You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this document which has been prepared in accordance with HKFRSs, and the selected historical financial information and operating data included elsewhere in this document.

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 development, 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 the sections headed "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

Founded in 2005, we operate four business lines covering online reading platform services, digital marketing services, online games publishing services and other digital content services. We have achieved multi-faceted monetization model in the aforementioned four application scenarios, which primarily include subscriptions, pay per use, revenue sharing and advertising income, among others. The details of our diversified monetization model for our various business lines are as follows:

- *Online reading*. We generate revenue primarily through (i) advertisements displayed in the literary resources from our advertising customers in connection with reading with advertising in which we charge them on CPC basis and CPM basis; and (ii) paid readership, including the purchase of our paid reading resources and the subscription of our premium membership, from our users under reading with paid services;

- *Digital marketing*. We generally cooperate with advertising customers based on relevant framework agreements to generate advertising income and charge them primarily on CPC basis, CPM basis and CPA basis;

- *Online games publishing*. We generally share income from the game user's in-game purchases and share a portion of the income with third-party game content providers (i.e., revenue sharing); and

- *Other digital content*. After receiving income settlement from the users, the telecommunications operators we cooperate with will subsequently share such income with us (i.e., revenue sharing) based on agreed-upon proportions.

We have a large user base. The number of our cumulative registered users of our Easou Reading App Series was 44.7 million as of December 31, 2023. The level of our user activity on our platform has also been increasing. Our average MAU on our Easou Reading App Series increased from 23.9 million in 2021 to 25.6 million in 2022, and further increased to 26.0 million in 2023.

We experienced steady growth during the Track Record Period. Our revenue increased from RMB433.1 million in 2021 to RMB456.4 million in 2022, and further increased to RMB559.0 million in 2023.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, some of which are beyond 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 internet and intelligent content recommendation industries in China, including:

- China's overall economic growth and level of per capita disposable income;
- growth in internet usage and penetration;
- development of network infrastructure;
- competition with other forms of entertainment in user traffic and online usage time;
- regulatory environment in China; and
- awareness and enforcement of intellectual property protection in China.

Any unfavorable change in any of these general industry conditions may have a negative impact on the demand for our services, and materially affect our results of operations.

Company Specific Factors

Our results of operations are also affected by a number of specific factors applicable to our Company, including the following:

Our ability to maintain and grow our user base, further meet users' preferences and demand

Our business depends on our ability to maintain and grow our user base and meet their particular needs and preferences. The size and engagement of our user base are crucial for the development and functioning of our Easou Recommendation Engine and monetization efforts. We believe that a large user base supplies us with accurate and evolving user feedback and behavioral data, enabling us to develop our Easou Recommendation Engine and improve existing and future content recommendation with features that cater to the evolving user preferences and demands. In addition, we believe industry players, such as content providers, advertising customers and telecommunications operators are drawn to us because of the size of our user base, its attractive demographics and the level of our user activity.

We have achieved substantial growth of our user base during the Track Record Period. The number of our cumulative registered users of our Easou Reading App Series was 44.7 million as of December 31, 2023. The level of our user activity on our platform has also been increasing. Our average MAUs increased from 23.9 million in 2021 to 25.6 million in 2022, and further increased to 26.0 million in 2023. Based on the foregoing, we believe our user base has demonstrated strong loyalty to and a high level of activity on our platform.

Our future growth will largely depend on whether we are able to retain our existing users, attract new users, maintain active user base and enhance the monetization of digital content, such as online literature, online games and other digital content. We will continue to cater to users' preferences and demands, explore and stimulate their online interest and improve our service quality by offering more user-friendly features of our products.

Our ability to improve technologies, provide accurate and precise digital content recommendation and apply our technologies to various application scenarios

Our ability to improve our proprietary technologies, especially our Easou Recommendation Engine is an important factor affecting our ability to provide accurate and precise digital content recommendation to our users. We develop our Easou Recommendation Engine to study the behaviors of our users and we rely on the analysis of user data to predict their interests and preferences, develop tailored content recommendations and further enhance our user experience in various application scenarios. Our business depends on our ability to anticipate industry trends, and identify and provide precise and accurate content recommendations based on various application scenarios of our Easou Recommendation Engine that meet our users' preferences and demands on a continuing basis. Our future success relies in part on our ability to enhance our existing services, introduce new services and explore new application scenarios with features that we believe can keep up with the evolving technological developments, while satisfying the user requirements, all in a timely and cost-effective manner.

In order to improve our technological capabilities, we have devoted significant resources to the enhancement and development of proprietary technologies and services during the Track Record Period and expect to continue to do so in the foreseeable future. Our R&D expenses accounted for RMB51.0 million, RMB38.7 million and RMB37.6 million in the years ended December 31, 2021, 2022 and 2023, respectively, representing approximately 11.8%, 8.5% and 6.7% of our total revenue in the same years, respectively. We are also dedicated to recruiting, retaining and motivating talented employees for our R&D efforts. As of December 31, 2023, we had a total of 64 R&D staff, who were engaged in the R&D of technology and mobile applications, accounting for approximately 43.5% of the total number of our employees. Among them, approximately 40 of our R&D personnel were dedicated to the development of underlying technologies of our Easou Recommendation Engine. As we continue to improve our technological capabilities, our R&D expenses may rise in the near future.

Our ability to strengthen our monetization capability

Our revenue and business scale are affected by our ability to effectively enhance our monetization of each our business lines and expand the application of our Easou Recommendation Engine.

We have been enhancing our multi-faceted monetization in certain of our business lines. Leveraging our Easou Recommendation Engine, we connect content providers, advertising customers and a large number of users in online reading, digital marketing, online games publishing and other digital content application scenarios. Our platform involving digital content recommendation enables us to realize multi-faceted monetization of our proprietary platform traffic, external media and channels, such as paid literary content, premium membership services, advertising, in-game purchases and new services that we introduce from time to time.

Our revenue growth during the Track Record Period primarily depended on the size of user base and the spending of our advertising customers. In order to keep up with the industry trends and changing user preferences and demands, we continually develop new monetization features and improve existing features in order to increase the activity of our users and their willingness to pay. We also test new pricing strategies, including offering varying prices for different service packages to optimize monetization.

In addition, we are actively exploring new application scenarios of our Easou Recommendation Engine to keep up with the rapid industry evolution mainly driven by the continuous technological developments and changing users' preferences, which in turn expand additional monetization channels to diversify our revenue streams.

Effective control of the costs of sales and operating expenses

We believe our ability to effectively manage our cost and expenses is important for our business growth and profitability. Our cost of sales primarily consists of content costs, internet traffic costs and depreciation and amortization expenses, and staff costs. We expect our content costs to fluctuate with positive correlation with our online reading platform services and online games publishing services. We also expect our internet traffic costs to increase in absolute amount as we will continue to expand our digital marketing services.

Our operating expenses primarily include selling and distribution expenses, administrative expenses and R&D expenses. As our business grows, our operating expenses will generally increase correspondingly. For example, there is considerable competition for user traffic among the players in the China's intelligent content recommendation industry. Selling and distribution expenses historically represent a significant majority of our total operating expenses. For the years ended December 31, 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB99.3 million, RMB133.6 million and RMB153.7 million, respectively, which accounted for approximately 22.9%, 29.3% and 27.5% of our total revenue, respectively. Our ability to maintain our user base and attract new users while controlling advertising expenses and staff costs of selling and distribution team, is critical for our results of operations in the future.

Relationship with content providers, advertising customers and other business partners

We typically rely on third-party content providers to provide digital content and then distribute such content through our platform or other third-party web-based platforms as we do not produce proprietary digital content. We have fostered long-term business relationship with a number of digital content providers, such as online literature content providers and online game operators, to promote and recommend their digital content to suitable users. We also have well-established relationship with advertising customers to serve their personalized advertising needs.

Building upon our successful track record and the outstanding performance of our sales and marketing team, we are able to capture long-term growth opportunities arising from China's intelligent content recommendation market through our in-depth collaboration with diverse business partners. Our five largest customers, including advertising customers under our online reading platform services business and our digital marketing services business and a game operator under our online games publishing services, accounted for approximately for 33.1%, 29.2% and 23.2% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively. In addition, we cooperate with content providers in China's online literature market and online games market, and we believe such cooperation is essential for the expansion of our business and the growth of our revenue and market share.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our Group consists of our Company and its subsidiaries. The historical financial information of our Group has been prepared with the results of operations of both our Company and its subsidiaries combined, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group during the Track Record Period, and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The financial statements of our Company's subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies. The results of operations of our Company's subsidiaries are consolidated as if the reorganization had been completed at the beginning of Track Record Period. The Historical Financial Information has been prepared in accordance with HKFRSs (which include all HKFRS, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period. The Historical Financial Information is presented in RMB. The Historical Financial Information has been prepared under the historical cost convention.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our material accounting policy information involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We set forth below those accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgements in the preparation of our financial statements. Our material accounting policy information is set forth in detail in the Accountants' Report included in Appendix I to this document.

Revenue Recognition

Revenue from Contracts with Customers

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 we expect 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 we 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 us and the customer at contract inception. When the contract contains a financing component which provides us 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 HKFRS 15.

Reading with Advertising

We distribute the advertisements of our advertising customers on our own literature platforms. Revenue is recognized at a point in time when the related services are delivered based on specific actions (i.e., cost per action) as agreed on the contracts with customers. We act as the principal as we are the primary obligor and are responsible for (i) identifying and contracting with third-party advertisers which we view as customers; (ii) establishing the selling prices of the specified action pricing model; (iii) performing all billing and collection activities, including retaining credit risk; and (iv) bearing the sole responsibility for fulfilment of the advertising. We act as the principal of these arrangements and therefore have recognized revenue earned and costs incurred related to these transactions on a gross basis.

Reading with Paid Services

We generate revenue from providing online literature content to the users primarily through our self-developed mobile application or web-based platform. We do not develop literature content. We either purchase the content rights from content providers in a lump sum, after which we would be responsible for all profits generated and losses incurred from such content, or we charge users directly for their access to the online literature from the original content providers and share a portion of the income with such original content providers. We offer (i) online literature excluding the membership purchased by chapter; and (ii) premium membership services that provide members with book discounts and other exclusive member services, such as advertisement-free services and enhanced book storage capacity. With respect to the online literature that are purchased by chapter, the proceeds from the users are initially recorded in contract liabilities and are recognized as revenue at the time of purchase by the users as we do not have further obligation after providing the content to user upon purchase and all other criteria for revenue recognition is met. With respect to the premium membership, revenue is recognized over membership subscription period on a straight-line basis.

Digital Marketing Services

We distribute the advertisements of our advertising customers on our downstream media channels. Revenue is recognized at a point in time when the related services are delivered based on specific actions (i.e., cost per action) as agreed in the contracts with customers. We act as the principal as we are the primary obligator and are responsible for (i) identifying and contracting with third-party advertising customers which views us as customers; (ii) identify other platforms to provide online spaces where we view the other platforms as suppliers; (iii) establishing the selling prices of the specified action pricing model; (iv) performing all billing and collection activities, including retaining credit risk; and (v) bearing the sole responsibility for fulfilment of the advertising. We act as the principal of these arrangements and therefore, has recognized revenue earned and costs incurred related to these transactions on a gross basis.

Online Games Publishing Services

We engage in the provision of online games publishing services through our own web-based platforms and third-party web-based platforms. We entered into exclusive game licensing agreements and non-exclusive game licensing agreements with the game content providers. Games are operated under a free-to-play basis whereby game users can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games.

For joint operation model, the game content providers take primary responsibilities for game operation, providing game update package and customer services, while we provide platform use rights, advertising space, payment systems and other platform services. When game users make payments in the game through our own web-based platforms and third party web-based platforms, revenue is recognized at a point in time when we are entitled to a prescribed fixed percentages of the gross proceeds collected from the game users as channel service fee, and remit the remaining amounts to the game content providers. We recognize the amount collected, net of amount paid to game content providers, as the revenue on a net basis.

