTED] million as of December 31, 2022, and further increased to RMB[REDACTED] million as of December 31, 2023, primarily due to the increase in other receivables in relation to prepayments on behalf of advertisers to third parties resulting from the business growth in our online advertisement distribution services. In the online advertisement distribution services, we sometimes make payments to media platforms

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on behalf of advertisers before receiving the payment from these advertising customers. Such payments on behalf of advertisers are recognized as other receivables. According to Frost & Sullivan, it is not uncommon to make prepayments on behalf of advertising customers to third-party media platforms in the industry in which we operate, with reference to the publicly disclosed information of the listed companies regarding their online advertisement distribution services as well as interviews with industry experts, and our relatively significant balance of other receivables in relation to prepayments on behalf of advertising customers to third-party media platforms is consistent with the industry norm. According to Frost & Sullivan, the average range of the balance of other receivables in relation to prepayments on behalf of advertisers to third party media platforms to revenue from online advertisement distribution services varied from 50% to 300%, as there is an increasing number of market participants who grant longer credit period to qualified customers with good creditworthiness to better capture the market opportunities.

Other receivables in relation to prepayment on behalf of advertisers increased from RMB1,065.8 million as of December 31, 2021 to RMB1,334.2 million as of December 31, 2022, primarily due to the increase in the amount of advances made to media platforms on behalf of our advertisers along with the increase in the gross billing of online advertisement distribution services. Other receivables in relation to prepayment on behalf of advertisers increased from RMB1,334.2 million as of December 31, 2022 to RMB1,670.0 million as of December 31, 2023, primarily because we extended credit terms for a few of our advertising customers with long credit terms since the second half of 2022. After we provided an extension to the credit terms for these customers, we continued to enter into transactions with them and recorded additional other receivables in relation to prepayments on behalf of advertiser of RMB831.4 million under the extended credit term as of December 31, 2022, accounting for 62.3% of the total balance as of the same date. As of December 31, 2023, the other receivables in relation to prepayments on behalf of advertiser, arising from transactions with such customers under the extended credit term, reached RMB1,335.6 million, accounting for 80.0% of the total balance of other receivables in relation to prepayments on behalf of advertiser as of the same date.

We typically grant a credit term not exceeding 90 days to our advertising customers for online advertisement distribution services. In 2022, it became common for quality advertising customers to seek longer credit terms amid the COVID-19 resurgences and intense market competition. Considering our longstanding relationships with some of our advertising customers, we granted certain grace period (mainly from 90 days to 180 days after invoice date) to such advertising customers in addition to the credit period. For example, the four largest advertising customers in terms of the ending balance amounts of other receivables in relation to prepayment on behalf of advertising customers as of December 31, 2022 were granted the longer credit terms. Our business relationships with the four advertising customers ranged approximately from three to five years.

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The following table sets forth an aging analysis of our other receivables in relation to prepayment on behalf of advertisers as of the end of each of the years comprising the Track Record Period:

	As of December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except percentages)</i>					
Within 90 days	738,783	69.4	619,678	46.5	840,096	50.3
90 days to 180 days	218,842	20.5	446,009	33.4	414,948	24.9
181 days to 1 year	95,346	8.9	258,588	19.4	390,966	23.4
Over 1 year	12,823	1.2	9,893	0.7	23,990	1.4
Total/Overall	<u>1,065,794</u>	<u>100.0</u>	<u>1,334,168</u>	<u>100.0</u>	<u>1,670,000</u>	<u>100.0</u>

Other receivables in relation to prepayment on behalf of advertisers aged over 90 days increased from RMB327.0 million as of December 31, 2021 to RMB714.5 million as of December 31, 2022, primarily because (i) we continued expanding the business scale of our online advertisement distribution services and (ii) we granted longer credit terms to some of our advertising customers who had good creditworthiness and longstanding relationships with us amid the COVID-19 resurgences and the intense market competition. The balance aged over 90 days and outstanding beyond the applicable credit terms increased from RMB113.4 million as of December 31, 2021 to RMB141.9 million as of December 31, 2022, which decreased as a percentage of total balance aged over 90 days from 34.7% as of December 31, 2021 to 19.9% as of the same date in 2022.

