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You should read the following discussion and analysis in conjunction with the consolidated financial statements, including the notes thereto included in the Accountants’ Report in Appendix I to this document and the selected historical financial information presented elsewhere into this document. Our consolidated financial statements were prepared in accordance with IFRSs.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on the assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results are based on the assumptions about our business and may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including those set out in the sections entitled “Forward-Looking Statements”, “Risk Factors” and elsewhere. In addition, certain industry issues also affect our financial condition and results of operations, as described in “Industry Overview”.

OVERVIEW

We are an integrated API-enabled data exchange service provider in China. We provide standard API services and customized data management solutions to internet companies, telecommunications operators, technology companies and other business and government organizations as well as app developers and technology professionals. The integrated API-enabled data exchange service market and the industry-specific API-enabled data exchange service market together comprise the overall API-enabled data exchange service market, which itself is part of the API-enabled service market.

Application Programming Interface, commonly known as API, is a set of protocols that allows disconnected applications to communicate with each other. A common example of how APIs work is when a customer requests weather information on a mobile app, the app sends out a request via an API to a weather data supply source, which then processes the request, retrieves the requested information, and sends a response via the API back to the mobile app for the customer. An alternative to achieving such connectivity would have required the mobile app developer and the data supply source to work together to build a new system that connects different applications. However, such an alternative is oftentimes not viable when the connectivity requires the handling of millions of data requests from various data sources on a day-to-day basis. APIs are an accessible way to enable applications to exchange data and functionality within and across organizations. APIs can eliminate data silos and handle the exchange of large volumes of data.

We are dedicated to eliminating data silos and offering online API services that span across multiple service types and scenarios. Our API marketplace, a combination of APIs we offer, matches requests and responses and facilitates exchange of data. These services have been widely applied in various vertical industries, such as internet services, software information services, and telecommunications. Since the launch of API marketplace in June

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2011, we have developed over 770 proprietary APIs. In 2023, API marketplace handled over 120 billion API requests. Our customers include well-known enterprises such as Tencent, Alibaba, Baidu, NetEase, Meituan, China Mobile, China Unicom, China Telecom, and many other internet companies, app developers and individuals. As of December 31, 2023, API marketplace made available over 380 proprietary APIs to our customers. In 2021, 2022 and 2023, the retention rate of key customers of our API marketplace was 78.9%, 85.7% and 59.1%, respectively. The net dollar expansion rate of revenue from our API marketplace key customers in 2021, 2022 and 2023 was 136.4%, 139.1% and 217.3%, respectively.

Leveraging our integrated API-enabled data exchange capabilities, in 2020, we started to provide data management solutions, a type of customized data technology solution which comprises one or more of our products and services, including *APIMaster*, which provides lifecycle management services for APIs; *DataArts*, which is an integrated data stewardship platform that collects, cleanses and processes data to empower data; *QuickBot*, which is an RPA software designed to execute basic and repetitive tasks with a certain pattern; *SmartShield*, which is a privacy computation tool that addresses the issue of privacy protection in data exchange; and *AnchorChain*, which is a consortium blockchain tool that ensures the security of data circulation distributed ledgers.

We offer solutions that assist organizations in their digital transformation. Our customized, digitalized, and self-deployed data management solutions cater to a diverse range of customers, including those from government agencies, public utilities, manufacturing, finance, telecommunications, and various other industries. Our technologies eliminate data silos and cleanse data sets with heterogeneity, forming data that adheres to unified standards.

Benefiting from our advanced technologies and service capabilities, we have gained recognition from our customers, resulting in rapid growth in revenue. In 2021, 2022 and 2023, our total revenue was RMB260.0 million, RMB328.9 million and RMB441.1 million, respectively. We recorded a CAGR in revenue of 30.2% from 2021 to 2023. From 2021 to 2023, the CAGR of the revenue attributable to our data management solutions was 23.1%.

Recent Developments

In January 2024, we handled 140.8 million query service requests compared to 122.7 million query service requests for the same month in 2023, while our average price per request for query service increased significantly from RMB0.10 in January 2023 to RMB0.27 in January 2024. The increases in the number and average price of query service requests were mainly driven by an increase in demand from a large internet company customer for certain three-factor authentication APIs with relatively high prices, as this customer conducted identity authentication of its existing customers in preparation for Chinese New Year-related promotional activities.

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In January 2024, we handled 80.6 million SMS notice service requests compared to 213.5 million SMS notice service requests for the same month in 2023. The decrease in our number of query service requests was primarily due to a decrease in customer demand for finance and marketing-related SMS as a result of regulatory restrictions on the sending of SMS with such contents. Our average price per request for SMS notice service remained relatively stable at RMB0.03 in January 2023 and 2024.

For data management solutions, two projects were delivered and accepted in January 2024 compared to nil for the same month in 2023. The increase in our number of projects delivered and accepted was primarily due to an increase in our number of projects on hand as we gained additional customers while continuing to build our brand reputation.

Our Directors have confirmed that there has been no material adverse change in our financial and trading position or prospects since December 31, 2023, being the date to which our latest audited consolidated financial statements have been prepared, up to the date of this document.

BASIS OF PREPARATION

The Historical Financial Information has been prepared based on accounting policies set out in Note 4 of the Accountants’ Report included in Appendix I which conform with IFRSs, which includes IFRSs, International Accounting Standard (“IAS”) and the related interpretations issued by the International Accountings Standards Board (“IASB”). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited and by the Hong Kong Companies Ordinance.

For the purpose of preparing and presenting the Historical Financial Information, all relevant standards, amendments and interpretations to the IFRSs that are effective during the Track Record Period have been adopted by us consistently throughout the Track Record Period.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 of the Accountants’ Report.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the significant accounting policies set out in Notes of the Accountants’ Report. The Historical Financial Information is presented in Renminbi, which is the same as our functional currency.

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KEY FACTORS AFFECTING OUR BUSINESS AND RESULTS OF OPERATIONS

Our business and results of operations have been and are expected to be affected by certain key factors such as:

Government Policy, Industry Trends and Development

As substantially all of our assets and operations are located in China, our business and results of operations are significantly affected by China’s overall economic conditions and the development of the data-related service industry in which we operate. The PRC government has been actively promoting the development of China’s digital economy and introduced a series of favorable policies including the 14th Five-Year Plan for the Development of the Digital Economy (“十四五”數字經濟發展規劃) issued by the State Council in January 2022, which states that the government aims to have the economic value added in core digital economy industries account for 10% of national GDP by 2025. China’s digital economy experienced steady growth at a CAGR of 12.5% from 2018 to 2022, far exceeding the average annual growth rate of 7.4% for China’s overall GDP. We believe that the continued development of China’s digital economy and data-related service industries will create new business opportunities for us.

Our Ability to Compete Effectively

We operate in a highly competitive industry, and the success of our business relies significantly on our ability to compete effectively. We have been focusing on the provision of API services since our inception and have accumulated significant industry experience and knowhow. As one of the earliest API-enabled data exchange service providers, we have been able to get a head start over our competitors in building market share, brand reputation, and R&D strength. We have accumulated over ten years of valuable operational experience, established relatively strong brand awareness, and built a high-quality customer base that includes well-known companies such as Tencent, Alibaba, Baidu and NetEase. We have won multiple national-level awards and participated in the formulation of industry standards, further augmenting our market position. Our industry is still in a growing stage which is beneficial for our future development as we believe a fast-growing market translates into additional business opportunities for us. However, increased competition can materially affect our marketing and pricing abilities, in particular for our API marketplace. Our ability to compete effectively may materially affect our business, results of operations and financial condition.

Looking forward, we plan to leverage our technological advantages and utilize our market resources to deepen our cooperation with the local government, expand our customer base, and monetize our subscription services. We aim to keep abreast of the latest industry trends, continue enriching the types of data circulation, such as industrial big data, medical data, and educational data, to promote government and public data opening and sharing. We will also focus on further exploring opportunities to collaborate with the government on data opening projects.

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Our Ability to Continue Enriching and Enhancing Our Service Mix

We have a proven record of developing competitive services and solutions to meet customers’ needs. We believe that our R&D capabilities are a critical competitive advantage for us and a key factor that affects our business and long-term prospects. During the Track Record Period, we incurred R&D costs of RMB16.9 million, RMB26.3 million, and RMB24.3 million in 2021, 2022 and 2023, respectively. We plan to increase the overall efficiency of our service by researching and developing an automated operation system for data business channels that can improve the automated selection and matching of data service suppliers. In addition, we plan to continue optimizing API testing tools and platforms that can provide professional API testing services for developers. Our R&D investment aims to enrich our API marketplace ecosystem, improve customer experience, increase usage and enhance customer stickiness. For our data management solutions, we focus our R&D efforts on tailored aspects for customers of different industries and sizes. For government organizations, we concentrate our R&D efforts on effectively integrating internal government data sources and external third-party data sources, helping public sector customers increase governance efficiency. For corporate organizations, we focus our research and development on data collection and analysis, and data circulation to help private sector customers in their digital transformation process, enabling them to streamline production flow, improve operational efficiency and reduce costs.

Our ability to improve our existing services and solutions and develop new services and solutions depends on the strength of our research and development team, our abilities to apply our technologies, resolve issues, and provide services and solutions that satisfy our customers’ needs, and our investment in other relevant aspects of the industry.

Our Service Mix

Our revenue and profitability are affected by the mix in our service offerings. During the Track Record Period, our revenue from API marketplace accounted for 74.9%, 68.0% and 77.6% of our total revenue in 2021, 2022 and 2023, respectively. Our revenue from data management solutions accounted for 25.1%, 32.0% and 22.4% of our total revenue in 2021, 2022 and 2023, respectively. Our gross profit margin for API marketplace was 31.2%, 32.0% and 28.3% for 2021, 2022 and 2023, respectively. Our gross profit margin varies among different API marketplace services. For example, the gross profit margin of our query service was 35.0%, 37.1% and 31.1% in 2021, 2022 and 2023, respectively, while the gross profit margin of our SMS notice was 11.6%, 15.4% and 11.5% for the same years, respectively. Our gross profit margin for data management solutions was 44.6%, 34.2% and 28.0% for 2021, 2022 and 2023, respectively. For data management solutions, our gross profit margin varies from project to project. For example, projects with more standardized components generally have higher gross profit margins than those with more customized components as we generally incur higher labor costs and other costs to develop customized components tailored to the customers’ specific needs. For additional information, see “– Principal Components of Consolidated Statements of Profits or Loss – Gross Profit and Gross Profit Margin”. We believe our changing service offerings will continue to have an impact on our revenue and profitability.

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Our Ability to Attract and Retain Major Customers

Our ability to attract new customers, retain existing customers, and derive more revenue from existing customers has played a significant role in our past. For each of the years ended December 31, 2021, 2022 and 2023, revenue generated from our top five customers amounted to approximately RMB106.9 million, RMB143.7 million and RMB274.9 million respectively, accounting for approximately 41.1%, 43.7% and 62.3% of our total revenue for each of the years ended December 31, 2021, 2022 and 2023, respectively. In 2021, 2022 and 2023, the retention rate of our key customers of our API marketplace was 78.9%, 85.7% and 59.1%, respectively, while the net dollar expansion rate of revenue from our API marketplace key customers was 136.4%, 139.1% and 217.3%, respectively. In the future, we plan to attract more customers – that we hope will eventually become long-standing customers – by offering competitive services and solutions in response to market trends, thereby increasing customer satisfaction and stickiness.

Our ability to maintain our competitiveness and profitability depends substantially upon our relationships with our customers. We experienced customer concentration during the Track Record Period. For details on our revenue generated from our top five customers during the Track Record Period, see “Risk Factors – Risks Relating to Our Business and Industry – We experienced customer and supplier concentration during the Track Record period and may continue to be exposed to the risk of such concentration following the Track Record Period.”

Going forward, we plan to optimize our customer base by reinforcing our relationships with our customers. We also aim to continue attracting new customers of all sizes by enriching our services and solutions offerings.