For exclusive agency model, we distribute our games through our own web-based platforms and third party web-based platforms and take the primary responsibilities for game operation, providing customer services and controlling games and services. When the game users make payments in the game through our own web-based platforms and third party web-based platforms, we obtain the information about game users payment record and in-game data. The proceeds from the game users are initially recorded in contract liabilities and are recognized as revenue at point in time when game users purchased in-game virtual items. We considered ourself as a principal under the exclusive agency model and records the revenue under exclusive agency model on a gross basis.

Other Digital Content Services

We distribute digital content, such as music, through cooperation with telecommunications operators. The consumers purchase digital content through mobile operators. The revenue from other digital content is recognized at the time of purchase.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Intangible Assets (Other Than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortized on the straight-line basis over its estimated useful life of five years.

Copyright is stated at cost less any impairment loss and is amortized over the contractual live which around two to six years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises . . . . 3 to 5 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects that we exercised the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term Leases

We apply the short-term lease recognition exemption to several our short-term leases of office (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life are as follows:

Computer equipment	3 to 5 years
Electronic devices	5 years
Motor vehicles	5 years
Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Financial Asset

Initial Recognition and Measurement

Financial asset are classified, at initial recognition, as subsequently measured at amortized cost and FVTPL, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that our Group commits to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Amortized Cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes unlisted private equity fund investments which we had not irrevocably elected to classify at fair value through other comprehensive income.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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 reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 any 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at the end of each year in the Track Record 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 year in the Track Record 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 we 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.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying our accounting policies, our management has made the following judgement apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

Contractual Arrangements

The PRC Operating Entities are engaged in the online reading platform services, online games publishing services and other digital content services in the PRC, which fall in the scope of internet cultural business that foreign investors are prohibited to invest.

We exercise control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Structured Contracts. For further details, please refer to note 2.1 to the Accountants' Report set out in Appendix I to this document.

We consider that we control the PRC Operating Entities, notwithstanding the fact that we do not hold direct equity interest in the PRC Operating Entities, as we have power over the financial and operating policies of the PRC Operating Entities and receive substantially all the economic benefits from the business activities of the PRC Operating Entities through the Structured Contracts. Accordingly, the PRC Operating Entities have been accounted as subsidiaries during the Track Record Period.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Track Record Period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of Goodwill

We test goodwill for impairment annually or more frequently. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2021, 2022 and 2023 was RMB32,273,000. For further details, please refer to note 15 to the Accountants' Report set out in Appendix I to this document.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on our historical observed default rates. We 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 advertising sector, 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 historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in note 17 to the Accountant's Report set out in Appendix I to this document.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of December 31, 2021, 2022 and 2023, the carrying value of deferred tax assets was approximately RMB3.2 million, RMB3.0 million and RMB2.4 million, respectively. As of December 31, 2021, 2022 and 2023, the amount of unrecognized tax losses was approximately RMB12.4 million, RMB5.0 million and RMB5.3 million, respectively. For details of the principal activities of these subsidiaries, please refer to note 1 to the Accountants' Report set out in Appendix I to this document.

RESULTS OF OPERATIONS

The table below presents a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	433,108	100.0	456,411	100.0	559,045	100.0
Cost of sales	(224,416)	(51.8)	(217,741)	(47.7)	(299,317)	(53.5)
Gross profit	208,692	48.2	238,670	52.3	259,728	46.5
Other income and gains	11,531	2.7	6,528	1.4	3,157	0.6
Selling and distribution expenses	(99,270)	(22.9)	(133,612)	(29.3)	(153,660)	(27.5)
Administrative expenses	(18,642)	(4.3)	(19,774)	(4.3)	(25,566)	(4.6)
Research and development expenses	(50,951)	(11.8)	(38,738)	(8.5)	(37,615)	(6.7)
Fair value losses on financial assets at FVTPL	–	–	(5,897)	(1.3)	(10,925)	(2.0)
Other expenses	(580)	(0.1)	(301)	*	(592)	(0.1)
Finance costs	(305)	(0.1)	(2,131)	(0.5)	(8,442)	(1.5)
Profit before tax	**50,475**	**11.7**	**44,745**	**9.8**	**26,085**	**4.7**
Income tax expenses	(464)	(0.1)	(297)	(0.1)	(1,074)	(0.2)
Profit for the year	**50,011**	**11.5**	**44,448**	**9.7**	**25,011**	**4.5**
Other comprehensive loss						
Other comprehensive loss that will not be reclassified to profit or loss on subsequent periods:						
Exchange differences on translation of the Company's financial statements	–		–		(4,799)	(0.9)
Total comprehensive income for the year	**50,011**	**11.5**	**44,448**	**9.7**	**20,212**	**3.6**
Attributable to:						
Owners of the parent	49,983	11.5	44,388	9.7	20,172	3.6
Non-controlling interests	28	*	60	*	40	*

Note:

* *Less than 0.1%*

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue consists of the sales derived from our four business lines, namely, online reading platform services, digital marketing services, online games publishing services and other digital content services. For the years ended December 31, 2021, 2022 and 2023, our revenue amounted to RMB433.1 million, RMB456.4 million and RMB559.0 million, respectively.

Revenue by Business Lines

During the Track Record Period, we generated revenue from the following four business lines: (i) online reading platform services through reading with advertising, through which we obtain advertising revenue from advertising customers when users browse or click on such advertisements, and reading with paid services, through which we generate revenue from the users for their payments of our literature resources or subscription of our premium membership services; (ii) digital marketing services, which refer to the comprehensive advertising placement services, including mobile application embedded advertising, and bidding ranking services in the mobile application stores; (iii) online games publishing services, which refer to the introduction, evaluation, launch and management of online games either through the joint operation model or exclusive agency model; and (iv) other digital content services, which primarily refer to the promotion services for digital content offered by third-party telecommunications operators or other value-added content providers through our proprietary platform and other third-party channels. Please refer to the section headed "Business – Our Business Model" in this document for further details of our various business lines.

The following table sets forth revenue attributable to each of our four business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online reading platform services:						
– Reading with advertising	185,959	42.9	220,007	48.2	229,416	41.0
– Reading with paid services	32,173	7.4	24,703	5.4	19,513	3.5
Sub-total	218,132	50.3	244,710	53.6	248,929	44.5
Digital marketing services	201,607	46.6	200,721	44.0	288,836	51.7
Online games publishing services	4,330	1.0	4,944	1.1	10,553	1.9
Other digital content services	9,039	2.1	6,036	1.3	10,727	1.9
Total	**433,108**	**100.0**	**456,411**	**100.0**	**559,045**	**100.0**

Cost of Sales

Our cost of sales primarily includes (i) internet traffic cost, which mainly refers to the user traffic we purchase for serving our advertising customers; (ii) online literature content cost, which mainly refers to the portion of the income we share with literature content providers after we charge users directly for their access to the online literature from such content providers under our pro-rata sharing model; (iii) depreciation and amortization, which is mainly in relation to the depreciation of right-of-use assets used for office purposes, the depreciation of the servers and office equipment we use in connection with our business operations and the amortization of intangible assets, which mainly refer to the content rights we purchased from content providers in a lump sum under buy-out model; (iv) operator value-added content costs, which mainly refer to the portion of the income we share with value-added content providers after we charge users directly for their access to the digital content from such content providers; and (v) staff costs, which mainly refer to the salaries and benefit packages provided to our operating personnel.

The table below sets forth our cost of sales and the components as a percentage of total cost of sales by nature for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Internet traffic cost	185,038	82.5	184,754	84.9	265,670	88.8
Online reading content cost	9,803	4.4	6,328	2.9	2,995	1.0
Depreciation and amortization	16,453	7.3	16,808	7.7	19,665	6.6
Operator value-added service content cost	4,243	1.9	3,098	1.4	4,498	1.5
Staff costs	7,488	3.3	5,344	2.5	5,057	1.7
Mobile game content cost	42	*	384	0.2	11	*
Server maintenance cost	961	0.4	793	0.4	1,019	0.3
Rental	388	0.2	232	0.1	402	0.1
Total	**224,416**	**100.0**	**217,741**	**100.0**	**299,317**	**100.0**

Note:

* Less than 0.1%.

We recorded internet traffic cost, online reading content cost, operator value-added service content cost, mobile game content cost and depreciation and amortization directly under our four business lines. We allocated staff costs, server maintenance cost and rental expenses to our four business lines according to the proportion of the revenue generated from online reading platform services, online games publishing services and other digital content services, and the revenue, net of internet traffic cost, generated from digital marketing services.

The table below sets forth our cost of sales and the components as a percentage of total cost of sales by our business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online reading platform services	33,644	15.0	27,114	12.5	24,190	8.1
Digital marketing services	185,820	82.8	185,239	85.1	266,342	89.0
Online games publishing services	282	0.1	2,105	1.0	3,983	1.3
Other digital content services	4,670	2.1	3,283	1.5	4,802	1.6
Total	**224,416**	**100.0**	**217,741**	**100.0**	**299,317**	**100.0**

Gross Profit and Gross Profit Margin

The table below sets forth the gross profit and gross profit margin by our business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online reading platform services	184,488	84.6	217,596	88.9	224,739	90.3
Digital marketing services	15,787	7.8	15,482	7.7	22,494	7.8
Online games publishing services	4,048	93.5	2,839	57.4	6,570	62.3
Other digital content services	4,369	48.3	2,753	45.6	5,925	55.2
Total	**208,692**	**48.2**	**238,670**	**52.3**	**259,728**	**46.5**

The gross profit margin of each of our four business lines varied during the Track Record Period. The gross profit margin of our online reading platform services was 84.6%, 88.9% and 90.3% for the years ended December 31, 2021, 2022 and 2023, respectively. The gross profit margin for online reading platform services remained relatively high during the Track Record Period, primarily because (i) our reading with advertising and reading with paid services under online literature platform services enabled us to generate revenue from our use of literary content and our user traffic; (ii) cost of sales under the pro-rata income sharing model decreased given the decreased revenue generated from reading with paid services and cost of sales under the buy-out model remained relatively stable; and (iii) we utilized our proprietary platform traffic to serve the demand of our advertising customers under reading with advertising, which allowed us to save internet traffic cost. For the same years, the gross profit margin of our online games publishing services was 93.5%, 57.4% and 62.3%, respectively. The gross profit margin for online games publishing services was relatively high in 2021, mainly because we only operated a game called "Age of Empires (帝王世紀)", which generated revenue but did not incur any amortization of content cost in 2021. The gross profit margin for online games publishing services decreased from 93.5% in 2021 to 57.4% in 2022 primarily because we launched a new game called "Civilization (文明)" mainly in the United States, Canada and Europe in 2022, which did not generate significant revenue at such stage but we had begun to amortize the game content costs during this period. The gross profit margin for online games publishing services increased in 2023 compared to 2022 primarily because we continued to expand our online games offering, including beta testing and official launch of new games and continued operation of several existing games.

Other Income and Gains

Other income and gains primarily represent (i) government subsidies, which primarily consist of R&D subsidies, project support funds, **[REDACTED]** support funds, high-tech enterprise subsidies, regional support funds, and intellectual property subsidies. All government subsidies we recognized during the Track Record Period were non-recurring in nature. We must satisfy certain conditions to obtain such government subsidies, such as the "High and New Technology Enterprise" qualification, R&D results, welfare for employees and the status as a small-sized enterprise. As of the Latest Practicable Date, there were no unfulfilled obligations with respect to our government grants; (ii) bank interest income, which primarily represents the interest income from bank deposits; and (iii) others, which primarily include input value-added tax credit and the litigation awards we obtained.

The following table sets forth the components of our other income and gains and the components as a percentage of total other income for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Government subsidies	5,231	45.4	1,381	21.2	527	16.7
Interest income	4,463	38.7	2,360	36.1	867	27.5
Others	1,837	15.9	2,787	42.7	1,763	55.8
Total	**11,531**	**100.0**	**6,528**	**100.0**	**3,157**	**100.0**

Selling and Distribution Expenses

Selling and distribution expenses principally include (i) advertising expenses, which mainly consist of marketing and promotion fees for our online reading platform services and online games publishing services; (ii) staff costs, which mainly refer to the salaries and benefit packages for our selling and distribution personnel; (iii) travel and entertainment expenses, which mainly represent transportation and accommodation expenses for business travel purposes, and catering expenses incurred in connection with the business travels of our selling and distribution personnel; (iv) rental expenses, which mainly consist of the rent for short-term office leases; (v) depreciation and amortization, which mainly refers to the depreciation of computer equipment and mobile phones, and the depreciation for long-term office leases; and (vi) others, which primarily include training fees, conference fees and consulting fees.