Other receivables in relation to prepayment on behalf of advertisers aged over 90 days increased from RMB714.5 million as of December 31, 2022 to RMB829.9 million as of December 31, 2023, primarily arising from transactions with certain of our advertising customers, who continued to enjoy the long credit terms that we extended for them since the second half of 2022 and kept an ongoing business relationship with us. The balance aged over 90 days and outstanding beyond the applicable credit terms increased from RMB141.9 million as of December 31, 2022 to RMB419.0 million as of December 31, 2023, which increased as a percentage of total balance aged over 90 days from 19.9% as of December 31, 2022 to 50.5% as of December 31, 2023. The increase in the outstanding balance was mainly related to several of our major customers, with whom we had maintained a long-term and favorable relationship and understood there was no material recoverability issues.

We keep monitoring the collection of long-term and/or overdue receivables. As of March 31, 2024, RMB732.3 million, or approximately 88.2% of other receivables in relation to prepayment on behalf of advertisers aged over 90 days as of December 31, 2023 had been settled. In particular, as of the same date, RMB366.3 million, or approximately 87.4% of other receivables in relation to prepayment on behalf of advertisers aged over 90 days that were

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outstanding beyond applicable credit terms as of December 31, 2023 had been settled. We have agreed upon settlement plans with certain of the advertising customers to settle the outstanding balance within given time. For the rest of the advertising customers, we are in the process of negotiating the settlement plans. Such settlement plans typically specify target dates and the amounts aimed to be settled by each date. We may update the amounts and schedule from time to time to reflect the ongoing transactions, as we maintain long-term relationships with these customers.

The ECL consideration of our other receivables is set out in Note 21 to the Accountants' Report in Appendix I to this document.

As of March 31, 2024, RMB1,000.6 million, or approximately 59.9% of our other receivables in relation to prepayment on behalf of advertisers as of December 31, 2023 had been settled.

The following table sets forth the turnover days of other receivables in relation to prepayments on behalf of advertisers to third parties for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Other receivables in relation to prepayment on behalf of advertisers – third parties ⁽¹⁾	<u>64</u>	<u>75</u>	<u>90</u>

Note:

- (1) Turnover days of other receivables in relation to prepayment on behalf of advertisers – third parties equal to the average of the opening and closing other receivables in relation to prepayment on behalf of advertisers – third parties balances for the period divided by gross billings from our online advertisement distribution services for the relevant period, multiplied by the number of days in the relevant period.

Turnover days of other receivables in relation to prepayment on behalf of advertisers to third parties increased from 64 days in 2021 to 75 days in 2022, primarily due to (i) the slowed-down settlement process of our customers, and (ii) the extended credit periods that we granted to some of our advertising customers due to the adverse impact of COVID-19 resurgences in 2022. Turnover days of other receivables in relation to prepayment on behalf of advertisers to third parties increased from 75 days in 2022 to 90 days in 2023, primarily because we extended credit terms for a few of our advertising customers with long credit terms since the second half of 2022.

We have assessed the recoverability of other receivables in relation to prepayments on behalf of advertisers to third parties with reference to historical settlement experience, subsequent settlement, further expected settlement plan, business relationship with our advertising customers and their creditworthiness. We conduct impairment analysis based on ECL model on the recoverability of other receivables items, including (i) other receivables in