Our Ability to Manage Our Costs and Expenses and Enhance Operational Efficiency

Our ability to manage and control our costs and expenses is important to the success of our business. We have continued to purchase data services, software and hardware from suppliers, invest in research and development, and increase our efforts to attract talents. As a result, we expect our costs and expenses to increase along with our revenue from API marketplace and data management solutions. Nonetheless, we are committed to improving our operational efficiency by managing our costs and expenses. While we expect our overall costs and expenses to increase as our business expands, we also expect our costs and expenses as a percentage of our total revenue to decrease as we achieve higher operational efficiency and have greater bargaining power when negotiating prices with suppliers. For example, suppliers may continue to offer us tiered pricing and related discounts when we purchase in greater quantities. For API marketplace, we expect our costs to lower as a percentage of revenue due to the favorable pricing we receive from suppliers. However, for data management solutions, our costs and expenses as a percentage of revenue may still fluctuate, depending on our investments in research and development, selling and distribution, and other items.

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Regulatory Environment

Our business and results of operations are subject to evolving regulatory environment changes. In recent years, the PRC government has promulgated a series of laws and regulations on data collection, storage, sharing, use, disclosure and protection, including the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), the PRC Data Security Law (《中華人民共和國數據安全法》), the PRC Personal Information Protection Law, and Cybersecurity Review Measures (《網絡安全審查辦法》), among others. For details, see “Regulatory Overview.” We believe that while new regulations would require us to expend more resources on compliance, overall, they would benefit the long-term development of our business and industry. An increasingly well-established regulatory framework would provide clearer legal guidelines regarding our business development and improving data security and privacy, thereby creating a safer environment that encourages more data exchanges.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at a point in time. Control of the goods or service is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices

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charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

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

API Marketplace

Revenue from services provided to customers includes query, SMS notice and top-up services. Revenue is recognized at the point in time when the relevant services are fulfilled. For contracts that are charged based on usage and unit price, we recognize revenue based on actual usage and agreed unit price of the current period. For sales contracts with fixed contract periods, we recognize revenue over time on a periodic basis during the contract period, with reference to the total contract amount.

Data Management Solutions

We provide an array of data management solutions for government and corporate organizations to enable them to systematically and securely digitize, manage, share and derive insights from data within and across organizations. Customers use our data management solutions to power many service types, such as data sharing among external parties, data warehouse, data governance, internal data application and data release to external parties. Revenue is recognized at a point in time when the software platform and related services are delivered to and accepted by the customer. We also provide related maintenance and upgrade services for a specific period after sale as stipulated in the same contract. These maintenance and upgrade services are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation. Revenue from provision of maintenance and upgrade services is recognized over the service period.

Principal versus Agent Consideration in Revenue Recognition

Under IFRS 15, whether revenue should be recognized on a gross or a net basis depends on whether the entity is acting as a principal or an agent in the transaction. The principal is the entity that controls the goods or services before they are transferred to the customer, whereas the agent facilitates the transfer of goods or services between the customer and the principal.

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If the entity has control over the goods or services before they are transferred to the customer, indicators of which include the discretion to establish the price, bearing inventory risk, and being primarily responsible for fulfilling the performance obligation to the customer, then it is acting as a principal and should recognize revenue on a gross basis. The aforesaid indicators cannot individually conclude whether the entity is acting as a principal or agent in the transaction, but the assessment will be based on several indicators taken as a whole.

If the entity is an agent, instead of a principal, it should recognize revenue on a net basis, which means that the amount recognized as revenue is the commission or fee earned by the entity for facilitating the transfer of goods or services between the customer and the principal.

API marketplace – Query and SMS notice

For our query and SMS notice services, we have entered into contractual agreements with our customers to provide them with relevant query information and SMS services, and customers view us as the party primarily responsible for fulfilling the performance obligation.

We provide value-added services to our customers through our APIs, going beyond the role of a mere intermediary to facilitate the transmission of information between suppliers and customers. The customers obtain from us the requested query information and SMS services in accordance with their requirements. From the customers’ point of view, it is us who provide value-added service on these query information and SMS notification services that meet their needs through suppliers selected by us from a customer-approved supplier list and the customers do not know which supplier is finally deployed; and the customers consider us to be primarily responsible for fulfilling the performance obligation. In addition:

- We retain the sole discretion to establish the price for the query information and SMS services provided to the customers. We are required to pay the suppliers a fixed price for each service used, which is not affected by the price paid by our customers. This discretion to establish prices demonstrates our ability to obtain substantially all of the remaining benefits from the query/SMS notice services, in contrast to an agent who normally charges a commission or fee as a percentage of the customer’s paid price.
- We do not bear any inventory risks related to the query/SMS notice services. We only request the services from the supplier upon receiving a customer’s request for query and SMS notice services. We do not commit to paying the supplier for the services until the request from the customer is received, sent to the supplier, and the result is obtained.
- During the course of providing the services, we may source information requested or SMS services required by the customers from multiple suppliers via the API marketplace, and we have the discretion in selecting suppliers from a customer-approved supplier list that meets the customer’s needs to provide the requested query information and SMS services.

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Therefore, we are acting as a principal for query and SMS notice services even though we do not bear inventory risk considering the nature of the query and SMS services, and relevant revenue should be recognized on gross basis, i.e. the selling prices of the service.

API marketplace – Top-up

For the top-up service, our performance obligation is to arrange for the provision of the top-up service requested by the end-user through our customers to the relevant telecommunications operators. Although the top-up request is made through our API, to fulfill our performance obligation, we only have to pass the request order to the supplier, and the primary responsibility for successful top-up rests with the telecommunications operators for crediting the relevant top-up value to the end users. We only facilitate the transmission of this top-up request with limited involvement in the top-up request process with the customer's designated telecommunications operators. In addition:

- The revenue earned from top-up service is based on agreed fees, which are calculated as a percentage of the total top-up face value and the amount of the fee earned is low. The lack of the sole discretion to establish prices and we only earn a narrow margin instead of obtaining substantially all of the remaining benefits from the top-up service. This is consistent with the definition of revenue earned by an agent under IFRS 15, which is a commission or fee earned for facilitating a transaction between two parties.
- We do not bear any inventory risks related to top-up service being provided to the customer. As an intermediary facilitating the transmission of this top-up request between the customer and the supplier, we do not commit to pay the supplier for the services until we have received a request from the customer and sent the corresponding request to the supplier. We do not hold any inventory for top-up services.
- We do not have any discretion on selecting ultimate suppliers for customers. For example, we can only choose China Mobile for a China Mobile user's top-up; thus, we are an agent between China Mobile and the customer.

Therefore, we are acting as an agent for the top-up service, and relevant revenue should be recognized on net basis, i.e. the selling price of the service less the cost of purchase from the service provider.

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Contract Assets and Contract Liabilities

A contract asset represents our right to consideration in exchange for services that we have transferred to a customer that is not yet unconditional. In contrast, a receivable represents our unconditional right to consideration, i.e., only the passage of time is required before payment of that consideration is due. Contract asset is recognized when the customers retain retention money to secure the due performance of the contracts. Contract assets are assessed for ECLs in accordance with the policy set out in Note 4.10(b) to the Historical Financial Information in the Accountants' Report included in Appendix I. ECLs on contract assets are measured at an amount equal to lifetime ECLs. ECLs on contract assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which the milestones are reached. If the considerations (including advances received from customers) exceed the revenue recognized to date, then we recognize a contract liability for the difference.

A contract liability represents our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contract Costs

We recognize an asset from the costs incurred to fulfill a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that we can specifically identify;
- the costs generate or enhance our resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the costs relate. The asset is subject to impairment review.

Other Income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

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Property, Plant, and Equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs such as repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on the straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land	Over the lease term
Buildings	20-30 years
Leasehold improvements	Over shorter of lease term or 5-10 years
Motor vehicles	4 years
Furniture, fixtures and office equipment	3-10 years
Other properties leased for own use	Over the lease term

Construction-in-progress is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

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Income Tax

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and we intend to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognized in profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity, in which case the taxes are also recognized in other comprehensive income, or when they relate to items recognized directly in equity, in which case the taxes are also recognized directly in equity.

Fair Value Measurement of Financial Instruments

Our unlisted equity instruments and unlisted debt security are measured at fair values based on the valuation performed by an independent professional valuer with fair values being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair values of these instruments. Further disclosures are set out in Note 20 and Note 25 to the Historical Financial Information of the Accountants' Report included in Appendix I.

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Impairment of Financial and Contract Assets

The measurement of the ECLs allowance for financial assets measured at amortized cost and contract assets is an area that requires the use of significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgments and assumptions used in measuring ECLs is set out in Note 4.10(b) and Note 39(b) to the Historical Financial Information of the Accountants’ Report included in Appendix I. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognized.

Policy of Provision/Write-off for Trade Receivables

We make provision for inventories based on an assessment of the net realizable value. Cost is determined on weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth the principal components of our consolidated statements of profit or loss for 2021, 2022 and 2023:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Revenue	260,011	328,936	441,083
Cost of sales	(170,099)	(221,382)	(316,431)
Gross profit	89,912	107,554	124,652
Other income and other gains, net	16,903	11,019	10,704
Selling and distribution expenses	(15,449)	(14,378)	(12,530)
Research and development costs	(16,875)	(26,345)	(24,250)
Administrative and other expenses	(20,490)	(32,025)	(27,518)
Impairment loss on financial and contract assets, net	(418)	(1,068)	(9,915)
Finance costs	(154)	(1)	(1,014)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Profit before tax	53,429	44,756	37,775
Income tax expense	(7,463)	(3,472)	(2,714)
Profit for the year	45,966	41,284	35,061
Profit for the year attributable to:			
Owners of the Company	46,011	41,249	34,751
Non-controlling interests	(45)	35	310
	<u>45,966</u>	<u>41,284</u>	<u>35,061</u>

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Revenue

Revenue by Service Type

During the Track Record Period, we generated revenue primarily from API marketplace, comprising query, SMS notice and top-up services, and data management solutions. The table below sets forth a breakdown of our revenue by service type for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
(RMB in thousands, except for percentages)						
API marketplace						
Query	124,467	47.9%	145,279	44.2%	271,356	61.6%
SMS notice	57,883	22.2%	70,627	21.5%	64,543	14.6%
Top-up ⁽¹⁾	12,370	4.8%	7,626	2.3%	6,170	1.4%
	<u>194,720</u>	<u>74.9%</u>	<u>223,532</u>	<u>68.0%</u>	<u>342,069</u>	<u>77.6%</u>
Data management solutions	<u>65,291</u>	<u>25.1%</u>	<u>105,404</u>	<u>32.0%</u>	<u>99,014</u>	<u>22.4%</u>
Total	<u>260,011</u>	<u>100.0%</u>	<u>328,936</u>	<u>100.0%</u>	<u>441,083</u>	<u>100.0%</u>

(1) For top-up, we recognize revenue on a net basis pursuant to IFRS 15. See “Financial Information – Significant Accounting Policies and Estimates – Principal versus Agent Consideration in Revenue Recognition”.

For API marketplace, our revenue derives from sales of query, SMS notice and top-up services. In our contracts with customers, we charge fees based on usage and unit price, or sales contract amounts over fixed contract periods. Revenue from API marketplace accounted for 74.9%, 68.0% and 77.6% of our total revenue in 2021, 2022 and 2023, respectively.

The table below sets forth a breakdown of our revenue from API marketplace by key customers and non-key customers, in absolute amounts and as a percentage of total revenue, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
(RMB in thousands, except for percentages)						
Revenue from API marketplace						
Key customers ⁽¹⁾	151,625	77.9%	182,966	81.9%	316,695	92.6%
Non-key customers ⁽¹⁾	43,095	22.1%	40,566	18.1%	25,374	7.4%
Total	<u>194,720</u>	<u>100.0%</u>	<u>223,532</u>	<u>100.0%</u>	<u>342,069</u>	<u>100.0%</u>

(1) For the avoidance of doubt, customers were categorized based on the number of our contracting parties and were not calculated on a consolidated basis, and did not account for whether any of them controlled each other or were under common control.