The following table sets forth the components of our selling and distribution expenses and the components as a percentage of total selling and distribution expenses for the periods indicated:

	For the year ended December 31,					
	2021		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Advertising expenses	88,816	89.5	126,036	94.3	145,564	94.7
Staff cost	8,840	8.9	6,575	4.9	7,001	4.6
Traveling and entertainment expenses	605	0.6	302	0.2	399	0.3
Rental expenses	736	0.7	446	0.3	496	0.3
Depreciation and amortization	32	*	30	*	28	*
Others	241	0.2	223	0.2	172	0.1
Total	**99,270**	**100.0**	**133,612**	**100. 0**	**153,660**	**100.0**

Note:

* *Less than 0.1%*

Administrative Expenses

Administrative expenses include (i) staff costs, which mainly consist of the salaries and benefit packages of our administrative staff; (ii) professional fee, which mainly consists of service fee incurred from external human resource services, appraisal services, consulting services, network certification services, legal services and audit service (iii) traveling and entertainment expenses, which mainly represent the transportation and accommodation expenses for business travel purposes of our administrative staff, and catering expenses incurred in connection with the business travels of our administrative staff; (iv) office administrative expenses, which mainly consist of the office supplies and utilities used for administrative purposes; (v) **[REDACTED]** expenses, which represent the **[REDACTED]** expenses incurred in relation to our prior attempt to list in China and the **[REDACTED]** that are not capitalized; (vi) depreciation and amortization, which mainly consists of the depreciation of computer equipment, motor vehicles, office equipment and the depreciation for long-term office leases, and the amortization of office software costs; (vii) rental expenses, which mainly consist of the rent for short-term office lease; (viii) taxes and surcharges, which mainly consist of surcharge of VAT and other taxes; and (ix) others, which mainly consist of impairment of trade receivables, bank charges, recruitment fee, training fee, agency fee, and COVID-19-related rent concessions from the lessors.

The following table sets forth the components of our administrative expenses and the components as a percentage of total administrative expenses for the indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	10,024	53.8	8,151	41.2	7,792	30.5
Professional fee	684	3.7	868	4.4	1,350	5.3
Traveling and entertainment expenses	1,627	8.7	1,153	5.8	1,638	6.4
Office administrative expenses	1,523	8.2	1,360	6.9	1,154	4.5
[REDACTED] expenses	2,094	11.2	4,459	22.5	11,698	45.8
Rental expenses	720	3.9	366	1.9	632	2.5
Depreciation and amortization	342	1.8	340	1.7	259	1.0
Taxes and surcharges	547	2.9	775	3.9	512	2.0
Others (1)	1,081	5.8	2,302	11.6	531	2.1
Total	**18,642**	**100.0**	**19,774**	**100.0**	**25,566**	**100.0**

Note:

(1) Approximately RMB2.0 million and RMB0.4 million under others in 2022 and 2023, respectively, was impairment of trade receivables, net.

Research and Development Expenses

R&D expenses primarily include (i) staff costs, which mainly consist of the salaries and benefit packages of our R&D staff; (ii) broadband and maintenance expense, which represents the fees incurred in the maintenance and upgrade of the servers and broadband; (iii) depreciation, which mainly consists of depreciation of computer equipment and mobile phones used for testing purposes; (iv) traveling and entertainment expenses, which mainly represent the transportation and accommodation expenses for business travels of our R&D staff, and catering expenses incurred in connection with business travels of our R&D staff; and (v) rental expenses, which mainly represent rent for short-term lease expenses.

The following table sets forth the components of our R&D expenses and the components as a percentage of total R&D expenses for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	35,847	70.4	27,422	70.8	23,042	61.3
Broadband and maintenance expense	6,321	12.4	5,069	13.1	7,553	20.1
Depreciation and amortization	5,020	9.8	3,348	8.6	4,386	11.7
Traveling and entertainment expenses	188	0.4	159	0.4	248	0.7
Rental expenses	2,568	5.0	2,005	5.2	1,695	4.5
Others	1,007	2.0	735	1.9	691	1.8
Total	**50,951**	**100.0**	**38,738**	**100.0**	**37,615**	**100.0**

Fair Value Losses on Financial Assets at FVTPL

Fair values losses on financial assets at FVTPL reflected the losses arising from our private equity fund investments. Please refer to the subsection headed "– Current Assets and Current Liabilities –Financial Assets at FVTPL" for details.

Other Expenses

Other expenses primarily represent (i) the loss on disposal of items of property, plant and equipment, which primarily consist of servers, vehicles, electronic devices and office equipment; and (ii) others, which primarily represent payments for litigation settlements.

The following table sets forth the components of our other expenses and the components as a percentage of total other income for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Loss on disposal of items of property, plant and equipment	580	100.0	278	92.4	547	92.4
Others	–	–	23	7.6	45	7.6
Total	**580**	**100.0**	**301**	**100.0**	**592**	**100.0**

Finance Costs

Finance costs principally represent (i) the interest on bank and other borrowings, which mainly represent interests incurred from the loans we obtained from the banks; and (ii) the interest on lease liabilities, which primarily represents property leases.

The following table sets forth the components of our finance costs and the components as a percentage of total finance costs for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Interest on bank and other borrowings	274	89.8	2,117	99.3	8,430	99.9
Interest on lease liabilities	31	10.2	14	0.7	12	0.1
Total	**305**	**100.0**	**2,131**	**100.0**	**8,442**	**100.0**

Income Tax Expenses

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate. The Cayman Islands government imposes no taxes on an exempted company incorporated in the Cayman Islands relating to profits, income or dividends, capital gains or estate duty.

Under the EIT Law and its implementation regulation, the standard EIT rate of the PRC subsidiaries is 25%. Easou Shenzhen was accredited as a "High and New Technology Enterprise" in 2019, and therefore, it was entitled to a preferential EIT rate of 15% from 2019 to 2021. Easou Beijing was accredited as "High and New Technology Enterprise" in 2019, and therefore, it was entitled to a preferential EIT rate of 15% from 2019 to 2021. In October 2022, Easou Beijing successfully renewed its certificate of "High and New Technology Enterprise" and was entitled to continue to enjoy the preferential EIT rate of 15% from 2022 to 2024. In December 2022, Easou Shenzhen successfully renewed its certificate of High and New Technology Enterprise and was entitled to continue to enjoy the preferential EIT rate of 15% from 2022 to 2024. Guangzhou Ledian was accredited as "High and New Technology Enterprise" in 2021, and therefore, it was entitled to a preferential EIT rate of 15% from 2021 to 2023. Certain of our subsidiaries enjoyed preferential tax treatment under the "Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy" (《小微企業所得稅優惠政策》) during the Track Record Period, and therefore, they were entitled to a preferential EIT rate ranging from 2.5% to 10.0% in 2021, from 2.5% to 5.0% in 2022, and 5.0% in 2023.

Our effective income tax rate was 0.9%, 0.7% and 4.1% for the years ended December 31, 2021, 2022 and 2023, respectively. The increase in effective income tax rate in 2023 compared to 2022 was mainly due to (i) the effect of different tax rate as described below; and (ii) the expenses not deductible for tax, which are mainly attributable to the fair value loss on financial assets at FVTPL arising from our private equity fund investments in 2023. During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	50,475		44,745		26,085	
Tax at the statutory tax rate	12,619	25.0	11,187	25.0	6,521	25.0
Effect of different tax rates	–	–	–	–	1,628	6.2
Lower tax rates for specific provinces or enacted by local authority	(6,334)	(12.5)	(5,054)	(11.3)	(5,990)	(23.0)
Expenses not deductible for tax	101	0.2	84	0.2	3,647	14.0
Super deduction for eligible research and development expenses	(4,252)	(8.4)	(4,372)	(9.8)	(4,580)	(17.6)
Tax loss utilized from previous years	(1,380)	(2.7)	(1,095)	(2.4)	(6)	*
Tax loss not recognized	–	–	–	–	23	0.1
Others	(290)	(0.6)	(453)	(1.0)	(169)	(0.6)
	464	0.9	297	0.7	1,074	4.1

Note:

* *Less than 0.1%*

The tax at statutory rate represents the tax applicable to profit before tax of our Group at the statutory tax rate for the jurisdiction in which the majority of our Company's subsidiaries are domiciled, namely, in China, while our Group's profit before tax comprises the profit before tax of our Company's PRC subsidiaries and the loss before tax of our Company and certain of our subsidiaries domiciling in the jurisdictions other than China. Therefore, the effect of different tax rates represents the adjustments to reflect the tax applicable to profit before tax of our Company's PRC subsidiaries and tax applicable to loss before tax of our Company and our subsidiaries domiciling in the jurisdictions other than China at their respective statutory tax rates.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 22.5% from RMB456.4 million in 2022 to RMB559.0 million in 2023. The increase was mainly due to increased revenue from digital marketing services business.

Specifically, revenue of online reading platform services slightly increased by 1.7% from RMB244.7 million to RMB248.9 million, mainly due to an increase of 4.3% in revenue generated from reading with advertising, from RMB220.0 million in 2022 to RMB229.4 million in 2023. This increase was largely attributable to (i) our increased efforts to expand reading with advertising, and (ii) an increase in the number of our advertising customers under reading with advertising, which was in line with the prevalent industry trend. The increase in revenue from reading with advertising was partially offset by a decrease of revenue from reading with paid services by 21.1% from RMB24.7 million in 2022 to RMB19.5 million in 2023. This decrease was primarily because we focus on promoting reading with advertising. According to Analysys, the growth of reading with advertising, in terms of user scale has been more rapid than that of reading with paid services with broad user acceptance in China's online literature market in recent years, and we are exposed to the ongoing free-to-read industry trends. In practice, we identified a decrease of users' willingness to pay in the past few years and decided to offer reading with advertising to our users more broadly, which caused the business scale of reading with paid services to decline, resulting in a decrease in the number of the users who purchase our reading with paid services as some of them became users who use our reading with advertising.

Revenue of digital marketing services increased significantly by 43.9% from RMB200.7 million in 2022 to RMB288.8 million in 2023. This increase was mainly due to increased advertising demand from our advertising customers, which was fueled by the waning impact of the COVID-19 pandemic.

Revenue of online games publishing services increased by 116.3% from RMB4.9 million in the 2022 to RMB10.6 million in 2023, primarily because we continued to expand our online games offering in 2023. Specifically, we conducted beta testing of Kyoto Shopkeeper（京都大掌柜）in the Taiwan markets, The Legend of Ninja（忍者傳奇）in the domestic market, and The Awakening of Super Saiyan（超賽覺醒）in the Taiwan, Hong Kong, Malaysia, Singapore and Vietnam markets. We subsequently officially launched The Legend of Ninja in the domestic market in July 2023 and The Awakening of Super Saiyan in the Taiwan, Hong Kong, Malaysia, Singapore and Vietnam in

December 2023 considering their strong performance during beta testing. Since the beta testing result of Kyoto Shopkeeper in the overseas markets was below our expectation, we subsequently suspended its promotion in May 2023. In addition, we continued the operation of several existing games, including War and Soldiers (我的坦克我的團) and Civilization (文明).

Revenue of other digital content services increased by 78.3% from RMB6.0 million in 2022 to RMB10.7 million in 2023, mainly because we continued to promote a premier music membership service for a telecommunications operator and generated revenue thereof.

Cost of Sales

Our cost of sales increased from RMB217.7 million in 2022 to RMB299.3 million in 2023, mainly due to the increases in internet traffic cost and depreciation and amortization. Internet traffic cost increased primarily because we procured additional internet traffic to serve the development of our digital marketing services. Depreciation and amortization increased primarily because we introduced several new games through beta testing and official launch and continued the operation of several online games in 2023 and incurred amortization expenses of the intangible assets.

In terms of segment cost of sales, the cost of sales of online reading platform services decreased by 10.7% from RMB27.1 million in 2022 to RMB24.2 million in 2023, mainly due to that a decrease in revenue generated from reading with paid services caused a corresponding decrease in the cost of goods sold under the pro-rata income sharing model, while the amortization of the purchased content costs under the buy-out model remained relatively stable.