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relation to prepayments on behalf of advertisers to third parties, (ii) deposits and (iii) others. To ensure sufficient provision of ECL subjected to other receivables, we consider the historical loss rate and evaluate forward-looking macroeconomic data used in ECL model of other receivables. See Note 21 to the Accountants’ Report included in Appendix I to this document for all the ECL information. As of December 31, 2021, 2022 and 2023, we recorded impairment allowance at RMB22.4 million, RMB24.6 million and RMB40.5 million, respectively. We believe that the risk of not being able to recover other receivables in relation to prepayments on behalf of advertisers to third parties is relatively low primarily because (i) we have evaluated the customers’ historical credit standings to ensure the credit terms are made to customers with an appropriate credit history, and we perform ongoing credit evaluations of such customers, (ii) we have not had material collection issues with our customers in the past, (iii) we monitor long-aging other receivables closely, update the collection status on a regular basis, and perform an impairment analysis at the end of each quarter within the Track Record Period, (iv) we assign the collection of other receivables to our sales personnel and require them to maintain expeditious and frequent communications with our customers, thus ensuring effective credit control, and (v) we have agreed on, or are in the process of negotiating, settlement plans with our customers for the overdue receivables. In light of the above, we believe that there is no recoverability issue of other receivables in relation to prepayments on behalf of advertisers to third parties, and that sufficient provision has been made.

As of March 31, 2024, RMB1,025.6 million, or approximately 59.9% of our prepayments, other receivables and other assets as of December 31, 2023 had been settled.

Financial Assets at Fair Value through Other Comprehensive Income and Financial Liabilities at FVTPL

Our bill receivables were measured at fair value through other comprehensive income (“**FVTOC**”) and was categorized as level 3 as of December 31, 2023. The fair value of the bill receivables measured at FVTOC was determined using the discounted cash flow method. Our convertible redeemable preferred shares were measured at FVTPL and recognized as level 3 as of December 31, 2021 and 2022 and 2023. The fair value of the convertible redeemable preferred shares measured at FVTPL was determined using the back-solve method and the discounted cash flow method. Details of the fair value measurement of financial instruments are disclosed in Note 2.4 to the Accountants’ Report included in Appendix I to this document.

In relation to the valuation of the financial instruments in level 3, our Directors, based on the professional advice received, adopted the following procedures: (i) engaged independent valuers, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuers on relevant assumptions; (ii) carefully considered all information especially those non-market related information input, such as liquidity discount, which require management assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by the valuers. Based on the above procedures, our Directors are satisfied with the valuation work for financial instruments categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountants’ Report in Appendix I to this document.

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Details of the fair value measurement of financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs of level 3 measurements are disclosed in Note 36 to the Accountants’ Report included in Appendix I to this document, which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

In relation to the valuation of the financial assets and liabilities categorized within level 3 of the fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) obtaining information on the credentials of the valuer and the background, qualifications and work experience of its core team members; (ii) obtaining and reviewing the valuation reports issued by the valuer and relevant documents prepared by the valuer; (iii) discussing with the Company and the valuer about the key basis and assumptions for the valuation of the relevant financial assets and liabilities; (iv) reviewing relevant notes in the Accountants’ Report in Appendix I to this document; and (v) understanding from the management of the Company and the Reporting Accountant the work they have performed in relation to the valuation of the level 3 financial assets and liabilities. Having considered the work done by the management of the Company and the Reporting Accountant and the relevant due diligence conducted as described above, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuer on the financial assets and liabilities categorized within level 3 of the fair value measurement.

Trade Payables

We purchase advertising traffic for our customers from media platforms. Our trade payables mainly include the amounts due to media platforms for purchase of the advertising traffic for online advertisement solution services. We generally require prepayment from our new advertising customers, and we grant a credit term not exceeding 90 days to certain advertising customers according to their creditworthiness. We normally enjoy a credit term of up to 28 days granted by the media platforms.

Our trade payables increased from RMB15.6 million as of December 31, 2021 to RMB43.7 million as of December 31, 2022, along with the business expansion of our online advertisement solution services. Our trade payables increased from RMB43.7 million as of December 31, 2022 to RMB51.0 million as of December 31, 2023, primarily due to our increased data procurement along with the expansion of our SaaS business.