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Our revenue from API marketplace derived from key customers increased by 20.7% from RMB151.6 million in 2021 to RMB183.0 million in 2022, and further increased by 73.1% to RMB316.7 million in 2023. The foregoing increases were primarily due to increased purchases from both existing and new key customers, mainly as a result of increased customer trust and reliance on our services as we continued to improve the quality of our services and deepen our collaboration with our key customers.

Our revenue derived from non-key customers of API marketplace decreased by 5.9% from RMB43.1 million in 2021 to RMB40.6 million in 2022, and further decreased by 37.5% to RMB25.4 million in 2023. The foregoing decreases were primarily due to our strategic focus on attracting and deepening our collaboration with key customers and a decrease in our number of non-key customers.

For data management solutions, our revenue derives from sales of solutions to government and corporate organizations. When charging our customers, we generally bill for the products and platform development according to payment terms agreed with customers. Platform construction fees are typically charged for the implementation of the data management platform. In certain cases, we may also charge fees for supporting operational services and consulting services based on specific customer requirements. Revenue derived from data management solutions is recognized when the data management solution and related services are delivered to and accepted by the customers. Revenue from data management solutions accounted for 25.1%, 32.0% and 22.4% of our total revenue in 2021, 2022 and 2023, respectively.

The table below sets forth a breakdown of our revenue from data management solutions by customer type, in absolute amounts and as a percentage of total revenue, for the years indicated:

	Year ended December 31,					
	2021	2022		2023		
	(RMB in thousands, except for percentages)					
Revenue from data management solutions						
Government customers ⁽¹⁾	1,087	1.7%	25,344	24.0%	7,858	7.9%
SOE customers ⁽²⁾	23,466	35.9%	40,474	38.4%	81,671	82.5%
Other customers ⁽³⁾	40,738	62.4%	39,586	37.6%	9,485	9.6%
Total	<u>65,291</u>	<u>100.0%</u>	<u>105,404</u>	<u>100.0%</u>	<u>99,014</u>	<u>100.0%</u>

- (1) Government customers include central and local governments and government departments in the PRC.
- (2) SOE customers include, based on the public search made by our Company from September to October 2023, customers which the largest shareholder was at least 51% directly or indirectly owned by central and local governments in the PRC.
- (3) Other customers include private companies, listed companies, foreign companies, public institutions or other types of entities that are not SOEs or local governments.

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* We exercise reasonable judgment to generate the breakdown based on the above definitions. However, given the limitations on public search, the complexity of certain customer’s shareholding structure, and that we are unable to ascertain the shareholding structure of all customers and their shareholders, such breakdown may not be accurate.

Our revenue from data management solutions derived from government customers increased significantly from RMB1.1 million in 2021 to RMB25.3 million in 2022, primarily due to the substantial revenue contribution from one large project in 2022. Our revenue from data management solutions derived from government customers decreased by 69.0% to RMB7.9 million in 2023, primarily due to a decrease in the average revenue of our projects as (i) we had no particularly large projects in 2023, and (ii) most of our projects delivered and accepted had more standardized components, and such projects generally generated lower revenue.

Our revenue from data management solutions derived from SOE customers increased by 72.5% from RMB23.5 million in 2021 to RMB40.5 million in 2022, and further increased significantly to RMB81.7 million in 2023. The foregoing increases were primarily due to an overall increase in the number of projects and revenue per project delivered to and accepted by SOE customers during the Track Record Period, primarily because we attracted new SOE customers and strengthened our business relationship with existing SOE customers as we continued enhancing our service quality and reputation.

Our revenue from data management solutions derived from other customers remained relatively stable at RMB40.7 million and RMB39.6 million in 2021 and 2022, respectively, and decreased by 76.0% to RMB9.5 million in 2023, primarily due to a decrease in the average revenue of our projects, mainly attributable to: (i) a decrease in our number of integrated system projects from five in 2022 to nil in 2023, as integrated system projects generally generated higher revenue but had lower gross profit margins; and (ii) an increase in our proportion of projects with more standardize components, as such projects generally generated lower revenue.

Revenue by Settlement Method

Our revenue from API marketplace were settled by two methods, prepayment and post-payment. Revenue settled by prepayment refers to revenue derived from sales where customers pay us before services are rendered (that is, sales to pre-paid customers). Revenue settled by post-payment refers to revenue derived from sales where customers pay us after services are rendered (that is, sales to post-paid customers).

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The table below sets forth a breakdown of our revenue from API marketplace by settlement method, in absolute amounts and as a percentage of total revenue generated from the indicated service type, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
(RMB in thousands, except for percentages)						
Post-payment						
Query	109,494	88.0%	133,207	91.7%	263,040	96.9%
SMS notice	47,313	81.7%	54,353	77.0%	54,974	85.2%
Top-up	6,172	49.9%	5,472	71.8%	5,055	81.9%
Total revenue from post-payment.	162,979	83.7%	193,032	86.4%	323,069	94.4%
Prepayment						
Query	14,973	12.0%	12,072	8.3%	8,316	3.1%
SMS notice	10,570	18.3%	16,274	23.0%	9,569	14.8%
Top-up	6,198	50.1%	2,154	28.2%	1,115	18.1%
Total revenue from prepayment.	31,741	16.3%	30,500	13.6%	19,000	5.6%
Total	194,720	100.0%	223,532	100.0%	342,069	100.0%

Our revenue from API marketplace settled by post-payment increased by 18.6% from RMB163.0 million in 2021 to RMB193.0 million in 2022, and further increased by 67.4% to RMB323.1 million in 2023. The foregoing increases were primarily due to increases in the number of large customers, who generally settled by post-payment.

Our revenue from API marketplace settled by prepayment decreased by 3.9% from RMB31.7 million in 2021 to RMB30.5 million in 2022, and further decreased by 37.7% to RMB19.0 million in 2023. The foregoing decreases were primarily due to a decrease in our number of smaller-sized customers, who generally settled by prepayment.

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Cost of Sales

The table below sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Labor costs	7,805	11,674	16,250
Purchase costs – API marketplace	130,309	148,964	241,696
Purchase costs – data management solutions	30,222	59,046	56,887
Others ⁽¹⁾	1,763	1,698	1,598
Total	170,099	221,382	316,431

(1) Others primarily comprise cloud server, leasing and traveling costs.

Our cost of sales mainly comprises the following: (i) labor costs, which primarily include our costs incurred in hiring employees; and (ii) purchase costs, which primarily include: (a) costs of procuring data services for API marketplace; and (b) costs of purchasing software and hardware such as specialized software and servers for data management solutions.

The table below sets forth our cost of sales by service type during the Track Record Period:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in thousands, except for percentages)					
API marketplace						
Query	80,863	47.5%	91,332	41.3%	187,030	59.1%
SMS notice	51,175	30.1%	59,752	27.0%	57,104	18.1%
Top-up	1,904	1.1%	965	0.4%	1,037	0.3%
	133,942	78.7%	152,049	68.7%	245,171	77.5%
Data management solutions	36,157	21.3%	69,333	31.3%	71,260	22.5%
Total	170,099	100.0%	221,382	100.0%	316,431	100.0%

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Gross Profit and Gross Profit Margin

The table below sets forth our gross profit and overall gross profit margin during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Revenue	260,011	328,936	441,083
Cost of sales	(170,099)	(221,382)	(316,431)
Gross profit	89,912	107,554	124,652
Gross profit margin	34.6%	32.7%	28.3%

The table below sets forth our gross profit by service type during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
API marketplace			
Query	43,604	53,947	84,326
SMS notice.	6,708	10,875	7,439
Top-up	10,466	6,661	5,133
	60,778	71,483	96,898
Data management solutions	29,134	36,071	27,754
Total	89,912	107,554	124,652

The table below sets forth our gross profit margin by service type during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
API marketplace	31.2%	32.0%	28.3%
Query	35.0%	37.1%	31.1%
SMS notice.	11.6%	15.4%	11.5%
Top-up	84.6%	87.3%	83.2%
Data management solutions	44.6%	34.2%	28.0%

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The table below sets forth a breakdown of our gross profit for API marketplace by key customers and non-key customers, in absolute amounts and as a percentage of total gross profit, for the years indicated:

	Year ended December 31,					
	2021			2022		
	(RMB in thousands, except for percentages)					
Gross profit						
Key customers	35,779	58.9%	52,058	72.8%	84,586	87.3%
Non-key customers	24,999	41.1%	19,425	27.2%	12,312	12.7%
Total	<u>60,778</u>	<u>100.0%</u>	<u>71,483</u>	<u>100.0%</u>	<u>96,898</u>	<u>100.0%</u>

Our gross profit derived from key customers of API marketplace increased by 45.5% from RMB35.8 million in 2021 to RMB52.1 million in 2022, and further increased by 62.5% to RMB84.6 million in 2023. The foregoing increases were primarily because the increases in our revenue derived from key customers of API marketplace outpaced the increases in the corresponding cost of sales, mainly because: (i) our number of key customers for API marketplace increased primarily as a result of our strategic focus on attracting and retaining large API marketplace customers; and (ii) we were able to negotiate for better prices and received more discounts from suppliers as our purchases increased.

Our gross profit derived from non-key customers of API marketplace decreased by 22.3% from RMB25.0 million in 2021 to RMB19.4 million in 2022, and further decreased by 36.6% to RMB12.3 million in 2023. The foregoing decreases were primarily because the decreases in our revenue derived from non-key customers of API marketplace outpaced the decreases in our corresponding cost of sales, mainly because we lowered our prices offered to certain non-key customers in response to heightened market competition.

The table below sets forth our gross profit margin for API marketplace by key customers and non-key customers for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Gross Profit Margin			
Key customers	23.6%	28.5%	26.7%
Non-key customers.	58.0%	47.9%	48.5%

Our gross profit margin derived from key customers of API marketplace increased from 23.6% in 2021 to 28.5% in 2022, primarily due to our effective control of cost as we received additional discounts from suppliers due to our increased purchases. Our gross profit margin derived from key customers of API marketplace remained relatively stable at 26.7% in 2023. Our gross profit margins derived from key customers of API marketplace were lower than our gross profit margin derived from non-key customers of API marketplace, primarily because we offered additional discounts to key customers due to their high volume of purchases.

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Our gross profit margin derived from non-key customers of API marketplace decreased from 58.0% in 2021 to 47.9% in 2022, primarily due to our reduction of prices offered to certain customers in response to heightened market competition. Our gross profit margin derived from non-key customers of API marketplace remained relatively stable at 48.5% in 2023.

The gross profit margin for our data management solutions could vary significantly from project to project depending on the nature of each project. For solutions with more customized components or types of solutions that were unprecedented to us, we would typically incur higher research and development costs, labor costs and other costs, as we had to tailor to the specific needs of the customers or develop certain components from scratch. Due primarily to market competition, we could not always fully pass on such costs to our customers. As a result, our gross profit margin for such solutions were generally lower. For solutions with more standardized components, we could typically use previous components as templates, thereby significantly reducing our costs for such projects. As a result, our gross profit margin for such solutions were generally higher. Hence, the gross profit margin of our data management solutions could fluctuate significantly from period to period, depending on the nature of the projects we handled during the specific period.

We evaluate the projected cost of each data management solution project before providing a quote or making a bidding proposal. However, for projects with strategic significance or higher contract value, we may accept lower gross profit margins after considering competitors’ pricing, the customer’s budget, and whether the project could lead to additional business opportunities in the future. For instance, we have completed projects for certain government customers with gross profit margins in the low teens in the hope that such projects could foster long-lasting business relationships.

The table below sets forth a breakdown of our gross profit for data management solutions by customer type, in absolute amounts and as percentages of gross profit for data management solutions, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in thousands, except for percentages)					
Gross Profit						
Government customers	108	0.4%	5,650	15.7%	2,516	9.1%
SOE customers	9,205	31.6%	17,636	48.9%	19,918	71.8%
Other customers	19,821	68.0%	12,785	35.4%	5,320	19.1%

Our gross profit derived from government customers for data management solutions increased significantly from RMB0.1 million in 2021 to RMB5.7 million in 2022, primarily due to the substantial gross profit contribution from one large project. Our gross profit derived from government customers for data management solutions decreased by 55.5% to RMB2.5 million in 2023, primarily because we had no particularly large projects in 2023 and our average gross profit per project decreased as a result.