The cost of sales of digital marketing services increased by 43.8% from RMB185.2 million in 2022 to RMB266.3 million in 2023, which was in line with the revenue growth of this business.

The cost of sales of online games publishing services increased by 90.5% from RMB2.1 million in 2022 to RMB4.0 million in 2023, primarily because we continued to expand our online games offering, including beta testing, official launch of new games and continued operation of several existing games that involved the purchases of the relevant game content and amortization expenses of the intangible assets in 2023.

The cost of sales of other digital content services increased by 45.5% from RMB3.3 million in 2022 to RMB4.8 million in 2023, which was in line with the significant revenue growth of this business line.

Gross Profit and Gross Profit Margin

Based on the foregoing, our gross profit increased from RMB238.7 million in 2022 to RMB259.7 million in 2023. Our gross profit margin decreased from 52.3% in 2022 to 46.5% in 2023, primarily because the revenue contribution from digital marketing services increased, the gross profit margin of which was significantly lower than that of our other business lines.

Specifically, the gross profit margin for online reading platform services remained relatively stable at 88.9% and 90.3% in 2022 and 2023, respectively.

The gross profit margin for digital marketing services also remained relatively stable at 7.7% and 7.8% in 2022 and 2023, respectively.

The gross profit margin for online games publishing services increased from 57.4% in 2022 to 62.3% in 2023, mainly because we continued to expand our online games offerings.

The gross profit margin for other digital content services slightly increased from 45.6% in 2022 to 55.2% in 2023, primarily reflecting the gross profit margin of the premier music membership service for a telecommunications operator, which remained relatively stable in 2022 and 2023.

Other Income and Gains

Our other income and gains decreased by 50.8% from RMB6.5 million in 2022 to RMB3.2 million in 2023, primarily due to (i) a decrease in interest income as our bank deposits that generated interest income decreased in 2023 compared to 2022; and (ii) a decrease in the proportion of additional deductions from our taxable income in 2023 compared to 2022.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 15.0% from RMB133.6 million in 2022 to RMB153.7 million in 2023, primarily due to our increased promotional activities relating to the expansion of online games publishing services. Our selling and distribution expenses accounted for approximately 29.3% and 27.5% of our total revenue in 2022 and 2023, respectively.

Administrative Expenses

Our administrative expenses increased by 29.3% from RMB19.8 million in 2022 to RMB25.6 million in 2023, primarily due to an increase in **[REDACTED]** expenses in connection with our preparation for the **[REDACTED]**. Our administrative expenses accounted for approximately 4.3% and 4.6% of our total revenue in 2022 and 2023, respectively.

Research and Development Expenses

Our R&D expenses decreased by 2.8% from RMB38.7 million in 2022 to RMB37.6 million in the 2023, primarily because we continued to reduce our R&D staff headcount in an effort to improve R&D efficiency to focus on certain key R&D projects and kept a streamlined R&D team in 2023. Our R&D expenses accounted for approximately 8.5% and 6.7% of our total revenue in 2022 and 2023, respectively.

Fair Value Losses on Financial Assets at FVTPL

Our fair value losses on financial asset at FVTPL significantly increased from RMB5.9 million in 2022 to RMB10.9 million in 2023, mainly because the net assets value of the funds we invested decreased due to the change in capital market condition, which was non-operational in nature and beyond our control.

Other Expenses

Our other expenses increased from RMB0.3 million in 2022 to approximately RMB0.6 million in 2023. The increase was mainly due to an increase in loss on disposal of items of property, plant and equipment from RMB0.3 million in 2022 to approximately RMB0.5 million in 2023, which mainly represented the losses arising from the difference between book value and disposal value and was in line with our business development.

Finance Costs

Our finance costs increased from RMB2.1 million in 2022 to RMB8.4 million in 2023. The increase was primarily attributable to a new bridge loan that we borrowed in 2023 in connection with the Reorganization and increased interest on the bank borrowings we incurred.

Profit Before Tax

As a result of the foregoing, we recorded profit before tax of RMB44.7 million and RMB26.1 million in 2022 and 2023, respectively, representing approximately 9.8% and 4.7% of our revenue in the same year, respectively.

Income Tax Expenses

We recorded income tax expense of RMB0.3 million in 2022 and RMB1.1 million in 2023. This change occurred primarily due to the increased expenses not deductible for tax.

Profit for the Period

As a result of the foregoing, our profit for the period decreased from RMB44.4 million in 2022 to RMB25.0 million in 2023. Our net profit margin was 9.7% and 4.5% in 2022 and 2023, respectively.

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

Revenue

Our revenue increased by 5.4% from RMB433.1 million in 2021 to RMB456.4 million in 2022. The increase was mainly due to increased revenue from online reading platform services business.

Specifically, revenue of online reading platform services increased by 12.2% from RMB218.1 million in 2021 to RMB244.7 million in 2022, mainly due to an increase of 18.3% in revenue generated from reading with advertising from RMB186.0 million in 2021 to RMB220.0 million in 2022. The increase in revenue generated from reading with advertising was largely attributable to (i) our increased efforts to expand reading with advertising; and (ii) an increase in the number of our advertising customers with which we established cooperative relationships. The increase in revenue from reading with advertising was partially offset by a decline of 23.2% in the revenue generated from reading with paid services from RMB32.2 million in 2021 to RMB24.7 million in

2022. According to Analysys, the growth of reading with advertising in terms of user scale is more rapid than that of reading with paid services with broad user acceptance in China's online literature market, and we are exposed to the ongoing free-to-read industry trends. In practice, we identified a decrease of users' willingness to pay in the past few years and decided to offer reading with advertising to our users more broadly, which caused the business scale of reading with paid services to decline, resulting in a decrease in the number of the users who purchase our reading with paid services as some of them became users who use our reading with advertising.

Revenue of digital marketing services remained relatively stable at RMB201.6 million in 2021 and RMB200.7 million in 2022.

Revenue of online games publishing services increased by 14.2% from RMB4.3 million in 2021 to RMB4.9 million in 2022, mainly because we published new online games in 2022 and started to generate revenue from these games. We generated very limited revenue in 2021 since we resumed our online games publishing services in December 2021.

Revenue of other digital content services decreased by 33.3% from RMB9.0 million in 2021 to RMB6.0 million in 2022. It decreased mainly because the digital content services are not our core business focus since we have successfully applied our Easou Recommendation Engine to more application scenarios.

Cost of Sales

Our cost of sales decreased from RMB224.4 million in 2021 to RMB217.7 million in 2022. The decrease was mainly due to a decrease in online reading content cost and staff cost. The decrease in online reading content cost was primarily due to a decrease in revenue from reading with paid services. The decrease in staff cost was primarily because we reduced staff headcount in an effort to improve our operating efficiency.

In terms of segment cost of sales, the cost of sales of online reading platform services decreased by 19.3% from RMB33.6 million in 2021 to RMB27.1 million in 2022. It decreased mainly because the decreased revenue generated from reading with paid services caused a decrease in the cost of sales under the pro-rata income sharing model, while the amortization of the purchased content under the buy-out model was relatively stable.

The cost of sales of digital marketing services remained relatively stable at RMB185.8 million in 2021 and RMB185.2 million in 2022, which was in line with the development of revenue of our digital marketing services business.

The cost of sales of online games publishing services increased by 600.0% from RMB0.3 million in 2021 to RMB2.1 million in 2022, primarily due to an increase in mobile game content cost resulting from our publishing of new online games that involved the purchases of the relevant game content and amortization expense of intangible assets.

The cost of sales of other digital content services decreased by 29.8% from RMB4.7 million in 2021 to RMB3.3 million in 2022. The decrease was in line with the decrease of revenue from other digital content services business.

Gross Profit and Gross Profit Margin

Based on the foregoing, our gross profit increased by 14.4% from RMB208.7 million in 2021 to RMB238.7 million in 2022, and our gross profit margin increased from 48.2% in 2021 to 52.3% in 2022, primarily due to an increase in gross profit margin of online reading platform services from 2021 to 2022.

Specifically, the gross profit margin for online reading platform services increased from 84.6% in 2021 to 88.9% in 2022, primarily due to (i) the combined effect of the decreased cost of sales under the pro-rata income sharing model given the decreased revenue generated from reading with paid services and the relatively stable cost of sales under the buy-out model from the amortization of the purchased content; and (ii) the fast growth of our reading with advertising services.

The gross profit margin for digital marketing services remained relatively stable at 7.8% and 7.7% in 2021 and 2022, respectively.

The gross profit margin for online games publishing services decreased from 93.5% in 2021 to 57.4% in 2022, mainly because we conducted trial operation of a new game called "Civilization (文明)" in the overseas markets, which did not generate significant revenue at such stage but we had begun to amortize the game content costs during this period.

The gross profit margin for other digital content services remained relatively stable at 48.3% in 2021 and 45.6% in 2022.

Other Income and Gains

Our other income and gains decreased by 43.5% from RMB11.5 million in 2021 to RMB6.5 million in 2022, which was primarily due to (i) a decrease in one-off government subsidies we recognized in 2022 compared to 2021. A majority of the government grants we received were government subsidies for the encouragement of R&D projects and purchasing the relevant equipment; and (ii) a decrease in interest income as we utilized a portion of our cash to invest in the RMB Fund as part of our wealth management activities.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 34.5% from RMB99.3 million in 2021 to RMB133.6 million in 2022, primarily due to an increase in advertising expenses for game marketing and promotional activities, which was mainly attributable to our relaunch of online games publishing services and our promotion of our Easou Reading App Series in order to expand the business scale of reading with advertising. Our selling and distribution expenses accounted for approximately 22.9% and 29.3% of our total revenue in 2021 and 2022, respectively.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB19.8 million in 2022 compared to RMB18.6 million in 2021. Our administrative expenses accounted for approximately 4.3% of our total revenue in both 2021 and 2022.

Research and Development Expenses

Our R&D expenses decreased by 24.0% from RMB51.0 million in 2021 to RMB38.7 million in 2022, which was mainly due to our reduction of R&D staff headcount in an effort to improve our R&D efficiency to focus on certain key R&D projects. Accordingly, the number of our R&D employees decreased from 80 as of December 31, 2021 to 65 as of December 31, 2022. Our R&D expenses accounted for approximately 11.8% and 8.5% of our total revenue in 2021 and 2022, respectively.

Fair Value Losses on Financial Assets at FVTPL

Our fair value losses on financial asset at FVTPL significantly increased from nil in 2021 to RMB5.9 million in 2022, mainly because the funds we invested incurred losses, which caused their market value to decrease.

Other Expenses

Our other expenses slightly decreased from approximately RMB580,000 in 2021 to approximately RMB301,000 in 2022. The decrease was mainly due to a decrease in loss on disposal of items of property, plant and equipment from approximately RMB580,000 in 2021 to approximately RMB278,000 in 2022, which mainly represented the losses arising from the difference between book value and disposal value, and was in line with our business development.

Finance Costs

Our finance costs increased from RMB0.3 million in 2021 to RMB2.1 million in 2022. The increase was mainly because we incurred new bank borrowings to fund our working capital, which caused the interest expense on bank borrowings to increase accordingly in 2022.

Profit Before Tax

As a result of the foregoing, we recorded profit before tax of RMB50.5 million in 2021, representing approximately 11.7% of our revenue in the same year, and RMB44.7 million in 2022, representing approximately 9.8% of our revenue in the same year.

Income Tax Expenses

Our income tax expenses slightly decreased from RMB0.5 million in 2021 to RMB0.3 million in 2022. Our effective tax rate for 2021 and 2022 was 0.9% and 0.7%, respectively. Our effective tax rate for this period was lower than the standard tax rate primarily because (i) we utilized tax losses from certain of our subsidiaries that were brought forward from the previous years; and (ii) certain of our subsidiaries enjoyed preferential tax treatments under the certificates of "High and New Technology Enterprise" and "Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy".

Profit for the Year

As a result of the foregoing, our profit for the year decreased from RMB50.0 million in 2021 to RMB44.4 million in 2022. Our net profit margin was 11.5% in 2021 as compared to 9.7% in 2022.