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The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,					
	2021		2022		2023	
	Amounts	%	Amounts	%	Amount	%
	<i>(RMB in thousands, except in percentages)</i>					
Within 1 year	11,081	71.2	37,183	85.1	45,952	90.2
Over 1 year	4,487	28.8	6,486	14.9	4,998	9.8
Total	<u>15,568</u>	<u>100.0</u>	<u>43,669</u>	<u>100.0</u>	<u>50,950</u>	<u>100.0</u>

The following table sets forth the turnover days of our trade payables for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Trade payables turnover days ⁽¹⁾	<u>20</u>	<u>19</u>	<u>33</u>

Note:

- (1) Trade payables turnover days equals to the average of the opening and closing trade payable balances for the period, divided by the cost of services for the relevant period, multiplied by the number of days for the respective period.

Our trade payables turnover days remained relatively stable at 20 days and 19 days in 2021 and 2022, respectively. Our trade payables turnover days increased from 19 days in 2022 to 33 days in 2023, primarily because we were able to negotiate with certain major media platform for more favorable settlement period as our gross spending with such media platform increased.

As of March 31, 2024, RMB25.0 million, or approximately 49.0% of our trade payables as of December 31, 2023 had been settled.

Other Payables and Accruals (Current)

Our other payables and accruals primarily comprise (i) cost payable to media platforms on behalf of customers, (ii) advance from advertisers, (iii) payroll and welfare payables, (iv) deferred revenue, and (v) deposits. Cost payable to media platforms on behalf of customers represents the traffic acquisition costs incurred for the online advertisement distribution services for our advertising customers, the amount of which would be transferred by us to the media platforms on behalf of these customers. Advance from advertisers represents the pre-collected payment from advertising customers for our online advertisement distribution services which we pay to the media platforms on behalf of such customers.

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The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Cost payable to media platforms on behalf of customers	62,773	319,790	312,649
Advance from advertisers	78,412	155,121	183,836
Payroll and welfare payables	42,327	41,173	35,441
Deferred revenue	1,595	1,700	3,530
Deposits	4,941	12,494	18,757
Other tax payables	3,068	3,031	4,310
Other payables	15,205	22,162	29,805
Purchase of long-term assets	2,665	9,277	6,253
Accrued [REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Our other payables and accruals increased from RMB[REDACTED] million as of December 31, 2021 to RMB[REDACTED] million as of December 31, 2022, primarily due to (i) an increase in costs payable to media platforms on behalf of customers from RMB62.8 million as of December 31, 2021 to RMB319.8 million as of December 31, 2022, mainly attributable to that we slowed down our settlement process due to COVID-19, and (ii) an increase in advance from advertisers. This was mainly due to the increase in the revenue from customers of online advertisement distribution services which we require advance payments and our slower settlement process with suppliers due to the COVID-19 pandemic.

Our other payables and accruals increased from RMB[REDACTED] million as of December 31, 2022 to RMB[REDACTED] million as of December 31, 2023, primarily due to an increase in advance from advertisers from RMB155.1 million as of December 31, 2022 to RMB183.8 million as of December 31, 2023.

As of March 31, 2024, RMB476.9 million, or approximately 77.8% of our other payables and accruals as of December 31, 2023 had been settled.

Cost Payable to Media Platform on Behalf of Customers

Our costs payable to media platforms on behalf of customers represents the amounts due to media platforms for traffic acquisition under our online advertisement distribution services. Upon engagement with our advertising customers for online advertisement distribution services, we would agree with advertising customers on the traffic acquisition amount and settlement method. Under the agreement with media platforms, we open and operate accounts for our advertising customers. We are responsible for topping up these accounts before placing

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the advertisements as the agent, and usually arrange settlement on a monthly basis upon confirmation with the media platforms of the actual gross spending of traffic acquisition costs. Due to our long-term cooperation with media platforms, we were granted credit periods for certain payments, resulting in cost payable to such media platforms. We generally require prepayment from our new advertising customers, and we grant a credit term not exceeding 90 days to certain advertising customers according to their creditworthiness. The time difference between our settlement with media platforms and advertising customers would result in temporary operating cash outflow.