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Our gross profit derived from SOE customers for data management solutions increased by 91.6% from RMB9.2 million in 2021 to RMB17.6 million in 2022, and further increased by 12.9% to RMB19.1 million in 2023. The foregoing increases were primarily because the increases in our revenue derived from SOE customers outpaced the increases in the corresponding cost of sales, mainly due to: (i) increases in the number and average revenue per project as we expanded our business; and (ii) our effective control of the corresponding cost of sales.

Our gross profit derived from other customers for data management solutions decreased by 35.5% from RMB19.8 million in 2021 to RMB12.8 million in 2022, primarily because a relatively higher portion of revenue was contributed by two projects that had relatively higher cost of sales. Our gross profit derived from other customers for data management solutions further decreased by 58.4% to RMB5.3 million in 2023, primarily because the decrease in our revenue derived from other customers outpaced the decrease in our corresponding cost of sales, mainly due to decreases in our number and average revenue of projects delivered and accepted.

The table below sets forth a breakdown of our gross profit margin for data management solutions by customer type for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Gross Profit Margin			
Government customers	9.9%	22.3%	32.0%
SOE customers	39.2%	43.6%	24.4%
Other customers	48.7%	32.3%	56.1%

Our gross profit margin derived from government customers for data management solutions increased significantly from 9.9% in 2021 to 22.3% in 2022, primarily because most of our gross profit for the year was contributed by one large project that had a gross profit margin of approximately 22.2%. Our gross profit margin derived from government customers for data management solutions further increased to 32.0% in 2023, primarily because projects with more standardized components contributed a higher portion of revenue. Such projects generally yield higher gross profit margins as they generally had relatively lower cost of sales due to having more standardized components.

Our gross profit margin derived from SOE customers for data management solutions increased from 39.2% in 2021 to 43.6% in 2022, primarily because projects with standardized components contributed a higher portion of revenue in 2022. Our gross profit margin derived from SOE customers for data management solutions decreased to 24.4% in 2023, primarily because a higher portion of revenue was contributed by integrated system projects, which generally involved relatively larger purchases of data services and thus had relatively higher cost of sales.

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Our gross profit margin derived from other customers for data management solutions decreased from 48.7% in 2021 to 32.3% in 2022, primarily because integrated system projects contributed a higher proportion of revenue. Our gross profit margin derived from other customers for data management solutions increased to 56.1% in 2023, primarily because a higher portion of our projects delivered and accepted had more standardized components.

Other Income and Other Gains, Net

Our other income and other gains, net, primarily consist of fair value gain or loss on financial assets at fair value through profit or loss, government grants and bank interest income. Fair value gain or loss on financial assets at FVTPL comprises the fair value gain or loss on our RMB-denominated structured deposits and unlisted debt security. The government grants we received were mainly from the local government where we are headquartered, the purposes of which are primarily to support our research and development activities, innovations, IP development, talent recruitments and other aspects of our operations conducted in the ordinary course of business. Our bank interest income primarily consists of interest income from both current and fixed deposits.

The table below sets forth a segment of our other income and other gains, net, for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Fair value gain/(loss) on financial assets at FVTPL	7,316	3,384	(460)
Government grants	7,419	5,557	8,437
Bank interest income	1,922	1,356	2,469
Dividend income	15	234	–
(Loss)/gain on disposal/written off of property, plant and equipment	(51)	10	(8)
Others	282	478	266
Total	16,903	11,019	10,704

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of labor costs, business development expenses and promotion expenses. Labor costs comprise primarily the salaries of our selling and distribution personnel. Promotion expenses comprise primarily our expenses incurred in relation to brand promotion activities, for example e-sports sponsorship and online and offline advertisements. Business development expenses comprise primarily expenses incurred in maintaining and developing customer relationships by our selling and distribution personnel.

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

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Labor costs	9,364	10,170	9,071
Business development expenses	1,310	1,004	882
Promotion expenses	2,728	1,369	482
Depreciation and amortization	348	586	417
Travel expenses	320	260	379
Leasing expenses	157	116	39
Service expenses	1,029	511	843
Others ⁽¹⁾	193	362	417
Total	<u>15,449</u>	<u>14,378</u>	<u>12,530</u>

(1) Others primarily comprise miscellaneous expenses such as telecommunications expenses and utilities costs.

Research and Development Costs

Our research and development costs comprise primarily labor costs, outsourced research and development expenses, and cloud server costs. Labor costs comprise primarily the salaries of our research and development personnel. Outsourced research and development expenses comprise primarily expenses incurred from outsourcing certain research and development work to external service providers for our data management solutions. Cloud server costs comprise primarily costs of procuring cloud server services for use in our daily operations.

The table below sets forth a breakdown of the key components of our research and development costs for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Labor costs	13,418	18,384	16,128
Outsourced research and development expenses	971	4,340	4,938
Depreciation and amortization	345	667	1,038
Cloud server costs	1,490	1,575	863
Office expenses	358	697	485
Others ⁽¹⁾	293	682	798
Total	<u>16,875</u>	<u>26,345</u>	<u>24,250</u>

(1) Others comprise primarily miscellaneous expenses such as telecommunications expenses, patent fees and utilities costs.

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We consider research and development key to our ability to improve our services and solutions offering and maintain our competitive strengths. Our outsourced research and development work was mainly in relation to the development of data management platforms and operating systems. During the Track Record Period, we outsourced research and development work to five local companies, which are all Independent Third Parties. Of the five service providers:

- one is a data service company incorporated in Wuxi, Jiangsu Province that primarily focuses on developing national industrial internet platforms and providing industrial data intelligence system-related services;
- one is a data technology company incorporated in Suzhou, Jiangsu Province that primarily focuses on providing general data technology services, including technical services, technology development, technical consultation, internet data services, big data services, data processing and storage support services, and others;
- one is an information technology company incorporated in Suzhou, Jiangsu Province that primarily focuses on providing smart urban services relating to the development of smart cities and smart transportation, including professional consultation on informatization of government administration, database construction, development of platform software, spatiotemporal data modelling and mining, big data processing and analysis, and others;
- one is a data technology company incorporated in Wuxi, Jiangsu Province that primarily focuses on providing services related to technology research and development, technical consultation, technical services, computer software and hardware, data processing and storage technology, information system integration, digital multimedia projects, and others; and
- one is an information technology company incorporated in Suzhou, Jiangsu Province that primarily focuses on the development of geographic information systems and providing data services related to geographic information systems.

Our Directors confirm that except for the research and development outsourcing arrangements, there are no other present or past relationships between our Company and any of the five service providers, their respective substantial shareholders, directors or senior management, or any of their respective associates. We decide whether to outsource based primarily on cost efficiency. If the cost of outsourcing the research and development work was lower than the cost of performing the work in-house, we would typically outsource the research and development work to an external service provider. During the Track Record Period, the fluctuations in our outsourced research and development expenses were mainly attributable to the varying nature of the research work involved in the data management solution projects undertaken during the specific year or period. We incurred higher outsourced research and development expenses when a higher proportion of the research work was more cost-efficient to complete via outsourcing than in-house.

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Administrative and Other Expenses

Our administrative and other expenses comprise primarily labor costs, depreciation and amortization and professional fees. Labor costs comprise primarily the salaries of our administrative personnel. Professional fees comprise: (i) professional fees paid to professionals including legal advisors, auditors, and other professionals in our ordinary course of business, which totaled RMB1.1 million, RMB0.9 million and RMB1.5 million in 2021, 2022 and 2023, respectively; and (ii) non-recurring professional fees paid to professional parties involved in our previous listing preparation, which totaled RMB5.2 million, RMB8.4 million and RMB95,000 in 2021, 2022 and 2023, respectively. Depreciation and amortization comprise primarily the depreciation and amortization of our headquarters building and other properties.

The table below sets forth a breakdown of the key components of our administrative and other expenses for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Labor costs	8,368	8,996	8,747
Depreciation and amortization	2,953	9,305	10,029
Professional fees.	6,349	9,302	1,591
Donations	106	199	–
Office expenses	466	932	1,096
Travel expenses	515	177	878
Hospitality expenses ⁽¹⁾	263	1,746	2,599
Bank charge.	249	56	69
Equity-settled share-based payments	400	435	442
Others ⁽²⁾	821	877	2,067
Total	<u>20,490</u>	<u>32,025</u>	<u>27,518</u>

(1) Hospitality expenses primarily comprise dining and catering for business development with our potential and existing customers, staff, and professional parties, as well as purchases of administrative consumables and gifts given away as a part of business etiquette.

(2) Others primarily comprise miscellaneous expenses such as telecommunications expenses, vehicle expenses, utilities costs, and property management expenses.

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Impairment Loss on Financial and Contract Assets, Net

Our impairment loss on financial and contract assets comprise impairment on trade receivables, contract assets, and deposits and other receivables. The table below sets forth a breakdown of the key components of our impairment loss on financial and contract assets for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Trade receivables	437	1,775	10,032
Contract assets	6	20	(19)
Deposits and other receivables	(25)	(727)	(98)
Total	<u>418</u>	<u>1,068</u>	<u>9,915</u>

Finance Costs

Our finance costs primarily consist of interests on our lease liabilities, bank borrowings and repurchase liabilities. During the Track Record Period, our bank borrowings primarily comprised a RMB20.0 million loan obtained and repaid in 2021. The table below sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Interest on lease liabilities	9	1	1
Interest on bank borrowings	145	–	–
Interest on repurchase liabilities	–	–	1,013
Total	<u>154</u>	<u>1</u>	<u>1,014</u>

Income Tax

We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which we are domiciled and operate. Pursuant to the PRC income tax rules and regulations, our provision for PRC income is calculated based on the statutory tax rate of 25% during the Track Record Period, except for (i) our Company which is registered as a High and New-Tech enterprise pursuant to the PRC tax regulations and entitled to a preferential tax rate of 15% for 2021, 2022 and 2023; (ii) Suzhou Tianju Renhe Technology Co., Ltd, which is registered as a High and New-Tech enterprise pursuant to the PRC tax regulations and entitled to a preferential tax rate of 15% for 2021, 2022 and 2023; and (iii)

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Suzhou Tianju Xinghe Technology Co., Ltd. and Suzhou Zhonghui Jue Information Technology Co., Ltd., which qualified as small and micro-enterprises pursuant to applicable PRC tax regulations and entitled to a preferential tax rate of 2.5%, 2.5% and 5% for 2021, 2022 and 2023.

The table below sets forth the information relating to our income tax during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Current year – PRC Enterprise Income Tax	7,116	3,704	4,363
Deferred tax	347	(232)	(1,649)
Total	<u>7,463</u>	<u>3,472</u>	<u>2,714</u>

RESULTS OF OPERATIONS

The following discussion and analysis compare the major components of our results of operations in 2021, 2022 and 2023.

Comparisons between 2023 and 2022

Revenue

Our revenue increased by 34.1% from RMB328.9 million in 2022 to RMB441.1 million in 2023 due to an increase in our revenue from API marketplace.

Our revenue from API marketplace increased by 53.0% from RMB223.5 million in 2022 to RMB342.1 million in 2023 due to an increase in our revenue from query service:

- (a) Our revenue from query service increased by 86.8% from RMB145.3 million in 2022 to RMB271.4 million in 2023, primarily because: (i) our query service requests increased from 920.5 million in 2022 to 1,568.2 million in 2023; and (ii) the average price per request increased slightly from RMB0.16 in 2022 to RMB0.17 in 2023. The large increase in the volume of requests was primarily due to: (i) our acquisition of new large customers with high demand and an increase in demand from certain of our existing large customers as we continued to expand our business and enhance our services; (ii) an increase in demand for query service due to the increasingly common requirement for real-name registration in China, which resulted in an increase in demand for API-enabled identity authentication services.