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net Current Assets

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

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets:				
Trade receivables	86,327	127,027	161,501	176,156
Prepayments, deposits and other receivables	8,106	23,474	76,048	91,141
Financial asset at FVTPL	–	5,294	73,282	74,333
Tax recoverable	1,372	1,377	31	68
Restricted cash[(1)]	2,565	2,565	–	–
Cash and cash equivalents	214,960	152,155	89,081	72,382
Total current assets	313,330	311,892	399,943	414,080
Current liabilities:				
Trade payables	12,002	8,028	11,781	12,537
Other payables and accruals	17,905	19,555	11,070	8,801
Contract liabilities	18,286	15,428	13,814	13,896
Interest-bearing bank and other borrowings	–	89,700	84,900	90,346
Lease liabilities	175	117	101	162
Tax payable	184	148	64	322
Total current liabilities	48,552	132,976	121,730	126,064
Net current assets	**264,778**	**178,916**	**278,213**	**288,016**

Note:

(1) Restricted cash was primarily related to our legal proceedings with Guangzhou TDW. Please refer to "Business – Legal Proceedings and Compliance – Legal Proceedings" in this document for details. Except for the aforementioned situations, no assets of our Group were frozen or under dispute during each year of the Track Record Period.

Our net current assets increased from RMB278.2 million as of December 31, 2023 to RMB288.0 million as of March 31, 2024, primarily because the increase in our current assets outpaced the increase in our current liabilities. Our current assets increased from RMB399.9 million as of December 31, 2023 to RMB414.1 million as of March 31, 2024, primarily due to (i) an increase in trade receivables from RMB161.5 million as of December 31, 2023 to RMB176.2 million as of March 31, 2024, mainly as a result of our increased sales in reading with advertising under the online reading platform services business and increased sales in digital marketing services business; and (ii) an increase in prepayment, deposits and other receivables from RMB76.0 million as of December 31, 2023 to RMB91.1 million as of March 31, 2024, primarily because we increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series, and we increased our prepayment to procure internet traffic to support the growth of our digital marketing services business and to expand our online games offering in 2024. The increase in our current assets was partially offset by a decrease in cash and cash equivalents from RMB89.1 million as of December 31, 2023 to RMB72.4 million as of March 31, 2024, mainly due to a delay in our collection of certain trade receivables during the Chinese New Year Holiday. Our current liabilities increased from RMB121.7 million as of December 31, 2023 to RMB126.1 million as of March 31, 2024, primarily due to (i) an increase in interest-bearing bank and other borrowings from RMB84.9 million as of December 31, 2023 to RMB90.3 million as of March 31, 2024 as we incurred new bank loans to support our business operation; and (ii) an increase in trade payables from RMB11.8 million as of December 31, 2023 to RMB12.5 million as of March 31, 2024 as we increased our procurement of internet traffic for our digital marketing services.

Our net current assets increased from RMB178.9 million as of December 31, 2022 to RMB278.2 million as of December 31, 2023, which was primarily attributable to the increase in our current assets and a decrease in our current liabilities. Our current assets increased from RMB311.9 million as of December 31, 2022 to RMB399.9 million as of December 31, 2023, primarily due to (i) an increase in trade receivables from RMB127.0 million as of December 31, 2022 to RMB161.5 million as of December 31, 2023, mainly due to our increased sales in reading with advertising under the online reading platform services business and increased sales in digital marketing services business; (ii) an increase in prepayment, deposits and other receivables from RMB23.5 million as of December 31, 2022 to RMB76.0 million as of December 31, 2023, primarily because we increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series, and we increased our prepayment to procure internet traffic to support the growth of our digital marketing services business and to expand our online games offering in 2023; and (iii) an increase in financial assets at FVTPL from RMB5.3 million as of December 31, 2022 to RMB73.3 million as of December 31, 2023, primarily because we made additional investments in two open-ended private equity funds in 2023. The increase in our current assets was partially offset by a decrease in cash and cash equivalents from RMB152.2 million as of December 31, 2022 to RMB89.1 million as of December 31, 2023, as we utilized a portion of our cash to invest in two open-ended private equity funds in 2023 as part of our wealth management activities. Our current liabilities decreased from RMB133.0 million as of December 31, 2022 to RMB121.7 million as of December 31, 2023, primarily due to a decrease in other payable and accruals from RMB19.6 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023, mainly because (i) we distributed the 2022 bonuses for our employees before December 31, 2023 and such delayed distribution was mainly a result of the impact of the COVID-19 pandemic; and (ii) we cooperated with certain new advertising service providers who required us to make prepayments to them prior to using their products/services.

Our net current assets decreased from RMB264.8 million as of December 31, 2021 to RMB178.9 million as of December 31, 2022. which was primarily attributable to an increase in our current liabilities and a slight decrease in our current assets. Our current liabilities increased from RMB48.6 million as of December 31, 2021 to RMB133.0 million as of December 31, 2022, primarily due to an increase in interest-bearing bank and other borrowings from nil as of December 31, 2021 to RMB89.7 million as of December 31, 2022 as we incurred new bank borrowings to fund our working capital, partially offset by (i) a decrease in trade payables from RMB12.0 million as of December 31, 2021 to RMB8.0 million as of December 31, 2022 mainly because the number of suppliers using prepayment settlement method has increased in 2022; and (ii) a decrease in contract liabilities from RMB18.3 million as of December 31, 2021 to RMB15.4 million as of December 31, 2022, mainly due to a decrease in service fee collected in advance as we performed our obligations under the relevant contracts. Our current assets decreased slightly from RMB313.3 million as of December 31, 2021 to RMB311.9 million as of December 31, 2022, primarily due to a decrease of cash and cash equivalents from RMB215.0 million as of December 31, 2021 to RMB152.2 million as of December 31, 2022 primarily because we utilized a portion of our cash to as deemed distribution to the then equity owners of our Group in connection with the Reorganization, partially offset by (i) an increase of prepayments, deposits and other receivables from RMB8.1 million to RMB23.5 million in 2022, reflecting the expansion in our digital marketing services, which required us to increase prepayments to procure internet traffic in order to support the growth of this business line; and (ii) an increase in trade receivables from RMB86.3 million as of December 31, 2021 to RMB127.0 million as of December 31, 2022, which was mainly due to increased sales in advertising services through reading with advertising under our online reading platform services business and increased sales in digital marketing services.

Trade Receivables

Our trade receivables primarily represent the outstanding amounts due to us from our advertising customers in connection with reading with advertising under the online reading platform services and digital marketing services. The trading terms with our advertising customers are mainly on credit. The credit period is generally 30 to 120 days. Each of our customers has a maximum credit limit. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

As of December 31, 2021, 2022 and 2023, our trade receivables amounted to RMB86.3 million, RMB127.0 million and RMB161.5 million, respectively. Our trade receivables increased from 2021 to 2023 primarily because (i) the revenue of reading with advertising under our online reading platform services business increased from 2021 to 2023, which led to an increase in the end balance of trade receivables as of the end of each year of the Track Record Period; (ii) the negative impact of COVID-19 on China's digital advertising market in 2022 resulted in a longer collection period for us to receive the trade receivables from our advertising customers from reading with advertising under the online reading platform services and digital marketing services; and (iii) we granted longer credit term to some of our new advertising customers in 2022 to facilitate business cooperation. Our trade receivables increased to RMB161.5 million as of

December 31, 2023, mainly because we increased our sales in reading with advertising under the online reading platform services business and the digital marketing services business, which led to an increase in the end balance of trade receivables as of December 31, 2023.

The following table sets forth, for the periods indicated, our average trade receivables turnover days for the periods indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
Average trade receivables turnover days[1]	60.6	84.1	92.9

Note:

(1) The average trade receivable turnover days based on the average of the opening balance and closing balance of trade receivables for the relevant year divided by revenue and multiplied by the number of days in the relevant year.

Our average trade receivables turnover days increased from 60.6 days in 2021 to 84.1 days in 2022. It increased to 92.9 days in 2023. The increase in our average trade receivables turnover days from 2021 to 2022, primarily due to longer credit term we granted to some of our new advertising customers to facilitate business cooperation. In addition, the collection cycles with the advertising customers were generally longer during the COVID-19 pandemic compared to other normal periods. Our average trade receivables turnovers increased from 84.1 days in 2022 to 92.9 days in 2023 mainly because we extended the credit term for some of our advertising customers in 2023 in order to maintain positive cooperative relationship with them.

An aging analysis of the trade receivables as of the end of each year the Track Record Period, based on the invoice date and net of loss allowance, is as follows:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	66,755	76,633	121,638
3 to 6 months	18,990	31,449	34,819
6 to 12 months	468	18,696	4,880
Over a year	114	249	164
Total	86,327	127,027	161,501

We performed impairment analysis at the end of each year of the Track Record Period using a provision matrix to measure expected credit losses. The provision matrix method is detailed in "– Estimation Uncertainty – Provision for Expected Credit Losses on Trade Receivables" in this section. Considering that we have been settling with our customers who failed to make their payments in a timely manner and have been collecting the overdue trade receivables, we have made 2.44%, 3.19% and 2.74% provision for impairment of these overdue trade receivables as of December 31, 2021, 2022 and 2023, respectively, which we believe would be sufficient according to the expected credit loss model. Therefore, our Directors are in the opinion that we are not expected to be subject to any material risk exposure to credit impairment and there is no recoverability issue for our trade receivables.

As of April 30, 2024, RMB114.9 million, or 69.2% of our gross trade receivables as of December 31, 2023 had been subsequently settled.

Prepayments, Deposits and Other Receivables

The prepayments, deposits and other receivables mainly represent (i) prepayments, which primarily consist of prepayments for advertising activities and internet traffic acquisition and are generally refundable from the suppliers upon mutual agreement; (ii) deposits, which mainly include deposits for our leased properties; and (iii) other receivables, which primarily represent prepaid service maintenance costs, prepaid **[REDACTED]** expenses and amount due from third-party payment platforms.

As of December 31, 2021, 2022 and 2023, our prepayments, deposits and other receivables (current portion) amounted to RMB8.1 million, RMB23.5 million and RMB76.0 million, respectively. The increase in prepayments, deposits and other receivables (current portion) as of December 31, 2022 compared to that as of December 31, 2021 was mainly due to our expansion in our digital marketing services, which required us to increase our prepayments to procure internet traffic in order to support our business growth. The prepayments, deposits and other receivables (current portion) increased as of December 31, 2023 compared to that as of December 31, 2022, mainly because we (i) increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series; and (ii) increased our prepayment to procure internet traffic in order to conduct the beta testing and launch of new games in 2023.

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

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	6,558	21,381	68,804
Deposits and other receivables	2,268	2,798	7,932
Analyzed into:			
Current portion	8,106	23,474	76,048
Non-current portion	720	705	688
Total	8,826	24,179	76,736

As of April 30, 2024, RMB59.8 million, or 86.9% of our prepayment, deposits and other receivables as of December 31, 2023 had been subsequently settled.

Financial Asset at FVTPL

Our financial asset at FVTPL mainly consisted of two open-ended private equity funds during the Track Record Period. After making an investment, we closely monitor performance and fair value of these investments on a regular basis. We made private equity fund investments as part of our cash management strategy in order to obtain higher yields than we would typically receive from regular bank deposits. We recorded RMB5.3 million and RMB73.3 million of financial asset at FVTPL as of December 31, 2022 and 2023, respectively.

We normally invest in wealth management products to achieve more flexibility in the management of our cash flow and liquidity while providing higher investment returns than commercial bank savings deposit yield. In order to achieve reasonable returns on our surplus cash, our finance department closely monitors the macroeconomic development and policy changes in China and overseas capital markets, and actively seeks suitable investment opportunities. Our finance department conducted research on China's capital market and had thorough communications with the relevant domestic funds. Based on the research results and advice of our finance department, we formed optimistic view in the performance of China's capital market in the long run and decided to invest in a suitable fund denominated in RMB with underlying assets in China's capital market.