The following table sets forth the turnover days of other payables and accruals relating to our online advertisement distribution services for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Cost payable to media platforms on behalf of customers turnover days ⁽¹⁾	<u>12</u>	<u>13</u>	<u>20</u>

Note:

- (1) Cost payable to media platforms on behalf of customers turnover days equal to the average of the opening and closing balances of cost payable to media platforms on behalf of customers for the period, divided by the gross billing cost of our online advertisement distribution services for the relevant period, multiplied by the number of days for the respective period.

While we slowed down our settlement process over the year of 2022 due to impacts from the COVID-19, our cost payable to media platforms on behalf of customers turnover days remained relatively stable at 12 days and 13 days in 2021 and 2022, respectively, primarily due to the relatively low opening balance at the beginning of 2022. Our cost payable to media platforms on behalf of customers turnover days increased from 13 days in 2022 to 20 days in 2023, primarily due to the growing amount of cost payable in 2022 as well as our extended payment schedule in 2022 and 2023.

Contract Liabilities

Our contract liabilities increased from RMB415.1 million as of December 31, 2021 to RMB483.6 million as of December 31, 2022, and further to RMB576.1 million as of December 31, 2023, primarily due to the increase in advance payments from users as a result of the business growth of our SaaS business. We tightened our credit term policy since 2021, which generally requires users to pay upfront before the delivery of SaaS products.

As of March 31, 2024, our contract liabilities of RMB157.2 million, or approximately 27.3%, as of December 31, 2023 had been recognized as revenue.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations, bank borrowings, and shareholder equity contribution. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations and bank borrowings, together with the net [REDACTED] from the [REDACTED]. We do not anticipate any changes to the availability of financing to fund our operations in the future.

We had cash and cash equivalents of RMB215.7 million, RMB203.5 million and RMB138.0 million as of December 31, 2021, 2022 and 2023, respectively. We recorded net current assets as of December 31, 2021 and 2022 and net current liabilities as of December 31, 2023.

Cash Flow

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

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Operating cash flows before movements in working capital	(27,175)	(22,050)	113,003
Movements in working capital	(431,129)	84,506	(235,555)
Interest received	526	1,109	1,048
Income tax (paid)/received	(12,020)	1,241	–
Net cash (used in)/from operating activities	(469,798)	64,806	(121,504)
Net cash used in investing activities	(70,018)	(39,576)	(66,101)
Net cash from/(used in) financing activities	679,229	(40,080)	121,921
Net increase/(decrease) in cash and cash equivalents	139,413	(14,850)	(65,684)
Cash and cash equivalents at the beginning of year	76,816	215,658	203,506
Effect of foreign exchange rate changes, net	(571)	2,698	200
Cash and cash equivalents at the end of year	215,658	203,506	138,022

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Net Cash Flows (Used in)/from Operating Activities

Whilst we achieved positive operating cash flow of RMB64.8 million in 2022, we recorded negative operating cash flow of RMB469.8 million in 2021 and negative operating cash flow of RMB121.5 million in 2023, respectively. Our operating cash outflow was primarily due to the fact that the credit terms we typically grant to our precision marketing services customers is relatively longer than the same our media platform suppliers typically grant to us for such business. See “Risk Factors – Risks Related to Our Business and Industry – We have recorded negative operating cash flows in the past, which may continue in the future.” To maintain a robust net operating cash flow, we intend to adopt measures, including (i) to expedite the cycle of recovering trade and bills receivables and other receivables and negotiate with customers for advance payments and (ii) focusing on the growth of our SaaS business.

In 2023, we had net cash used in operating activities of RMB121.5 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB169.4 million by non-cash and other items to arrive at an operating gain before working capital changes of RMB113.0 million. This is adjusted by working capital changes mainly comprising an increase in prepayments, other receivables and other assets of RMB339.5 million, partially offset by (i) an increase in other payables and accruals of RMB36.1 million, and (ii) an increase in contract liabilities of RMB92.6 million.