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- (b) Our revenue from SMS notice service decreased by 8.6% from RMB70.6 million in 2022 to RMB64.5 million in 2023 primarily because our SMS notice service requests decreased from 2,130.7 million in 2022 to 2,097.5 million in 2023, mainly attributable to (i) our reduction of collaboration with certain customers who were slow at settling receivables; and (ii) a decrease in customer demand for finance and marketing-related SMS notices as a result of regulatory changes. The average price per request remained relatively stable at approximately RMB0.03 in 2022 and 2023.
- (c) Our revenue from top-up service decreased by 19.1% from RMB7.6 million in 2022 to RMB6.2 million in 2023, primarily because our top-up service orders decreased from 15.5 million in 2022 to 9.0 million in 2023 due to our strategic scale-down of this service. We have been strategically scaling down our top-up service since 2021 primarily because: (i) although top-up service had a high gross profit margin as we act as an agent for the service and therefore the associated fees are recognized on a net basis, and we recognized little cost of sales in the form of labor costs and equipment and server costs, we nevertheless paid top-up service providers and telecommunication operators approximately RMB99.0 for every RMB100.0 in top-up value. The end-users did not pay more than the top-up value. We consider the profitability to be low as only approximately RMB1.0 in profit can be earned for each RMB99.0 payment we made to top-up service providers and telecommunication operators; (ii) we expect that market competition will continue to intensify in the future and, as a result, adversely impact our top-up service business in the long-term future; and (iii) top-up service requires making large prepayments to suppliers, thereby negatively impacting our cash flow and liquidity. In view of the aforementioned reasons, we decided to shift our resources and efforts from top-up service to developing our other business lines, namely query service, SMS notice service, and data management solutions, which we believe have higher long-term growth potential.

Our revenue from data management solutions decreased by 6.1% from RMB105.4 million in 2022 to RMB99.0 million in 2023 primarily due to a decrease in our average revenue per project as a larger portion of our projects comprised projects with more standardized components, which generally generated lower revenue than projects with more customized components. In particular, a large number of our projects were “data police” solutions, which required relatively little customization and generated relatively lower revenue per project. In 2023, 62 of our data management solution projects were delivered to and accepted by our customers in comparison to 22 projects in 2022.

Cost of Sales

Our cost of sales increased by 42.9% from RMB221.4 million in 2022 to RMB316.4 million in 2023, primarily due to an increase in our purchase costs for API marketplace, which primarily comprised costs of data services, from RMB149.0 million in 2022 to RMB241.7 million in 2023 as we increased our purchases to meet the demand of our expanding query service.

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Gross Profit and Gross Profit Margin

Our gross profit increased by 15.9% from RMB107.6 million in 2022 to RMB124.7 million in 2023. Our gross profit margin decreased from 32.7% in 2022 to 28.3% in 2023.

Our gross profit margin for API marketplace decreased from 32.0% in 2022 to 28.3% in 2023, primarily due to the following reasons:

- (a) Our gross profit margin for query service decreased from 37.1% in 2022 to 31.1% in 2023, primarily because: (i) we offered lower prices to certain new large customers to maintain our competitiveness; and (ii) we lost certain large customers who yielded higher gross profit margins to competitors who offered prices that were more favorable than ours.
- (b) Our gross profit margin for SMS notice service decreased from 15.4% in 2022 to 11.5% in 2023, primarily because: (i) the increase in our revenue from SMS notice service was outpaced by the increase in our corresponding cost of sales, mainly because our suppliers raised their prices in response to new policies that imposed more stringent regulatory requirements on them, and we were not able to fully pass on the increased costs to our customers through price increases as we wanted to stay competitive; and (ii) we reduced our collaboration with certain customers who yielded higher gross profit margins due to their delay in settling receivables.
- (c) Our gross profit margin for top-up service decreased from 87.3% in 2022 to 83.2% in 2023, primarily because: (i) our revenue decreased as a result of our strategic downscaling of our top-up business; and (ii) our corresponding labor costs remained relatively stable as the number of personnel engaged in top-up service remained relatively stable, while the revenue from our top-up service decreased due to our strategic scale-down of this business segment.

Our gross profit margin for data management solutions decreased from 34.2% in 2022 to 28.0% in 2023, primarily because our revenue from data management solutions decreased while our corresponding cost of sales increased, mainly due to an increase in the corresponding labor costs as we assigned additional personnel to our data management solution business as a result of a significant increase in our number of projects from 22 in 2022 to 62 in 2023.

Other Income and Other Gains, Net

Our other income and other gains, net, remained relatively stable at RMB11.0 million and RMB10.7 million in 2022 and 2023, respectively.

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Selling and Distribution Expenses

Our selling and distribution expenses decreased by 12.9% from RMB14.4 million in 2022 to RMB12.5 million in 2023, primarily due to: (i) a decrease in our labor costs from RMB10.2 million in 2022 to RMB9.1 million in 2023, mainly attributable to a shift in our marketing personnel; and (ii) a decrease in our promotion expenses from RMB1.4 million in 2022 to RMB0.5 million in 2023, mainly attributable to our reduction of online and offline advertising activities that were relatively ineffective.

Research and Development Costs

Our research and development costs decreased by 8.0% from RMB26.3 million in 2022 to RMB24.3 million in 2023, primarily due to a 12.3% decrease in labor costs from RMB18.4 million in 2022 to RMB16.1 million in 2023. The foregoing decrease in labor costs was primarily because certain personnel from research and development were assigned to work on data management solution projects as we had a relatively high number of data management projects in 2023. The decrease in labor costs was partially offset by an increase in outsourced research and development expenses from RMB4.3 million in 2022 to RMB4.9 million in 2023 as certain data management solutions we worked on in 2023 involved research and development work that was more cost-efficient to complete through outsourcing.

Administrative and Other Expenses

Our administrative and other expenses decreased by 14.1% from RMB32.0 million in 2022 to RMB27.5 million in 2023, primarily due to a 82.9% decrease in professional fees from RMB9.3 million in 2022 to RMB1.6 million in 2023, which included a significant decrease in non-recurring professional fees from RMB8.4 million in 2022 to RMB0.1 million in 2023 as we ended our previous listing preparations. Our administrative and other expenses, after deducting the professional fees, increased by 14.1% from RMB22.7 million in 2022 to RMB25.9 million in 2023, primarily due to (i) an increase in our hospitality expenses from RMB1.7 million in 2022 to RMB2.6 million in 2023, mainly attributable to our increased business development events at which we hosted existing and potential customers; and (ii) an increase in our depreciation and amortization expenses from RMB9.3 million in 2022 to RMB10.0 million in 2023, mainly attributable to the depreciation of our headquarters building.

Impairment Loss on Financial and Contract Assets, Net

Our impairment loss on financial and contract assets increased significantly from RMB1.1 million in 2022 to RMB9.9 million in 2023, primarily due to a significant increase in impairment loss on trade receivables from RMB1.8 million in 2022 to RMB10.0 million in 2023, which was primarily attributable to (i) the increase in provisions for billed receivables due to the slow settlement of receivables from certain large customers; and (ii) an increase in our trade receivables as we gained additional post-paid large customers for our API marketplace.

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Finance Costs

Our finance costs increased significantly from RMB1,000 in 2022 to RMB1.0 million in 2023 due to our incurrence of interest expenses of RMB1.0 million on our repurchase liabilities arising from our share purchase obligation under the share transfer agreement signed with China-Singapore Ventures. For details, see “– Current Assets and Liabilities – Repurchase Liabilities” and “– Indebtedness”.

Income Tax Expense

Our income tax expense decreased from RMB3.5 million in 2022 to RMB2.7 million in 2023, primarily due to a decrease in our net profit for the year.

Net Profit and Net Profit Margin

Our net profit decreased by 15.1% from RMB41.3 million in 2022 to RMB35.1 million in 2023, while our net profit margin decreased from 12.6% in 2022 to 7.9% in 2023, primarily due to a decrease in our gross profit margin and an increase in our total expenses, mainly attributable to our non-recurring [REDACTED] expenses and an increase in our net impairment loss on financial and contract assets.

Comparisons Between 2022 and 2021

Revenue

Our revenue increased by 26.5% from RMB260.0 million in 2021 to RMB328.9 million in 2022 as both of our business lines continued to grow.

Our revenue from API marketplace increased by 14.8% from RMB194.7 million in 2021 to RMB223.5 million in 2022, driven by the increase in our revenue from query and SMS notice services and partially offset by the decrease in revenue from top-up service, in particular:

- (a) Our revenue from query service increased by 16.7% from RMB124.5 million in 2021 to RMB145.3 million in 2022 because our query service requests increased from 910.8 million in 2021 to 920.5 million in 2022, primarily due to an increase in customer demand for our query service as we continued to build customer trust and our customers increased their purchases of our services, and the average price per request increased from RMB0.14 in 2021 to RMB0.16 in 2022.
- (b) Our revenue from SMS notice service increased by 22.0% from RMB57.9 million in 2021 to RMB70.6 million in 2022 because our SMS notice service requests increased from 2,037.9 million in 2021 to 2,130.7 million in 2022, primarily due to increased customer demand mainly as a result of the business expansion of our large customers, and the average price per request remained relatively stable at approximately RMB0.03 in both 2021 and 2022.

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- (c) Our revenue from top-up service decreased by 38.4% from RMB12.4 million in 2021 to RMB7.6 million in 2022, primarily because our top-up service orders decreased from 35.0 million in 2021 to 15.5 million in 2022 as a result of our strategic scale-down of our top-up service since 2021.

Our revenue from data management solutions increased by 61.4% from RMB65.3 million in 2021 to RMB105.4 million in 2022, primarily because: (i) our number of projects delivered to and accepted by customers increased from 20 in 2021 to 22 in 2022; and (ii) our average revenue derived from each project increased by 45.5% from RMB3.3 million in 2021 to RMB4.8 million in 2022. As we continued to enhance our brand awareness and enrich our solution offerings, we attracted more sizeable customers including government organizations and state-owned enterprises whose projects were more complex and commanded a higher fee level.

Cost of Sales

Our cost of sales increased by 30.1% from RMB170.1 million in 2021 to RMB221.4 million in 2022, primarily due to: (i) an increase in the aggregate purchase costs for both of our business lines from RMB160.5 million in 2021 to RMB208.0 million in 2022 due to our business growth; and (ii) an increase in labor costs from RMB7.8 million in 2021 to RMB11.7 million in 2022 as we increased our operational personnel. Our purchase costs for API marketplace increased by 14.3% from RMB130.3 million in 2021 to RMB149.0 million in 2022 as we continued expanding our API marketplace business and purchased additional data services to fulfill the increased volume of service requests from customers. Our purchase costs for data management solutions increased by 95.4% from RMB30.2 million in 2021 to RMB59.0 million in 2022 as our data management solution business continued to expand rapidly, resulting in additional purchases of software and hardware.

Gross Profit and Gross Profit Margin

Our gross profit increased by 19.6% from RMB89.9 million in 2021 to RMB107.6 million in 2022. Our gross profit margin decreased slightly from 34.6% in 2021 to 32.7% in 2022, primarily due to a decrease in the gross profit margin of data management solutions.

Our gross profit margin for API marketplace remained relatively stable at 31.2% and 32.0% in 2021 and 2022, respectively. Below is an analysis of our gross profit margin for API marketplace by service type:

- (a) Our gross profit margin for query service remained relatively stable at 35.0% and 37.1% in 2021 and 2022, respectively.
- (b) Our gross profit margin for SMS notice service increased from 11.6% in 2021 to 15.4% in 2022, primarily because a higher proportion of revenue was contributed by certain types of SMS notice services that had higher gross profit margins, mainly as a result of an increase in our number of customers who had demand for such types of SMS notice services.

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- (c) Our gross profit margin for top-up service increased from 84.6% in 2021 to 87.3% in 2022, primarily because the decrease in cost of sales for top-up service outpaced the decrease in revenue derived from top-up service.

Our gross profit margin for data management solutions decreased from 44.6% in 2021 to 34.2% in 2022, primarily because the increase in our revenue from data management solutions was outpaced by the increase in our corresponding cost of sales, mainly because a higher proportion of revenue was contributed by integrated system projects, which generally involve higher purchase costs.