In January 2022, we invested in the RMB Fund with an aggregate subscription amount of RMB88.0 million with a relatively high risk level. It consisted of cash assets and securities and was principal unprotected with floating returns. The annual growth rate of the net value of the fund was approximately negative 13.0% for the year ended December 31, 2022. We redeemed a majority of the fund in December 2022, mainly as a result of our cash needs for the Reorganization and the then capital market conditions. In May and June 2023, we made additional investments in the RMB Fund with a subscription amount of RMB5.0 million and RMB3.0 million, respectively. Although we incurred losses in the RMB fund in 2022, we continued to invest in the RMB Fund mainly because we believe that there would be investment opportunities with favorable returns in China's capital market as the Chinese economy continues to recover from the aftermaths of the COVID-19 pandemic in the long run.

Since we received subscription monies from the Shareholders in the Reorganization, we maintained surplus cash offshore after repaying a bridge loan. Considering the working capital needs of our overseas business expansion plan and our current onshore capital sufficiency, we decided to maintain certain amount of cash denominated in US dollars offshore. In order to improve our working capital efficiency and based on our research on the global macroeconomic environment, we were optimistic about the global economic recovery trend after the COVID-19 pandemic, we decided to utilize such surplus cash to invest in a suitable fund denominated in US dollars with underlying assets in Hong Kong's capital market and other overseas stock markets. In January 2023, we invested in the USD Fund with a subscription amount of US$9.9 million. The USD Fund is principal unprotected with floating returns. It is redeemable in whole or in part at our sole discretion beginning after May 31, 2023.

We continue to monitor the performance of the funds that we had invested in. Since January 2024 to March 31, 2023, the net value of the USD Fund had experienced certain recovery and our loss in the USD Fund had decreased. Therefore, we plan to continue to hold these funds in the short term. We will closely monitor the capital market developments and macroeconomic changes. Subject to the performance of these funds and our future working capital requirements, we will redeem these funds in whole or in part in due course.

The table below sets forth the details of the funds that we invested during the Track Record Period:

	RMB Fund	**USD Fund**
Product provider and fund manager:	Shouning Investment Management (Shanghai) Co., Ltd.	Apollo Asset Management Limited
Purpose:	To gain profit through investment	To gain profit through investment
Underlying assets:	China's domestic financial assets, including stocks traded on China's domestic stock exchanges, options and futures, bonds, asset-backed securities, securities margin trading, refinancing securities lending, bank deposits, trust plans, asset management plans, private equity funds, beneficiary certificates, and eligible securities in Mainland – Hong Kong Stock Connect	Global financial assets, including fixed rate and floating-rate debt, securities, notes and structured products

Our investments in the RMB Fund in January 2022 and May and June 2023 were approved by the Board and our Chief Executive Officer, respectively. Our investment in the USD Fund in January 2023 was approved by our Chief Executive Officer. As of the Latest Practicable Date, other than our investments in the RMB Fund and the USD Fund, we had not purchased any other wealth management products. For the years ended December 31, 2021, 2022 and 2023, we incurred fair value losses on financial assets at FVTPL of nil, RMB5.9 million and RMB10.9 million, respectively. Our finance department conducted research and analyzed the relevant risks of the funds we purchased. Based on their recommendations, investment decisions were made by the authorized departments and persons in accordance with the approval procedures as set out in the then applicable investment policies.

We consider private equity fund investments as a cash management tool that enables us to achieve more favourable returns and improve our working capital efficiency based on our prudent risk control parameters.

After the **[REDACTED]**, our investments in wealth management products (including open-ended private equity funds) will be subject to the compliance with Chapter 14 of the Listing Rules. We will strictly comply with our risk management policies and internal control measures, Articles of Association and the requirements under Chapter 14 of the Listing Rules when making investments in wealth management products after the **[REDACTED]**.

Our Investment Policies

During the Track Record Period, we made private equity fund investments. Accordingly, we generally adopt investment measures that govern our investment activities and have established management policies and systems to monitor our investment activities. These measures include, among other things, the following:

- Our investments shall comply with applicable laws and regulations and the relevant provisions of our articles of association;
- Our investments shall be in line with our development strategies and national industry-wide development policies;
- Our investments shall be conducive to accelerating our sustainable and coordinated development, improving our core strengths, and promoting the benefits of our shareholders;
- Our investments shall promote the effective allocation of our resources, improving the quality of our assets, preventing operational risks, improving investment returns and safeguarding our shareholders' rights and interests;
- Our investments shall be conducive to standardizing our operations, improving our operating efficiency and emphasizing the responsibilities of our management;
- Our investments shall be made only in situations where our Group has surplus cash;
- We shall allocate our investments in different types of wealth management products that only consist of principal-protected assets or low-risk assets and adhere to the principle of risk diversification in connection with such allocation. We shall also monitor our investment portfolio on a quarterly basis and make timely adjustments thereto to the extent necessary and appropriate to maintain such principle; and
- We shall ensure that more than 50% of our investments consist of wealth management products with a maturity within one year or redeemable at any time in order to maintain sufficient liquidity and financial flexibility. For our remaining investments, we shall also ensure a maturity term within three years. We will monitor the maturity of our investments on a quarterly basis and timely adjust our investment portfolio to adhere to such liquidity requirement.

We only invest in principal-protected wealth management products or those with low investment risk which are limited to certificates of deposits, treasury notes, investment grade corporate bond, dividend-paying stock, preferred stocks, fixed annuities and money market fund after the **[REDACTED]**.

Risk Management Policies and Internal Control Measures

To improve our internal control with respect to investment activities and make prudent investment decisions, we have continuously reviewed our investment-related internal control policies and our most updated policies were implemented in September 2023. We have complied with all requirements of such updated policies since its implementation and up to the date of this document.

We make prudent investment decisions by considering, among other things, the sufficiency of our cash and cash equivalent and the availability of banking facilities we have obtained to support our business operation. We will ensure sufficient cash and cash equivalent that could cover our present working capital requirements for at least 15 months.

Our finance department is mainly responsible for collecting and organizing information on investment projects in accordance with our development strategies, evaluating the value of the proposed investment projects, and proposing suitable investment projects to the chief executive officer, the Board, and the general meeting of the Shareholders for approval. In addition, our finance department is responsible for the financial management of our investment activities, such as preparing the feasibility analysis of the investment projects, and carrying out the relevant investment procedures once the requisite approval is obtained.

The chief financial officer, the chief executive officer, the Board and the general meeting of the Shareholders are the decision-making bodies for our investment activities. They have the authorities to make decisions on the investment proposals of our financial department in accordance with applicable laws, regulations, the Articles of Association, department guidelines or the provisions of our investment policies, as the case may be. Except the foregoing decision-making bodies, no other department or individual has the authority to make the decision on our investment activities.

The approval procedures of our investments are set out below:

- For the transactions which exceed 25% of the size test as defined in the Listing Rules, the finance department shall obtain the approval from the general meeting of the Shareholders;

- For other material transactions as defined in the laws, regulations, Articles of Association, department guidelines and the investment policies, the finance department shall obtain the approval from the general meeting of the Shareholders;

- For investments in wealth management products, in order to ensure the safety of our investment principal and to obtain stable investment returns, in general, we only choose to purchase principal-protected wealth management products or those with low investment risk which are limited to certificates of deposits, treasury notes, investment grade corporate bond, dividend-paying stock, preferred stocks, fixed annuities and money market fund. We also obtain approval for such purchases in accordance with the following criteria. For wealth management products with investment amount:

  - o *Below RMB5.0 million:* The finance department and the chief financial officer shall determine and approve the investment;

  - o *Above RMB5.0 million (inclusive) and below RMB20.0 million:* The finance department shall prepare the investment plan and evaluation analysis, submit such plan for the chief financial officer's review. Once the chief financial officer approves the investment plan, it will be submitted to the chief executive officer for approval.

  - o *Above RMB20.0 million (inclusive) and below RMB50.0 million:* The finance department shall prepare the investment plan and evaluation analysis, submit such plan for the review of the chief financial officer and the chief executive officer. Once both the chief executive officer and chief financial officer approve the investment plan, it will be submitted to the Board for final approval; and

  - o *Above RMB50.0 million (inclusive):* The finance department shall prepare the investment plan and evaluation analysis, submit such plan for the review of the chief financial officer, the chief executive officer and the Board. Once they all approve the investment plan, it will be tabled at the generally meeting of the Shareholders for final approval.

- After making the investments in wealth management products, we closely monitor their performance and communicate with the fund managers on a monthly basis. The finance department is responsible for preparing investment reports and analysis of investment returns on a quarterly basis. Quarterly investment analysis reports, which contain, among other things, the basic information of the wealth management products purchased, their performance and investment returns, the types and purchase amounts of wealth management products, investment risk analysis, investment outlook and investment strategies and suggestions, shall be submitted to the chief executive officer and the independent non-executive Directors who have accounting or financial experience. The finance department shall (i) report the performance of our investments to the Board on a quarterly basis; and (ii) report to the Board to take any appropriate action as soon as any investment experiences a cumulative loss (A) of over 20% of the total purchase amount for the quarter; or (B) constituting more than 10% of the net profit of our Group for the preceding year.

In the Board, nine of our Directors have backgrounds in accounting, auditing, risk control and investment, and have the capability to provide professional advice on financial management solutions. Mr. Wang, as the Chief Executive Officer, has a bachelor degree in accounting and has expertise in investment management. Mr. Chen, as the Chief Financial Officer, is responsible for managing and monitoring the daily investment activities of our Group. Mr. Chen has approximately 16 years of work experience in accounting and finance. Since July 2009, Mr. Chen has been a member of the Association of Chartered Certified Accountants ("ACCA"). He has also been a fellow member of ACCA since July 2014. We believe that our internal control and risk management measures regarding investments in financial assets are adequate. Before making an investment, we evaluate on a case-by-case basis, cautiously consider a number of factors such as macro-economic environment, general market conditions and the expected profit or potential loss of the proposed investment, and ensure that the proposed investment will not interfere with our daily operation and business prospects. After making an investment, we closely monitor the performance and fair value of these investments on a regular basis.

Subject to the prevalent general economic and market conditions, we expect to continue to invest our surplus cash in funds and other wealth management products. However, we will only invest in principal-protected wealth management products or those with low investment risk which are limited to certificates of deposits, treasury notes, investment grade corporate bond, dividend-paying stock, preferred stocks, fixed annuities and money market fund. We will not borrow any bank loans or make other borrowings for our investments in such financial products.

Tax Recoverable

As of December 31, 2021, 2022 and 2023, our tax recoverable amounted to RMB1.4 million, RMB1.4 million and RMB31,000, respectively. Our tax recoverable remained stable at RMB1.4 million as of December 31, 2021 and 2022, primarily because we did not complete EIT remittance filing for 2021 and 2022 as at December 31, 2021 and 2022, respectively. Our tax recoverable decreased to RMB31,000 as of December 31, 2023, primarily because we have received the tax recoverable.

Cash and Cash Equivalents

As of December 31, 2021, 2022 and 2023, the balance of our cash and cash equivalents amounted to RMB215.0 million, RMB152.2 million and RMB89.1 million, respectively. Our cash and cash equivalents decreased from RMB215.0 million as of December 31, 2021 to RMB152.2 million as of December 31, 2022, primarily because we made a deemed distribution to our Controlling Shareholder in connection with the Reorganization. Please refer to note 27 to the Accountants' Report set out in Appendix I to this document for details of the deemed distribution in connection with the Reorganization. Our cash and cash equivalents further decreased from RMB152.2 million as of December 31, 2022 to RMB89.1 million as of December 31, 2023, mainly because we utilized a portion of our cash to invest in two open-ended private equity funds in 2023.

Trade Payables

Our trade payables primarily represent our obligations to pay for the products and services that we have obtained in the ordinary course of our business. The trade payables are non-interest-bearing and are normally settled within three months.

As of December 31, 2021, 2022 and 2023, the balance of our trade payables amounted to RMB12.0 million, RMB8.0 million and RMB11.8 million, respectively. Our trade payables decreased from RMB12.0 million as of December 31, 2021 to RMB8.0 million as of December 31, 2022, mainly because the number of suppliers using prepayment settlement method increased in 2022. Our trade payables increased to RMB11.8 million as of December 31, 2023, primarily due to our increased procurement of internet traffic for our digital marketing services, which was in line with the growth of this business line in 2023.