In 2022, we had net cash generated from our operating activities of RMB64.8 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB216.5 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB22.1 million. This is adjusted by working capital changes mainly comprising (i) an increase in other payables and accruals of RMB363.5 million, (ii) an increase in contract liabilities of RMB68.5 million, and (iii) an increase in trade payables of RMB28.1 million, partially offset by (i) an increase in prepayments, other receivables and other assets of RMB298.1 million and (ii) an increase in trade and bills receivables of RMB75.4 million.

In 2021, we had net cash used in our operating activities of RMB469.8 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB265.1 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB27.2 million, further adjusted by working capital changes mainly comprising (i) an increase in prepayments, other receivables and other assets of RMB519.7 million, which was mainly attributable to (a) an increase in the amount of advances made to media platforms on behalf of our advertisers as we expanded the business scale of our online advertisement distribution services under precision marketing services and (b) our strategic policy to allow longer credit period to certain long term customers with good creditworthiness, (ii) a decrease in other payables and accruals of RMB91.7 million, and (iii) an increase in trade and bills receivables of RMB56.2 million, which was mainly attributable to (a) an increase in revenue from online advertisement distribution services and (b) the larger amount of payments being made by bank acceptance bills from certain of our customers with good creditworthiness, partially offset by an increase in contract liabilities of RMB233.8 million.

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To improve our operating cash flows, for precision marketing services, we expect to expedite the collection of trade and bills receivables and other receivables and negotiate with customers for advance payments. We generally make payments to media platforms before receiving the payments from these advertising customers, and, historically, we had granted a longer credit term to certain advertising customers than that granted to the company by the platforms. We expect to adjust our customer portfolio from time to time in line with our credit management system, with a view to improving the overall profitability and operation efficiency while minimizing risk exposure. We intend to prudently manage the scale of the precision marketing services business and maintain a reasonable level of other receivables in relation to prepayment on behalf of advertisers – third parties in order to improve the overall cash flow. In addition, we expect to focus on the growth of our SaaS business to improve the revenue structure. We generally require paying users to pay upfront before the delivery of SaaS products, and we believe that the advance payments from paying users would help improve our operating cash flow.

Net Cash Flows Used in Investing Activities

Our cash used in investing activities represents purchases of items of property, plant and equipment, which mainly related to the servers. Our net cash used in investing activities amounted to RMB70.0 million, RMB39.6 million and RMB66.1 million in 2021, 2022 and 2023, respectively.

Net Cash Flows from/(Used in) Financing Activities

In 2023, our net cash generated from financing activities was RMB121.9 million, primarily due to proceeds from interest-bearing bank and other borrowings of RMB1,019.0 million, partially offset by repayment of interest-bearing bank borrowings of RMB800.0 million.

In 2022, our net cash used in financing activities was RMB40.1 million, primarily due to (i) repayment of interest-bearing bank borrowings of RMB496.6 million, and (ii) lease payments of RMB45.3 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB516.9 million.

In 2021, our net cash generated from financing activities was RMB679.2 million, primarily due to (i) proceeds from interest bearing bank and other borrowings of RMB601.8 million, and (ii) proceeds from issue of preferred shares of RMB524.7 million, partially offset by repayment of interest-bearing bank borrowings of RMB276.4 million.

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INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	February 29, 2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Current				
Borrowings	507,432	412,878	619,812	738,857
Lease liabilities	43,248	71,358	54,304	44,847
Convertible redeemable preferred shares	–	–	1,223,789	–
Other payables and accruals – CCBI	–	1,845	1,214	1,356
Non-current				
Convertible redeemable preferred shares	942,483	1,096,475	–	1,250,165
Lease liabilities	126,277	136,597	89,643	61,307
Total	<u>1,619,440</u>	<u>1,719,153</u>	<u>1,988,762</u>	<u>2,096,532</u>