Other Income and Other Gains, Net

Our other income and other gains, net, decreased by 34.8% from RMB16.9 million in 2021 to RMB11.0 million in 2022, primarily due to: (i) a decrease in our fair value gain on financial assets at FVTPL by 53.7% from RMB7.3 million in 2021 to RMB3.4 million in 2022 due to our disposal of certain financial assets as part of our investment decisions; (ii) a decrease in our bank interest income by 29.4% from RMB1.9 million in 2021 to RMB1.4 million in 2022 primarily due to a decrease in market interest rates; and (iii) a decrease in government grants by 25.1% from RMB7.4 million in 2021 to RMB5.6 million in 2022.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 6.9% from RMB15.4 million in 2021 to RMB14.4 million in 2022, primarily due to: (i) a decrease of our promotion expenses from RMB2.7 million in 2021 to RMB1.4 million in 2022 as we pivoted from elevator advertisements to other cost-efficient and effective promotional methods; and (ii) our service expenses decreased from RMB1.0 million in 2021 to RMB0.5 million in 2022 primarily due to our reduced use of bidding and business development agents. These decreases were partially offset by the increase in our labor costs from RMB9.4 million in 2021 to RMB10.2 million in 2022 as we increased the average salary of our selling and distribution personnel to remain competitive in the hiring market.

Research and Development Costs

Our research and development costs increased by 56.1% from RMB16.9 million in 2021 to RMB26.3 million in 2022, primarily due to: (i) our labor costs increased from RMB13.4 million in 2021 to RMB18.4 million in 2022; and (ii) our outsourced research and development expenses increased from RMB1.0 million in 2021 to RMB4.3 million in 2022 as the data management solutions we delivered in 2022 involved more research and development work that was more cost-efficient to complete through outsourcing than in-house. As a part of our continuous effort to maintain our technological strengths, industry position, and ability to offer competitive services and solutions, we increased our research and development personnel and raised the average salary to attract talents.

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Administrative and Other Expenses

Our administrative and other expenses increased by 56.3% from RMB20.5 million in 2021 to RMB32.0 million in 2022, primarily due to: (i) the increase in depreciation and amortization from RMB3.0 million in 2021 to RMB9.3 million in 2022 as a result of recognition of the depreciation of our newly completed headquarters building, which we relocated to in January 2022; (ii) an increase in professional fees, including an increase in non-recurring professional fees from RMB5.2 million in 2021 to RMB8.4 million in 2022 relating to our previous listing preparations; and (iii) the increase in hospitality expenses from RMB0.3 million in 2021 to RMB1.7 million in 2022 as our administrative personnel engaged in additional and more targeted customer relationship management initiatives since we gained larger customers who required additional time and efforts from our senior management and administrative personnel in terms of customer relationship management. For instance, we hosted additional business development events with a view to pursuing more business opportunities and cementing existing client relationships.

Impairment Loss on Financial and Contract Assets, Net

Our impairment of financial and contract assets increased from RMB0.4 million in 2021 to RMB1.1 million in 2022, primarily due to an increase in our trade receivables and a slower receivable turnover, especially from large customers.

Finance Costs

Our finance costs decreased from RMB0.2 million in 2021 to RMB1,000 in 2022 as we did not incur interests on bank borrowings in 2022.

Income Tax Expense

Our income tax expense decreased by 53.5% from RMB7.5 million in 2021 to RMB3.5 million in 2022, primarily due to an increase in tax incentives for research and development costs from RMB1.8 million in 2021 to RMB3.0 million in 2022; and a decrease in our profit before tax from RMB53.4 million in 2021 to RMB44.8 million in 2022. For details, see Note 11 to the Accountants’ Report in Appendix I to this document.

Net Profit and Net Profit Margin

Our net profit decreased by 10.2% from RMB46.0 million in 2021 to RMB41.3 million in 2022, while our net profit margin decreased from 17.7% in 2021 to 12.6% in 2022, primarily due to a decrease in our gross profit margin and the increases in our expenses, in particular research and development costs and administrative and other expenses.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we funded working capital and other capital requirements primarily from our internal cash resources. Our ability to generate cash flow from operations depends on our operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond our control.

We intend to finance our future capital requirements through the same sources of funds as discussed above, together with the [REDACTED] from this [REDACTED]. In order to cover future obligations and cash outflows, we need to have sufficient liquidity reserves at all times. We intend to monitor our liquidity risk through rolling forecasts of our liquidity requirements to ensure that we have sufficient cash to meet operational needs.

Taking into account the financial resources available to us, including our cash and cash equivalents as well as estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this document. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash and cash equivalents and [REDACTED] from the [REDACTED]. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

With the same bases as set forth above, the Sole Sponsor concurs with our Directors’ view that our Company has sufficient working capital required for its operations at present and for at least the next 12 months from the date of this document.

Cash Flow

The table below sets forth a summary of our cash flow for the years indicated.

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Cash flows from operating activities			
Profit before tax	53,429	44,756	37,775
Operating profit before working capital changes	49,270	52,259	58,832
Changes in working capital	(80,396)	(84,435)	(49,443)
Net cash generated from/(used in) operating activities	(33,796)	(36,819)	4,445
Net cash generated from/(used in) investing activities	(166,628)	22,335	(44,780)
Net cash used in financing activities	(20,941)	(22)	(3,884)
Net decrease in cash and cash equivalents	(221,365)	(14,506)	(44,219)
Cash and cash equivalents at the beginning of the year	403,836	182,287	168,470
Exchange differences on translating cash flows of foreign operations	(184)	689	166
Cash and cash equivalents at the end of the year	<u>182,287</u>	<u>168,470</u>	<u>124,417</u>

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Cash Flows from Operating Activities

Our cash flows from operating activities consist primarily of cash generated from/used in our operations (such as sale of API marketplace and data management solutions), and changes in our inventories, trade receivables and payables, prepayments, deposits and other receivables, contract assets, other payables and accruals, and contract liabilities. Cash flows from operating activities reflect: (i) profit before tax, adjusted for non-cash and non-operating items such as depreciation of property, plant and equipment, interest income and fair value gain on financial assets at FVTPL; (ii) the effects of movements in working capital; and (iii) other cash items such as income tax paid and refund.

In 2023, our net cash generated from operating activities was RMB4.4 million, which was primarily attributable to profit before tax of RMB37.8 million, adjusted to reflect: (i) an increase in trade receivables of RMB61.1 million, driven by our revenue growth and an increase in our number of post-paid customers for API marketplace; (ii) an increase in trade payables of RMB24.8 million, primarily because of (a) an increase in the prices charged by our suppliers; and (b) our increased purchase of data services for our query service business; and (iii) an increase in prepayments, deposits and other receivables of RMB15.4 million, primarily due to an increase in prepayments made to suppliers, mainly attributable to the growth of our query service business.

In 2022, our net cash used in operating activities was RMB36.8 million, which was primarily attributable to profit before tax of RMB44.8 million, adjusted to reflect: (i) an increase in prepayments, deposits and other receivables of RMB38.4 million, primarily because we made additional prepayments to suppliers to ensure that we received steady supply of data services and we increased our bidding deposits as we participated in more bidding activities; (ii) an increase in trade receivables of RMB34.5 million, driven by our business expansion and continued increase in our number of post-paid customers; and (iii) a decrease in contract liabilities of RMB21.7 million as we fulfilled our obligation to render services to customers who had paid us in advance.

In 2021, our net cash used in operating activities was RMB33.8 million, which was primarily attributable to profit before tax of RMB53.4 million, adjusted to reflect: (i) an increase in trade receivables of RMB28.6 million, driven by the continued growth of our business and an increase in our post-paid customers; (ii) an increase in inventories of RMB17.2 million, primarily because we had yet to deliver certain data management solutions to our customers at the end of 2021, and the cost of sales related to these projects were accounted for as inventories; (iii) a decrease in trade payables of RMB13.5 million as we made payments to our suppliers; and (iv) an increase in prepayments, deposits and other receivables of RMB10.1 million primarily due to our increased prepayments to suppliers to secure steady supply of data services and augment our relationship with them.

In 2021 and 2022, we had net operating cash outflows as a result of: (i) increases in trade receivables primarily due to a significant increase in our number of post-paid customers, which was mainly attributable to the continued increase in the numbers of large API marketplace

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customers and data management solution customers; and (ii) decreases in trade payables, primarily because (a) we accelerated payments to our software and hardware suppliers in order to strengthen our collaboration with them, and (b) our payment obligations to certain suppliers did not yet arise as we had yet to collect payments from certain data management solution customers at the end of the year. The foregoing increases in trade receivables and decreases in trade payables were reflective of our business growth.

Cash Flows from Investing Activities

Our cash flows from investing activities consist primarily of our purchase of and proceeds from financial assets at FVTPL and our purchase of property, plant and equipment.

In 2023, our net cash used in investing activities was RMB44.8 million, which was primarily attributable to: (i) placement of time deposits of RMB130.0 million, partially offset by withdrawal of time deposits of RMB80.0 million; and (ii) purchase of property, plant and equipment of RMB26.7 million, which were partially offset by proceeds from disposal of financial assets at FVTPL of RMB181.1 million, partially offset by purchase of financial assets at FVTPL of RMB151.7 million.

In 2022, our net cash generated from investing activities was RMB22.3 million, which was primarily attributable to: (i) proceeds from disposal of financial assets at FVTPL of RMB461.3 million, which was partially offset by: (i) purchase of financial assets at FVTPL of RMB390.0 million; (ii) purchase of property, plant and equipment of RMB20.6 million; and (iii) placement of time deposits of RMB30.0 million.

In 2021, our net cash used in investing activities was RMB166.6 million, which was primarily attributable to: (i) purchase of financial assets at FVTPL of RMB298.5 million; and (ii) purchase of property, plant and equipment of RMB72.8 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB202.8 million.

Cash Flow from Financing Activities

Financing activities primarily include bank borrowings, distribution of dividends, issue of shares and settlement of interest expenses.

In 2023, net cash used in financing activities primarily comprised payments for [REDACTED] expenses of RMB[REDACTED] relating to [REDACTED] and [REDACTED].

In 2022, net cash used in financing activities was RMB22,000 relating to repayments of principal and interest on our lease liabilities.

In 2021, net cash used in financing activities was RMB20.9 million, which was primarily attributable to: (i) dividends paid of RMB20.0 million; (ii) repayments of principal of lease liabilities of RMB0.8 million; and (iii) interests paid of RMB0.1 million.

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CURRENT ASSETS AND LIABILITIES

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

	As of December 31,			As of
	2021	2022	2023	January 31, 2024
	(RMB in thousands)			
	(Unaudited)			
Current assets				
Inventories	21,533	12,454	20,850	21,502
Financial assets at fair value through profit or loss	103,066	35,155	–	10,000
Trade receivables	91,203	123,973	175,077	191,559
Prepayments, deposits and other receivables	20,321	59,466	78,743	92,287
Contract assets	1,117	3,994	1,865	1,815
Cash and cash equivalents	182,287	168,470	124,417	99,719
Time deposits	–	30,000	80,000	80,000
Tax recoverable	–	–	11	2,572
Total current assets	<u>419,527</u>	<u>433,512</u>	<u>480,963</u>	<u>499,454</u>
Current liabilities				
Trade payables	37,450	36,672	61,491	61,071
Other payables and accruals	23,113	39,474	19,816	18,132
Contract liabilities	51,440	29,692	29,802	38,722
Lease liabilities	–	43	–	–
Repurchase liabilities	–	–	23,013	23,211
Income tax payable	2,947	2,008	3,984	–
Total current liabilities	<u>114,950</u>	<u>107,889</u>	<u>138,106</u>	<u>141,136</u>
Net current assets	<u>304,577</u>	<u>325,623</u>	<u>342,857</u>	<u>358,318</u>

We had net current assets of RMB304.6 million, RMB325.6 million, RMB342.9 million and RMB358.3 million as of December 31, 2021, 2022 and 2023 and January 31, 2024, respectively. Our net current assets as of each of these dates were primarily attributable to our growing balance of trade receivables and cash and cash equivalents. Cash and cash equivalents and trade receivables each accounted for a substantial portion of our current assets.

Our net current assets increased by 4.5% from RMB342.9 million as of December 31, 2023 to RMB358.3 million as of January 31, 2024, primarily due to increases in our trade receivables, prepayments, deposits and other receivables, and financial assets at fair value through profit or loss.