The following table sets the aging analysis of the trade payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	10,513	6,528	10,930
3 to 6 months	310	761	609
6 to 12 months	632	314	185
Over 12 months	547	425	57
Total	**12,002**	**8,028**	**11,781**

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

	For the year ended December 31,		
	2021	**2022**	**2023**
Trade payables turnover days[(1)]	16.0	16.6	11.9

Note:

(1) The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant period divided by cost of sales and multiplied by the number of days in the relevant period.

Trade payables turnover days indicate the average time we take to make cash payments to suppliers. Our average trade payables turnover days stabled at 16.6 days in 2022 compared to 2021. Our average trade payable turnover days decreased to 11.9 in 2023, mainly because we experienced a change of settlement policy from the suppliers in our digital marketing services business pursuant to which we were required to make prepayments to them prior to using their services, which resulted in a decrease in the payables under our digital marketing services business.

As of April 30, 2024, RMB10.3 million, or 87.6% of our trade payables as of December 31, 2023 had been subsequently settled.

Other Payables and Accruals

Other payables and accruals primarily represent (i) deferred income, which mainly consists of government grants; (ii) other payables, which mainly include value-added tax payable, marketing fee and professional service fees payable; and (iii) accruals, which mainly consists of salaries and bonus payable and social insurance and housing fund payable.

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

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income	74	–	–
Other payables	10,149	12,015	7,066
Accruals	8,404	7,768	4,232
	18,627	19,783	11,298
Analyzed into:			
Current portion	17,905	19,555	11,070
Non-current portion	722	228	228

Our other payables and accruals (current portion) increased from RMB17.9 million as of December 31, 2021 to RMB19.6 million as of December 31, 2022, which was primarily due to an increase in marketing fee as we increased our marketing activities for Easou Reading App Series to expand our reading with advertising.

Our other payables and accruals (current portion) decreased from RMB19.6 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023 primarily because we (i) distributed the 2022 bonuses for our employees in 2023, which reduced bonus payables. Such delayed distribution was mainly a result of the impact of the COVID-19 pandemic; and (ii) cooperated with certain new advertising service providers who required us to make prepayments to them prior to using their services.

As of April 30, 2024, RMB8.7 million, or 95.7% of our other payables and accruals as of December 31, 2023 had been subsequently settled.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer). Contract liabilities include advances received to deliver online reading platform services and online games publishing services. For details, see "– Material Accounting Policy Information and Estimates – Contract Liabilities" in this section.

The following table sets forth the breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Online reading platform services:			
Reading with advertising	13,242	7,126	5,751
Reading with paid services	9,382	11,698	11,960
Online games publishing services	1,030	1,030	–
Total	**23,654**	**19,854**	**17,711**
Analyzed into:			
Current portion	18,286	15,428	13,814
Non-current portion	5,368	4,426	3,897

Our contract liabilities (current portion) decreased from RMB18.3 million as of December 31, 2021 to RMB15.4 million as of December 31, 2022. The decrease in contract liabilities (current portion) was mainly in relation to the contract liabilities incurred from one of our digital marketing projects under reading with advertising in which we provided advertising services of key word searches. We entered into multiple long-term service agreements with our advertising customers and received prepayments from them. We recorded those prepayments as contract liabilities and recognized revenue annually in accordance with such agreements. As our service continued, we recognized more revenue from such agreements and accordingly, our contract liabilities thereof decreased each year. Due to the adjustment of our pricing methods we made for our advertising services under the online reading platform services in 2013, we replaced the CPT pricing method with CPC, CPM and CPD pricing methods for subsequent new advertising services. However, we continued to perform our obligations by the CPT pricing method under each existing advertising service agreement until its service term expired. Our contract liabilities (current portion) further decreased from RMB15.4 million as of December 31, 2022 to RMB13.8 million as of December 31, 2023 primarily because (i) we closed certain external channels of our online games and recognized revenue in accordance with the agreements we entered into with them; and (ii) we continued to recognize revenue from one of our digital marketing projects under reading with advertising as described above and our contract liabilities thereof decreased accordingly.

Our Directors confirm that they have no doubt about the genuineness, existence and reasonableness of our contract liabilities as at the end of each year in the Track Record Period.

As of April 30, 2024, RMB2.6 million, or 14.7% of our contract liabilities as of December 31, 2023 had been subsequently settled.

Certain Items of Non-current Assets and Non-current Liabilities

Property, Plant and Equipment

Our property, plant and equipment primarily represent servers, vehicles, electronic devices and office equipment. As of December 31, 2021, 2022 and 2023, our property, plant and equipment amounted to RMB19.7 million, RMB14.2 million and RMB19.1 million, respectively. The decrease in our property, plant and equipment from December 31, 2021 to December 31, 2022 was mainly because the amount of depreciation of property, plant and equipment was larger than the additions during the same years. Our property, plant and equipment increased from RMB14.2 million as of December 31, 2022 to RMB19.1 million as of December 31, 2023 primarily because we purchased additional servers in 2023.

Goodwill

Our goodwill relates to our acquisition of Guangzhou Ledian, which primarily engages in digital marketing services. As of December 31, 2021, 2022 and 2023, our goodwill remained at RMB32.3 million.

	RMB'000
At January 1, 2021 and December 31, 2021, January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	
Cost	32,273
Accumulated impairment	–
Net carrying amount	32,273

Impairment Testing of Goodwill

Goodwill acquired through business combinations is allocated to the digital marketing cash-generating unit (the "CGU") for impairment testing.

Digital Marketing CGU

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by our senior management. The discount rates applied to the cash flow projections were 19.1%, 17.7% and 18.2% for December 31, 2021, 2022 and 2023, respectively. The growth rate used to extrapolate the cash flows of the digital marketing unit beyond the five-year period were 3%, 3% and 3% for December 31, 2021, 2022 and 2023, respectively.

Assumptions were used in the value in use calculation of the CGU for the years ended December 31, 2021, 2022 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Sensitivity to Changes in Key Assumptions

Our management has performed sensitivity test by decreasing 1% of budgeted gross margins or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) are as below:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Headroom	3,892	8,253	8,255
Impact by decreasing budgeted gross margins	(4,617)	(4,537)	(5,565)
Impact by increasing pre-tax discount rate	(2,807)	(3,305)	(3,476)

However, our management believes that the reasonably possible change should be less than 1% of the above key assumptions, therefore a reasonably possible change in key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Other Intangible Assets

Our other intangible assets primarily include copyright and software. As of December 31, 2021, 2022 and 2023, our other intangible assets amounted to RMB35.5 million, RMB32.2 million and RMB50.8 million, respectively. The fluctuation in our other intangible assets during the Track Record Period was primarily due to the addition of newly purchased intangible assets as of the end of each year of the Track Record Period and the amortization of this item as of each end of the corresponding periods.

Prepayment and Deposits

Our prepayment and deposits (non-current portion) primarily include deposits for leased properties and property service fees. Our prepayment and deposits (non-current portion) remained stable at RMB0.7 million as of December 31, 2021 and 2022 and 2023.

Contract Liabilities

Our contract liabilities (non-current portion) primarily consist of advertising fee collected in advance under the CPT pricing method. As of December 31, 2021, 2022 and 2023, our contract liabilities (non-current portion) amounted to RMB5.4 million, RMB4.4 million and RMB3.9 million, respectively. The decline in our contract liabilities during the Track Record Period was primarily a result of revenue recognized over the contracted period.

INDEBTEDNESS

Our indebtedness primarily consists of interest-bearing borrowings obtained from commercial banks and lease liabilities.

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

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Interest-bearing bank and other borrowings	–	89,700	84,900	90,346
Lease liabilities	308	131	243	434
	308	**89,831**	**85,143**	**90,780**

As of December 31, 2022, the amount of our interest-bearing bank and other borrowings was RMB89.7 million because we obtained new short-term bank loans in 2022 to fund our working capital. Such bank loans had an effective interest rate of 4.2% to 5.0% due 2022 to 2023, and were secured by (i) the guarantees from Mr. Wang Xi and our wholly-owned subsidiaries; and (ii) the charges on certain patents of our Group as of December 31, 2022. Such guarantee from Mr. Wang Xi has been released and replaced by corporate guarantees provided by our Company and/or our Group companies as of the Latest Practicable Date.

As of December 31, 2023, the amount of our interest-bearing bank and other borrowings was RMB84.9 million because we had repaid the original bank borrowings and obtained new short-term loans in 2023 to fund our working capital. Such bank loans had an effective interest rate of 4.10% to 5.00% due 2024. Among them, RMB34.9 million of interest-bearing bank borrowings were secured by the guarantees from Mr. Wang Xi and RMB54.9 million were secured by our wholly-owned subsidiaries. Such guarantee from Mr. Wang Xi has been released and replaced by corporate guarantees provided by our Company and/or our Group companies as of the Latest Practicable Date.

As of March 31, 2024, we had banking facilities of RMB147.0 million, among which RMB56.7 million had not been utilized.

Our lease liabilities primarily relate to the leases of office premises used in our operations. During the Track Record Period, we entered into certain long-term lease contracts for office premises, which generally have lease terms between three to five years. Generally, sublease is restricted under our lease contracts.

We recorded lease liabilities of RMB0.3 million, RMB0.1 million and RMB0.2 million as of December 31, 2021, 2022 and 2023, respectively. The fluctuation in our lease liabilities during the Track Record Period was consistent with the payment schedules under each lease contract.

Statement of Indebtedness

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of December 31, 2023, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since December 31, 2023 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

CAPITAL COMMITMENTS

During the Track Record Period, we had no capital commitment that were not provided for in our consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

During the Track Record Period, our principal uses of cash were to fund our working capital requirements, investing activities and financing activities. We have historically met our working capital needs primarily through cash flow from operating activities.

Upon the completion of the **[REDACTED]**, we expect to meet our working capital needs primarily through cash flows from operating activities and the net **[REDACTED]** from the **[REDACTED]**.

The table below sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in) / from operating activities	50,952	6,070	(29,501)
Net cash flows used in investing activities	(22,430)	(20,696)	(127,044)
Net cash flows (used in) / from financing activities	(20,265)	(48,179)	97,488
Net increase/(decrease) in cash and cash equivalents	8,257	(62,805)	(59,057)
Cash and cash equivalents at the beginning of year	206,703	214,960	152,155
Cash and cash equivalents at the end of year	214,960	152,155	89,081

Net Cash Flows Generated from / Used in Operating Activities

During the Track Record Period, our cash flows from operating activities were generated from the sales made under our online reading platform services, digital marketing services, online games publishing services and other digital content services.

In 2023, our net cash used in operating activities was RMB29.5 million. This net cash outflow in operating activities was mainly attributable to (i) negative movements in working capital of RMB91.7 million; and (ii) interest paid of RMB8.4 million, partially offset by (i) our profit before tax of RMB26.1 million; and (ii) positive total adjustments before movements in working capital of RMB43.8 million. The negative movements in working capital primarily reflected (i) an increase of RMB52.6 million in prepayment, other receivables and deposits; (ii) an increase of RMB34.9 million in trade receivables; and (iii) a decrease in other payables and accruals of RMB8.5 million. The positive total adjustments before movements in working capital primarily reflected (i) a positive adjustment for amortization of intangible assets of RMB17.9 million; (ii) a positive adjustment for finance costs of RMB8.4 million; and (iii) a positive adjustment for depreciation of property, plant and equipment of RMB6.3 million, partially offset by negative adjustment for interest income of RMB0.9 million. Going forward, we aim to improve our net operating cash flow through (i) the increase of revenue to be generated from our confirmed orders and project pipelines in development, through continuous expanding our customer base; (ii) our price adjustment mechanism with customers in response to fluctuations in internet traffic cost, upgrade in product offerings and therefore expected improvement in gross margin; (iii) strengthened cost control, through further improvement of production efficiency, optimization of production process and reduction of wastes; and (iv) improvement in working capital efficiency, through (a) establishing cash flow management and monitoring mechanism, and (b) closely monitoring the operation status of our customers and the aging analysis of the trade receivables to reduce the impairment losses.