Borrowings

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	February 29, 2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Bank loans – secured	372,316	349,817	529,032	595,505
Bank loans – unsecured	20,000	–	–	–
Discounted bills	115,116	12,650	–	51,372
Other borrowing – secured	–	50,411	90,780	91,980
Total	<u>507,432</u>	<u>412,878</u>	<u>619,812</u>	<u>738,857</u>

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As of December 31, 2021, 2022 and 2023, we had total borrowings of RMB507.4 million, RMB412.9 million and RMB619.8 million, respectively. Our borrowings were primarily used to finance our increased working capital requirements driven by our business expansion during the Track Record Period. Our secured bank loans were primarily guaranteed by certain related parties. As of the Latest Practicable Date, there were no subsisting guarantees provided by our Controlling Shareholders and/or their respective close associates. For more details, see “Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence.” For guarantees given by Mr. LIU Huan and/or his associates, we do not plan to discharge them. See “Connected Transactions – Fully Exempt Continuing Connected Transaction.” And the remaining guarantees are intra-group guarantees, which we do not plan to discharge. Our other loans mainly included unsecured bank loans and discounted bills. See Note 26 to the Accountants’ Report in Appendix I to this document.

As of February 29, 2024, we had unutilized banking facilities of RMB0.5 million. The effective interest rates per annum of our bank borrowings were 2.6-5.4%, 1.3-5.2% and 1.8-5.2% in 2021, 2022 and 2023, respectively. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there had been no material covenant breach and we did not experience difficulties in obtaining bank loans and other borrowings.

Convertible Redeemable Preferred Shares

As of December 31, 2021, 2022 and 2023, the convertible redeemable preferred shares had fair values of RMB942.5 million, RMB1,096.5 million and RMB1,223.8 million, respectively. For further information regarding these convertible redeemable preferred shares, see Note 28 to the Accountants’ Report in Appendix I to this document.

As of February 29, 2024, our convertible redeemable preferred shares had fair value of RMB1,250.2 million.

Lease Liabilities

We recognized lease liabilities of RMB169.5 million, RMB208.0 million and RMB143.9 million as of December 31, 2021, 2022 and 2023, respectively, primarily attributable to the increased lease expenses resulting from our business expansion. Our lease liabilities decreased from RMB208.0 million as of December 31, 2022 to RMB143.9 million as of December 31, 2023, primarily due to the lease payments that we made over the year.

As of February 29, 2024, our lease liabilities amounted to RMB106.2 million.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2021, 2022 and 2023, respectively.

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Indebtedness Statement

Except as disclosed above, during the Track Record Period and up to February 29, 2024, being the indebtedness date for the purpose of the indebtedness statement, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees. Since the Latest Practicable Date and up to the date of this document, there had been no material change in our indebtedness position.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Revenue growth (%)	66.2	30.3	7.8
<i>SaaS business (%)</i>	94.8	20.8	32.6
<i>Precision marketing services (%)</i>	44.9	39.7	(13.6)
Gross margin (%)	54.5	49.0	57.3
<i>SaaS business (%)</i>	90.1	89.2	87.7
<i>Precision marketing services (%)</i>	18.9	14.3	17.0

We experienced continuous revenue growth during the Track Record Period, at a revenue growth at 66.2%, 30.3% and 7.8% in 2021, 2022 and 2023, respectively. The slowed down growth in 2023 was mainly due to the decrease in revenue from online advertisement solution services, as we adjusted our customer portfolio and had a decrease in the number of advertising customers for such services. See “– Period-to-Period Comparison of Results of Operations” in this section for a discussion of the factors affecting our results of operations during the respective years.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of (i) property, plant and equipment, and (ii) intangible assets.