Our net current assets increased by 5.3% from RMB325.6 million as of December 31, 2022 to RMB342.9 million as of December 31, 2023, primarily due to increases in our trade receivables, time deposits, prepayments, deposits and other receivables, and inventories.

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Our net current assets increased by 6.9% from RMB304.6 million as of December 31, 2021 to RMB325.6 million as of December 31, 2022, primarily due to increases in our time deposits, prepayments, deposits and other receivables, and trade receivables.

Liquidity Management Measures

Our trade receivables turnover days for 2021, 2022 and 2023 were 114 days, 125 days and 133 days, respectively. Our trade payable turnover days for 2021, 2022 and 2023 were 95 days, 61 days and 57 days, respectively. Such gap between the accounts receivables turnover days and the accounts payable turnover days may result in liquidity mismatch.

In view of the cash flow mismatch, to improve and refine our liquidity management, we plan to implement the following measures:

- For API marketplace, we plan to continue developing relationships with more customers of sound credit profile and expanding our business. We expect our bargaining power to increase in the future as our business grows, and that we would be able to negotiate for more favorable terms with our customers and shorten the collection period of our trade receivables, as well as negotiate for more favorable terms with our suppliers and extend the settlement period of our trade payables. In addition to gaining large customers, we also expect to attract more smaller-sized customers, who are generally pre-paid, as our business continues to expand and our brand recognition continues to improve.
- For data management solutions, we plan to increase our provision of solutions with more standardized components, which generally have a shorter collection period than solutions with more customized components. As a result, we expect that the liquidity of our data management solution business would improve with the increase in our sales of solutions with more standardized components.

We expect that our cash flow and liquidity will improve as a result of the aforementioned measures.

In addition, we plan to use 10% of our [REDACTED] from this [REDACTED] for working capital and general corporate purposes. For details, see “Future Plans and [REDACTED] – [REDACTED].”

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Inventories

Our inventories consist of contract fulfillment costs, which are labor costs allocated to the relevant data management solution projects before delivery, and purchases of software, hardware and components such as servers and specialized software in our data management solutions. Given the nature of our API marketplace, such business does not carry any inventory. Inventories are stated at the lower of cost and net realizable value. The table below sets forth our inventories as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Purchases of software, hardware and components	16,288	4,982	10,774
Contract fulfillment cost	5,245	7,472	10,076
Total	21,533	12,454	20,850

Our inventories accounted for an insignificant portion of our total assets as of December 31, 2021, 2022 and 2023, respectively. Our inventories decreased by 42.2% from RMB21.5 million as of December 31, 2021 to RMB12.5 million as of December 31, 2022, primarily because a substantial amount of inventories was recognized as cost of sales after our existing and newly-mandated data management solution projects were delivered and accepted throughout 2022. Our inventories increased by 67.4% from RMB12.5 million as of December 31, 2022 to RMB20.9 million as of December 31, 2023 primarily due to an increase in the number of data management solution projects that we have not yet delivered to our customers as of December 31, 2023.

The table below sets forth an aging analysis of our inventories:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Within one year	20,503	10,667	20,167
One to two years	1,030	1,787	659
Over two years	–	–	24
Total	21,533	12,454	20,850

Our inventories aged within one year decreased by 48.0% from RMB20.5 million as of December 31, 2021 to RMB10.7 million as of December 31, 2022, primarily due to the delivery and acceptance of our existing data management solution projects. Our inventories aged within one year increased by 89.1% from RMB10.7 million as of December 31, 2022 to RMB20.2 million as of December 31, 2023, primarily due to a substantial increase in the number of projects we secured during the year as we continued expanding our data management solution

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business and acquiring new customers. Our inventories aged one to two years increased by 73.5% from RMB1.0 million as of December 31, 2021 to RMB1.8 million as of December 31, 2022, primarily because we began working on one relatively large project for a government customer that remained undelivered at the end of the year. Our inventories aged one to two years decreased by 63.1% from RMB1.8 million as of December 31, 2022 to RMB0.7 million as of December 31, 2023, primarily due to the delivery and acceptance of the aforementioned project.

Our Directors believe that there is no material recoverability issue for inventories based on the following reasons: (i) all our data management solution projects delivered and accepted during the Track Record Period were profitable; (ii) during the Track Record Period, none of our customers refused to accept our data management solutions or breached their contracts with us; (iii) considering our ongoing communications and business relationships with our customers, we do not expect any customer to refuse our delivery of data management solutions or materially breach their contracts with us in the foreseeable future; and (iv) we form well-planned budgets for all our data management solution projects and do not expect to incur losses on any of the ongoing projects.

The table below sets forth the average inventory turnover days as of the dates indicated:

	Year ended December 31,		
	2021	2022	2023
Average inventory turnover days (overall) ⁽¹⁾	28	28	19
Average inventory turnover days (data management solutions) ⁽²⁾	130	89	85

(1) Average inventory turnover days equal the average of the opening and closing inventory balances of the indicated year divided by the cost of sales for the same year and multiplied by 365 days.

(2) Average inventory turnover days equal the average of the opening and closing inventory balances of the indicated year divided by the cost of sales of data management solutions for the same year and multiplied by 365 days.

Our average inventory turnover days for data management solutions decreased from 130 days in 2021 to 89 days in 2022 after we delivered a number of data management solution projects that we had not delivered at the end of 2021. Such turnover days remained relatively stable at 85 days in 2023.

Inventories are utilized as our data management solutions are delivered to and accepted by customers. Our Directors expect the majority of our inventories as of December 31, 2023 to be utilized in the first quarter of 2024. Our Directors believe no provision for inventories is required as all of our data management solution projects on hand as of December 31, 2023 are expected to generate profit. Our Directors are of the view that there are no material net realizable value issues and do not foresee any material recoverability issues for inventories. As of the Latest Practicable Date, RMB4.1 million, or 19.7% of our inventories as of December 31, 2023, had been used.

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Financial Assets at FVTPL

Our current financial assets at FVTPL represent Renminbi-denominated structured deposits. The expected annual interest rate for the structured deposits to be received is uncertain until redemption. Our non-current financial assets at FVTPL represents our unlisted debt investments. The table below sets forth the financial assets at FVTPL as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Structured deposits	103,066	35,155	–
Unlisted debt security	–	–	5,245
	103,066	35,155	5,245

Our current financial assets at FVTPL consisted of: (i) RMB103.1 million of structured deposits offered by Bank of Jiangsu as of December 31, 2021; and (ii) RMB35.2 million structured deposits at Agricultural Bank of China as of December 31, 2022. The aforementioned structured deposits carried expected annual interest rates of 1.2% to 4.0% during the Track Record Period. Our non-current financial assets at FVTPL consisted of RMB5.2 million of unlisted debt security as of December 31, 2023, representing our investment in an unlisted investment fund principally engaged in the trading of securities. For details, see Note 25 to the Accountants’ Report in Appendix I to this document.

The movements during the Track Record Period of the unlisted debt security at level 3 fair value measurement are set out below:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
At the beginning of the year	–	–	–
Addition	–	–	6,667
Fair value changes	–	–	(1,422)
At the end of the year	–	–	5,245

We have implemented internal control policies and rules regarding investment in structured products to ensure that the purpose of such investment is to preserve capital and liquidity until the free cash is used in our primary business and operation. Prior to purchasing a structured product, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis, subject to the approval of our chief financial officer, and after due and careful consideration of a number of factors, such as

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duration of the investment, reputation of the bank, and the expected returns. To control our risk exposure, we have in the past sought, and may continue in the future to seek other low-risk financial products. Additionally, we mainly invest in financial products offered by reputable commercial banks in China. We will comply with requirements under Chapter 14 of the Listing Rules and disclose the details of our investments and other notifiable transactions to the extent necessary and as appropriate after the [REDACTED].

Trade Receivables

Our trade receivables represent amounts receivable for services and solutions sold to our customers. We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The table below sets forth our trade receivables and impairment loss allowance as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Trade receivables			
API marketplace	55,753	82,039	146,484
Data management solutions	39,520	47,779	44,470
Total trade receivables	95,273	129,818	190,954
Less: impairment loss allowance	(4,070)	(5,845)	(15,877)
Trade receivables, net	91,203	123,973	175,077

Our customers can be divided into customers that pay us either before (“pre-paid”) or after (“post-paid”) services are rendered. Trade receivables tend to be higher when there are a larger number of customers who pay only after services are rendered, as their payment obligations are recorded as trade receivables. Most of our data management solution customers and large API marketplace customers, comprising government organizations and large internet companies, are post-paid customers. Our trade receivables less impairment loss allowance increased by 35.9% from RMB91.2 million as of December 31, 2021 to RMB124.0 million as of December 31, 2022, and further increased by 41.2% to RMB175.1 million as of December 31, 2023. The foregoing increases were primarily due to: (i) the general growth of our data management solution business, the customers of which were mostly post-paid; and (ii) an increase in the number of post-paid customers for our API marketplace as we continued attracting large customers for this business segment.

We performed an impairment analysis with regard to the balance of our trade receivables at the end of each year or period within the Track Record Period. As of December 31, 2021, 2022 and 2023, we had loss allowance for impairment of trade receivables of RMB4.1 million, RMB5.8 million and RMB15.9 million, respectively. For details, see Note 39(b) to the Accountants’ Report in Appendix I to this document. Our Directors consider the impairment loss allowance for our trade receivables to be adequate based on the aforementioned reasons.

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The table below sets forth an aging analysis of trade receivables, net of impairment losses, based on the invoice dates, as of the dates indicated:

	As of December 31,		
	2021	2022	2023
(RMB in thousands)			
API marketplace			
Unbilled receivables	43,923	60,184	89,975
Billed receivables			
Within 30 days	7,273	8,497	16,853
31-60 days	512	493	11,949
61-90 days	57	4,100	3,451
91-180 days	103	1,045	3,486
Over 180 days	64	2,004	5,218
Subtotal	<u>8,009</u>	<u>16,139</u>	<u>40,957</u>
Subtotal for API marketplace	<u>51,932</u>	<u>76,323</u>	<u>130,932</u>
Data management solutions			
Unbilled receivables	39,271	34,707	37,131
Billed receivables			
Within 30 days	–	11,159	1,627
31-60 days	–	733	3,991
61-90 days	–	–	616
91-180 days	–	–	599
Over 180 days	–	1,051	181
Subtotal	<u>–</u>	<u>12,943</u>	<u>7,014</u>
Subtotal for data management solutions	<u>39,271</u>	<u>47,650</u>	<u>44,145</u>
Total	<u>91,203</u>	<u>123,973</u>	<u>175,077</u>

For API marketplace, our unbilled receivables and billed receivables aged zero to 90 days, net of impairment loss allowance, amounted to RMB51.8 million, RMB73.3 million and RMB122.2 million as of December 31, 2021, 2022 and 2023, respectively. In particular, for API marketplace, our unbilled receivables and billed receivables aged within 30 days increased by 55.5% from RMB68.7 million as of December 31, 2022 to RMB106.8 million as of December 31, 2023, while our trade receivables aged 31 to 60 days increased significantly from RMB0.5 million as of December 31, 2022 to RMB11.9 million as of December 31, 2023. The increases were reflective of the growth of our revenue from API marketplace during the Track Record Period. For data management solutions, our unbilled receivables and billed receivables aged zero to 90 days, net of impairment loss allowance, amounted to RMB39.3 million, RMB46.6 million and RMB43.4 million as of December 31, 2021, 2022 and 2023, respectively. The overall increases in our trade receivables aged zero to 90 days for both business lines during the Track Record Period were in line with our revenue growth.

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For API marketplace, our trade receivables aged over 90 days, net of impairment loss allowance, amounted to RMB0.2 million, RMB3.0 million and RMB8.7 million as of December 31, 2021, 2022 and 2023, respectively. The overall increase during the Track Record Period was primarily due to an increase in our number of large customers for API marketplace, as large customers had stronger bargaining power in negotiating payment terms and were generally post-paid customers who underwent relatively long internal reconciliation procedures before making payments. For data management solutions, our trade receivables aged over 90 days, net of impairment loss allowance, amounted to nil, RMB1.1 million and RMB0.8 million as of December 31, 2021, 2022 and 2023, respectively. The increase to RMB1.1 million as of December 31, 2022 was primarily because we had yet to receive payment for one data management solution delivered in 2021 at the time. This outstanding receivable had since been collected in full.