In 2022, our net cash generated from operating activities was RMB6.1 million. This net cash inflow in operating activities was mainly attributable to (i) our profit before tax of RMB44.7 million; and (ii) positive total adjustments before movements in working capital of RMB28.5 million, partially offset by (i) negative movements in working capital of RMB64.7 million; (ii) interest paid of RMB2.1 million; and (iii) PRC corporate income tax paid of RMB0.4 million. The positive total adjustment before movements in working capital mainly reflected (i) a positive adjustment for amortization of intangible assets of RMB15.1 million; (ii) a positive adjustment for depreciation of items of property, plant and equipment of RMB5.3 million; and (iii) a positive adjustment for finance cost of RMB2.1 million, partially offset by negative adjustment for interest income of RMB2.4 million. The negative movements in working capital primarily reflected (i) an increase of RMB42.7 million of trade receivables; (ii) an increase of RMB15.3 million in prepayments, deposits and other receivables; (iii) a decrease of RMB4.0 million in trade payables; and (iv) a decrease of RMB3.8 million in contract liabilities.

In 2021, our net cash generated from in operating activities was RMB51.0 million. This net cash inflow in operating activities was primarily attributable to (i) our profit before tax of RMB50.5 million; (ii) positive total adjustment before movements in working capital of RMB18.8 million, partially offset by (i) negative movements in working capital of RMB16.3 million; (ii) interest paid of RMB0.3 million; and (iii) PRC corporate income tax paid of RMB1.7 million. The positive total adjustment before movements in working capital primarily reflected (i) a positive adjustment for depreciation of items of property, plant and equipment of RMB7.4 million; and (ii) a positive adjustment for amortization of intangible assets of RMB13.7 million. The negative movements in working capital primarily reflected (i) an increase of RMB27.6 million of trade receivables; and (ii) a decrease of RMB13.8 million in contract liabilities, partially offset by (i) a decrease of RMB17.2 million in prepayments, deposits and other receivables; and (ii) an increase of RMB4.1 million in trade payables.

Net Cash Flows Used in Investing Activities

During the Track Record Period, our investing activities primarily consisted of (i) purchases of items of property, plant and equipment; (ii) interest received; (iii) purchase of other intangible assets; and (iv) purchase of financial asset at FVTPL.

In 2023, our net cash used in investing activities was RMB127.0 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB79.7 million; (ii) purchase of intangible assets of RMB36.5 million; and (iii) purchase of fix assets of RMB11.7 million.

In 2022, our net cash used in investing activities was RMB20.7 million. This net cash outflow in investing activities was primarily attributable to (i) the purchase of financial asset at FVTPL of RMB88.0 million; and (ii) the purchase of intangible assets of RMB11.8 million, partially offset by RMB76.8 million of proceeds from disposal of financial asset at fair value through profit or loss.

Net cash used in investing activities was RMB22.4 million in 2021, primarily attributable to (i) the purchase of intangible assets of RMB 21.7 million; and (ii) the purchase of fixed assets of RMB5.2 million, partially offset by RMB4.5 million of interest received.

Net Cash Flows Generated from / Used in Financing Activities

During the Track Record Period, our financing activities primarily related to (i) new bank borrowings; (ii) repayment of bank borrowings; and (iii) principal portion of the lease payments.

In 2023, our net cash from financing activities was RMB97.5 million. This net cash inflow in financing activities was primarily attributable to the proceeds from issue of preferred shares of RMB559.5 million and new bank loans of 142.9 million, partially offset by deemed distributions to the then equity owners of our Group of RMB468.2 million in connection with the Reorganization and repayment of bank borrowings of RMB147.7 million.

In 2022, our net cash used in financing activities was RMB48.2 million. This net cash outflow in financing activities was primarily attributable to (i) deemed distribution to the then equity owners of our Group of RMB137.7 million in connection with the Reorganization; and (ii) repayment of bank borrowings of RMB22.4 million, partially offset by new bank borrowings of RMB112.1 million.

Net cash used in financing activities was RMB20.3 million in 2021, primarily attributable to (i) repayment of bank borrowings of RMB20.0 million; and (ii) principal portion of the lease payments of RMB0.8 million, partially offset by the contributions from non-controlling interests of RMB0.5 million.

WORKING CAPITAL SUFFICIENCY

Historically, we finance our working capital needs primarily through cash flow from operating activities and financing activities. Taking into account the financial resources available to our Group, including the cash flow from operating activities, existing borrowings and the estimated net **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of the purchases of property, plant and equipment, as well as intangible assets. Our capital expenditures amounted to RMB26.9 million, RMB11.9 million and RMB48.2 million for the years ended December 31, 2021, 2022 and 2023, respectively.

We expect to incur approximately RMB40.0 million of capital expenditures in 2024, primarily relating to the purchases of equipment to improve hardware support capabilities and copyrights to expand our digital content portfolio. We expect to fund these capital expenditures primarily with the cash generated from operations and the net **[REDACTED]** from the **[REDACTED]**.

Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions with our related parties during the Track Record Period that were non-trade in nature, details of which are set forth in note 29 to the Accountants' Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,		
	2021	**2022**	**2023**
Net profit margin[(1)]	11.5%	9.7%	4.5%
Current ratio[(2)] (times)	6.5	2.3	3.3
Gearing ratio[(3)]	–	34.9%	22.4%
Return on equity[(4)]	14.3%	17.3%	6.6%

Notes:

(1) Net profit margin equals profit for the year divided by the revenue for the same year.

(2) Current ratio equals our current assets divided by current liabilities as of the end of the year.

(3) Gearing ratio equals total debt as of the end of the year divided by total equity as of the end of the same year. Total debt includes all interest-bearing borrowings.

(4) Return on equity equals net profit for the year divided by total equity as of the end of the year.

Net Profit Margin

Please refer to the paragraphs headed "Period to Period Comparison of Results of Operations" in this section for the reasons of the fluctuations in our net profit margin.

Current Ratio

Our current ratio decreased from 6.5 as of December 31, 2021 to 2.3 as of December 31, 2022, primarily because our current liabilities increased at a faster pace than the increase in our current assets. Our current liabilities increased mainly as a result of additional bank loans we borrowed to fund our working capital. Our current assets increased slightly primarily due to increases in trade receivables and prepayments, deposits and other receivables, partially offset by a decrease in our cash and cash equivalents mainly as a result of a deemed distribution to the then equity owners of our Group in connection with the Reorganization. Our current ratio increased from 2.3 as of December 31, 2022 to 3.3 as of December 31, 2023, mainly because our current assets increased while our current liabilities decreased. Our current assets increased primarily due to increases in trade receivables, prepayments, deposits and other receivables and financial assets at FVTPL, partially offset by a decrease in our cash and cash equivalents mainly due to additional investments we made in the RMB Fund and the USD Fund in 2023. Our current liabilities decreased mainly due to a decrease in other payables and accruals.

Gearing Ratio

Our gearing ratio was not applicable as of December 31, 2021, because we did not record any outstanding bank loans as of December 31, 2021. Our gearing ratio was 34.9% as of December 31, 2022 because we had outstanding bank loans of RMB89.7 million and there had been a deemed distribution to the then equity owners of our Group, which reduced our total equity. Our gearing ratio decreased to 22.4% as of December 31, 2023, primarily because our total equity increased significantly from RMB256.7 million as of December 31, 2022 to RMB379.3 million as of December 31, 2023 while our total outstanding bank loans slightly decreased from RMB89.7 million as of December 31, 2022 to RMB84.9 million as of December 31, 2023.

Return on Equity

Our return on equity was 14.3%, 17.3% and 6.6% for the years ended December 31, 2021, 2022 and 2023, respectively. The changes in our return on equity primarily reflected the fluctuations of our net profit in the corresponding years.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal financial instruments comprise cash and cash equivalents, financial assets at FVTPL and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from our operations. The main risks arising from our financial instruments are credit risk and liquidity risk. The board of directors of our Group reviews and agrees policies for managing each of these risks and they are summarized below. We regularly monitor our exposure to these risks to ensure appropriate measures are implemented on a timely and effective manner. For further details, please see note 32 to the Accountants' Report set out in Appendix I to this Document.

Credit Risk

We trade 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 exposure to bad debts is not significant. Please see note 32 to the Accountants' Report set out in Appendix I to this document for more details about our expected credit loss on different financial asset groups.

Liquidity Risk

Our objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that we maintain sufficient cash to meet its liquidity requirements. Please see note 32 to the Accountants' Report set forth in Appendix I to this document for more details about our financial liabilities by different maturity groups.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation or other companies comprising our Group during the Track Record Period.

Our Group currently does not have a pre-determined dividend policy. The Board may declare, and the Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock **[REDACTED]** and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders' interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

DISTRIBUTABLE RESERVES

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

[REDACTED] EXPENSES

Our **[REDACTED]** mainly include **[REDACTED]** fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the **[REDACTED]**. We expect to incur a total of RMB**[REDACTED]** of **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised) until the completion of the **[REDACTED]**, including (i) **[REDACTED]** commission of RMB**[REDACTED]**; and (ii) non-**[REDACTED]** related expenses of RMB**[REDACTED]**, which consist of fees and expenses of legal advisers and Reporting Accountants of RMB**[REDACTED]** and other fees and expenses of RMB**[REDACTED]**, which account for **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]**. We estimate that approximately RMB**[REDACTED]** will be charged to our profit or loss after December 31, 2023, and the balance of approximately RMB**[REDACTED]**, which was directly attributable to the **[REDACTED]** of the Shares, will be deducted from equity upon **[REDACTED]**. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only, actual amount may differ from this estimate. **[REDACTED]** of RMB**[REDACTED]** were incurred before December 31, 2023, of which RMB**[REDACTED]** were recorded as prepayment, and the remaining RMB**[REDACTED]** were charged to our profit and loss.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2023 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

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

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to owners of the parent has been prepared in accordance with rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets attributable to owners of the parent as at December 31, 2023 as if the **[REDACTED]** had taken place on December 31, 2023.

The statement of unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the parent had the **[REDACTED]** been completed as at December 31, 2023 or any future date. It is prepared based on the consolidated net tangible assets attributable to owners of the parent as at December 31, 2023 as set out in the Accountants' Report, the text of which is set out in Appendix I to the document, and adjusted as described below.

	Consolidated Net Tangible Assets Attributable to Owners of Our Company as of December 31, 2023 (1)	Estimated Net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] Adjusted Consolidated Net Tangible Assets Attributable to Owners of Our Company Immediately After the Completion of the [REDACTED]	Unaudited [REDACTED] Adjusted Consolidated Net Tangible Assets Attributable to Owners of Our Company per Share Immediately After Completion of the [REDACTED] (4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB (2)*	*HK$ (3)*
Based on the minimum indicative **[REDACTED]** of HK$**[REDACTED]** per Share. .	295,631	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the maximum indicative **[REDACTED]** of HK$**[REDACTED]** per Share.. .	295,631	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the consolidated net assets attributable to owners of our Company as of December 31, 2023 of approximately RMB378,706,000, less goodwill of RMB32,273,000 and other intangible assets of RMB50,802,000 as at December 31, 2023.

The estimated net **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** at the lower limit and upper limit of the **[REDACTED]** range of HK$**[REDACTED]** per Share and HK$**[REDACTED]** per **[REDACTED]**, respectively, after deduction of the relevant estimated **[REDACTED]** fees and other related fees and expenses payable by us (exclude those **[REDACTED]** of RMB**[REDACTED]**, of which RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]** were charged to profit or loss for the years ended 31 December 2021, 2022 and 2023, respectively) in connection with the **[REDACTED]**. The calculation of estimated net **[REDACTED]** does not take into account of any Shares which may be **[REDACTED]** upon the exercise of the **[REDACTED]**. The estimated net **[REDACTED]** from the **[REDACTED]** are converted from HK$ into RMB at the exchange rate of HK$1.00 to RMB0.9115.

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to owners of the parent per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** in issue immediately upon the completion of the **[REDACTED]**, assuming that the **[REDACTED]** has been completed on December 31, 2023 for the purpose of the **[REDACTED]** financial information and does not take into account of any shares which may be issued upon the exercise of the **[REDACTED]**.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to owners of our Company per Share is converted from RMB into HK$ at the exchange rate of RMB1.00 to HK$1.0971.

(4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2023.