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The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Property, plant and equipment	69,429	39,048	15,676
Intangible assets	589	693	939
Total	70,018	39,741	16,615

During the Track Record Period, our capital expenditures increased, primarily driven by the growth of our business expansion. We funded these expenditures mainly with cash generated from our operations and financing activities.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2021, 2022 and 2023, we did not have any material capital commitments.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountants’ Report in Appendix I to this document was conducted in the ordinary course of business and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

We received certain loans from Mr. Liu Huan, a senior management of our Group, which amounted to RMB8.0 million, RMB35.5 million and nil as of December 31, 2021, 2022 and 2023, respectively. Such loans were non-trade in nature for our general corporate use, as our settlement with media platforms and advertising customers may temporarily give rise to our liquidity needs within short time frame. Such loans were all fully repaid within the same year. See Note 34 to the Accountants’ Report in Appendix I to this document. We maintain bank accounts independently, and we expect that our working capital would be sufficiently funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED].

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks, mainly foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Foreign Currency Risk

Our Group mainly operates in Mainland China and Hong Kong with most of our monetary assets, liabilities and transactions principally denominated in Renminbi and United States dollars. Our Group has not used any derivative to hedge its exposure to foreign currency risk. For details, see Note 37 to the Accountants' Report in Appendix I to this document.

We recorded exchange differences on translation of foreign operations of RMB9.4 million in 2023, which represented the exchange differences on translation of the financial statements of our subsidiaries. The functional currency of our certain overseas subsidiaries is USD. At the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into RMB at the exchange rates that approximate the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. The exchange differences on translation of foreign operations of RMB9.4 million in 2023 was primarily due to the fluctuation of exchange rates between USD and RMB.

Credit Risk

Our Group trades only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, our Group does not offer credit terms without the specific approval of the head of credit control.

The credit risk of our Group's financial assets, which comprise cash and cash equivalents, restricted cash, trade and bills receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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For further details of the management objectives and policies in relation to credit risks, see Note 37 to the Accountants' Report in Appendix I to this document.

Liquidity Risk

Liquidity risk is the risk that our Group will encounter difficulty in meeting financial obligations due to shortage of funds. Our Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

Our Group's objective is to maintain a balance between continuity of funding and flexibility. Our Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

For the maturity profile of our financial liabilities as at the end of each period during the Track Record Period, see Note 37 to the Accountants' Report in Appendix I to this document.

DIVIDENDS

During the Track Record Period, we have not declared or paid any dividends. As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders. Our Company may declare and pay a dividend out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries, including the ones in the PRC. According to PRC law and regulations, we may not pay dividends unless we have distributable profits in a given year as determined under PRC GAAP or IFRS. PRC laws also require foreign-invested enterprises incorporated in PRC to set aside at least 10% of their after-tax profits, if any, to fund certain statutory reserves, until the statutory reserves reach and remain at or above 50% of the relevant PRC entity's registered capital, which are not available for distribution as cash dividends.

We may distribute dividends in the future by way of cash or by other means that we consider appropriate. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Currently, we have not implemented policy to fix the dividend distribution ratio.

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WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including the available banking facilities and cash and cash equivalents, we have sufficient working capital for our present requirements, that is at least 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves.

[REDACTED] EXPENSES

[REDACTED] expenses include professional fees, [REDACTED] commission, and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED]), which consist of (i) [REDACTED]-related expenses (including but not limited to commissions and fees) of approximately HK\$[REDACTED] million, and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED] million, including (a) fees and expenses of legal advisers and accountants of approximately HK\$[REDACTED] million, and (b) other fees and expenses of approximately HK\$[REDACTED] million. Approximately HK\$[REDACTED] million of the [REDACTED] expenses is directly attributable to the [REDACTED] of our Shares to the public and is expected to be recognized directly as a deduction from equity upon the [REDACTED], approximately HK\$[REDACTED] million of the [REDACTED] expenses has been expensed during the Track Record Period, and the remaining amount of approximately HK\$[REDACTED] million of the [REDACTED] expenses is expected to be expensed prior to the [REDACTED].

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2023, being the end date of the periods reported in the Accountants' Report set out in Appendix I to this document, and there has been no event since December 31, 2023 and up to the date of this document that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

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DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.