As of December 31, 2023, we had RMB20.9 million of gross trade receivables aged over 90 days. These were due from 20 customers, including five SOE customers, one government customer and 14 other customers, primarily comprising technology and data service companies. As of the Latest Practicable Date, we had subsequently recovered RMB1.4 million of these trade receivables. However, our Directors believe that there is no material risk that the remaining trade receivables aged over 90 days could not be recovered based on the following factors:

- 94.1% of the RMB20.9 million was due from five customers, including three other customers and two SOE customers (accounting for approximately 32.0% of the RMB20.9 million). For the two SOE customers, we have obtained a favorable court judgment in our litigation against one of them (accounting for approximately 7.6% of the RMB20.9 million) over its outstanding balance in November 2023, so we expect that we can collect the outstanding receivables due from this customer, also taking into account this customer's financial conditions and capability to make such payments. For the other SOE customer (accounting for approximately 24.4% of the RMB20.9 million), we expect this customer to fully settle its outstanding receivables in the first quarter of 2024 based on the continuous discussions between our sales personnel and this customer.
- For the three other customers (accounting for approximately 62.1% of the RMB20.9 million), based on our regular communications with them, their delays in settlement were not due to their experiencing any interruptions in business activities, encountering any financial difficulties or having disputes with us. Instead, they encountered settlement issues with their own clients as stated below. We have been actively following up and discussed settlement plans with each of these customers and believe that they are able and willing to settle outstanding receivables in due course as agreed with them.

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- For the three other customers, the first one (accounting for 25.6% of the RMB20.9 million) delayed settlement due to a settlement dispute with its own client, but this customer has since resolved its dispute with its client, who has agreed to pay our customer in monthly installments starting from December 2023. We expect this customer to settle its outstanding receivables in the first half of 2024. The second customer (accounting for 17.4% of the RMB20.9 million) and the third customer (accounting for 19.1% of the RMB20.9 million) delayed settlement as they needed additional time to reconcile their records of their own clients’ usage of API services with their own records. We expect to collect the outstanding receivables due from these two customers in the first half of 2024, and have already received payments totaling RMB1.3 million from the third customer in January 2024.
- For the remaining 5.9% of the RMB20.9 million, we expect the outstanding amounts to be fully settled in the first half of 2024 based on the continuous discussions between our sales personnel and the relevant customers.

During the Track Record Period, our trade receivables comprised both unbilled and billed portions. Our unbilled receivables were mainly attributable to services rendered for API marketplace and data management solutions for which we have recognized revenue but not yet billed to our customers. Once we issue invoices to customers, such unbilled receivables would become billed receivables, until payments are settled. Our billed receivables primarily represented services rendered and billed to our customers. Also see “– Significant Accounting Policies and Estimates – Revenue Recognition”.

For API marketplace, as our customers may incur substantial number of API requests during a period, and hence need more time to reconcile their internal records with our records in order to ascertain that they have been charged for the correct number of API requests. For both API marketplace and data management solutions, before we issue invoices to our customers, we have to wait for the long internal approval process by our customers’ business and/or finance departments, which can take weeks or even months. According to F&S, after conducting independent research, such prolonged billing and payment process is in line with the market practice in China, and it is a market practice that invoices issued to customers, especially ones that have more bargaining power such as government entities, SOEs and large corporate entities, are generally dated after the conclusion of their internal approval process although our services under relevant contracts have been duly rendered. For a detailed discussion of the stages in our settlement process, see “Business – Our Customers – General Terms of Contracts with Customers”.

As of December 31, 2021, 2022 and 2023, our trade receivables included unbilled receivables of RMB83.2 million, RMB94.9 million and RMB127.1 million, respectively, and billed receivables of RMB8.0 million, RMB29.1 million and RMB48.0 million, respectively.

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The table below sets forth a breakdown of our unbilled receivables by business segment as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Unbilled receivables			
API marketplace	43,923	60,184	89,975
Data management solutions	39,271	34,707	37,131
Total	<u>83,194</u>	<u>94,891</u>	<u>127,106</u>

The table below sets forth a breakdown of our unbilled receivables by customer type as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Unbilled receivables			
Government	–	–	2,240
SOEs	41,572	35,606	28,318
Large corporate entities ⁽¹⁾	18,776	42,046	88,122
SMEs ⁽²⁾	22,846	17,239	8,426
Total	<u>83,194</u>	<u>94,891</u>	<u>127,106</u>

(1) Represents corporate entities classified as “L” or large (大型) on Qichacha (企查查) and corporate entities classified as “M” or medium (中型), “S” or small (小型), or “XS” or extra small (微型) on Qichacha that are listed on the Beijing, Shanghai, Shenzhen and/or Hong Kong Stock Exchanges.

(2) Represents corporate entities classified as “M” or medium (中型), “S” or small (小型), or “XS” or extra small (微型), on Qichacha (企查查), excluding companies listed on the Beijing, Shanghai, Shenzhen and/or Hong Kong Stock Exchanges.

Our Directors believe that there are no material recoverability issues with the trade receivables due from our major and strategic customers on the following basis:

- Our major and strategic customers are primarily government entities, SOEs, and large corporate entities with solid credit profiles and a history of settling receivables with us. We have generally maintained strong and stable business relationships with these customers;

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- The delay in settlement by certain of our major and strategic customers was not caused by financial difficulties or interruptions in their business activities, but due to their effort at better managing their liquidity and cash flow as they were still recovering from the negative impact of the Covid-19 pandemic or had yet to settle receivables due from their own customers; and
- Our sales personnel maintain communications with these customers to monitor their business performance and financial position and to discuss settlement plans. Based on such communications, these customers have generally agreed to settle their receivables in full within the first nine months of 2024.

In addition, we would take appropriate follow-up actions with our major and strategic customers when receivables become due.

As of the Latest Practicable Date, our API marketplace customers settled a substantial portion of unbilled and billed receivables as of December 31, 2021 and 2022. It suggested that our API marketplace customers overall had a good record of payment settlement. In very rare cases, we filed a claim against customers to recover the amount of receivables. For the data management solutions delivered and accepted in 2022, we received payments after the delivery and acceptance of 17 projects from 2022 up to the Latest Practicable Date. Such payment represented 78.8% of the receivables of the projects as of their respective delivery and acceptance months. For the data management solutions delivered and accepted in 2021, we received payments after the delivery and acceptance of 16 projects from 2022 up to the Latest Practicable Date. Such payment represented 94.9% of the receivables of the projects as of their respective delivery and acceptance months. These results suggest that our data management solution customers do, over time, continuously seek to settle their payments with us after the delivery and acceptance of respective solutions.

On the basis of (1) reviewing the breakdown of the Group’s unbilled receivables as of December 31, 2021, 2022 and 2023; (2) reviewing the breakdown of the subsequent settlement to the unbilled receivables as of the Latest Practicable Date; (3) with the assistance of the Sponsor’s PRC Legal Counsel, conducting desktop search on the top five customers with unbilled receivables as of December 31, 2021, 2022 and 2023; (4) discussing with F&S and obtaining their view that it is a market practice in China that invoices issued to customers, especially ones that have more bargaining power such as government entities, SOEs and large corporate entities, are generally dated after the conclusion of their internal approval process; and (5) discussing with the Reporting Accountants and obtaining their confirmation that appropriate provisions were made in the Group’s audited financial statements, no material information has come to the Sole Sponsor’s attention that would lead it to disagree with the Directors’ views on the recoverability of unbilled receivables and whether sufficient provision has been made.

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The table below sets forth an aging analysis of trade receivables, net of impairment losses, based on the revenue recognition dates, as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
API marketplace			
Unbilled receivables			
Within 30 days	27,824	20,919	29,431
31-60 days	1,308	19,047	23,312
61-90 days	443	7,173	8,287
91-180 days	532	11,688	5,305
Over 180 days	13,816	1,357	23,640
Subtotal	43,923	60,184	89,975
Billed receivables			
Within 30 days	–	531	1
31-60 days	7,120	8,286	451
61-90 days	504	541	12,949
91-180 days	279	4,352	7,373
Over 180 days	106	2,429	20,183
Subtotal	8,009	16,139	40,957
Subtotal for API marketplace	51,932	76,323	130,932
Data management solutions			
Unbilled receivables			
Within 30 days	25,539	19,729	12,364
31-60 days	13,361	2,535	–
61-90 days	–	60	–
91-180 days	–	1,317	2,438
Over 180 days	371	11,066	22,329
Subtotal	39,271	34,707	37,131
Billed receivables			
Within 30 days	–	11,892	5,361
31-60 days	–	–	287
61-90 days	–	–	–
91-180 days	–	–	–
Over 180 days	–	1,051	1,366
Subtotal	–	12,943	7,014
Subtotal for data management solutions	39,271	47,650	44,145
Total	91,203	123,973	175,077

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The table below sets forth the turnover days for our trade receivables and billed receivables for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Trade receivables turnover days ⁽¹⁾	114	125	133
Billed receivables turnover days ⁽²⁾	11	22	38

- (1) Trade receivables turnover days equal the average of the opening and closing trade receivables balances of the indicated year divided by the revenue for the same year and multiplied by 365 days.
- (2) Billed receivables turnover days equal the average of the opening and closing gross billed receivables balances of the indicated year divided by the revenue for the same year and multiplied by 365 days.

Our trade receivable turnover days increased from 114 days in 2021 to 125 days in 2022, and further increased to 133 days in 2023, primarily due to an increase in our number of large customers, including large internet companies and government organizations, who are generally post-paid customers that settle payments after using our API marketplace services or after the delivery and acceptance of our data management solution projects. Before we issue invoices to our customers, we have to wait for the long internal approval process by our customers’ business and/or finance departments, which can take weeks or even months. For our monthly settled API marketplace customers, they take time to reconcile their internal records with our records in order to ascertain that they have been charged for the correct number of API requests. The customers also undergo their internal protocols to initiate the payment process. All these reasons contribute to our increased turnover days of trade receivables. Our billed receivables turnover days were 11 days in 2021, 22 days in 2022 and 38 days in 2023. Our billed receivables turnover days were generally within our credit period of five to 60 days.

We closely monitor and control the recoverability of our outstanding receivables, especially unbilled receivables, by adopting the following measures:

- keeping records of outstanding receivables;
- requiring our sales personnel to communicate with customers regarding payment plans;
- if a customer’s payment to us is dependent on the customer’s receivables, we will take reasonable efforts to understand the recoverability of the relevant receivables from the perspective of our customer;
- implementing various measures to collect outstanding payments, including: (i) negotiating with customers to formulate payment plans and monitoring the implementation of such plans; (ii) prompting customers to complete internal approval and invoice issuance processes as soon as possible; and (iii) sending overdue payment notices to customers; and
- maintaining and regularly updating a list of customers with payments that are overdue and designating personnel to collect overdue payments.

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Our Director consider our Group's internal controls on monitoring and controlling our unbilled receivables sufficient and effective, on the basis that:

- As of the Latest Practicable Date, 90.2% and 97.3% of the unbilled receivables as of December 31, 2022 and 2021, respectively, were billed; and 86.7% and 97.0% of the unbilled receivables as of December 31, 2022 and 2021, respectively, were settled. This indicated that our customers were willing to pay their unbilled receivables;
- The amount of the billed receivables was one of the assessment criteria of sales personnels' payroll. They have personal interests to follow up with customers and facilitate the billing of unbilled receivables; and
- Our revenue derived from the contributions from large customers. For example, for each of the years ended December 31, 2021, 2022 and 2023, revenue from our five largest customers accounted for approximately 41.1% to 62.3% of our total revenue. Our data management solutions have less than 30 customers. To maintain and expand our business operation, we are also prudent on maintaining our relationship with our large customers. Sufficient and effective internal control measures should also strike the balance between reduction on the unbilled receivables and maintenance of customer relationships.

Furthermore, in order to minimize our credit risks, we have implemented a collection policy which includes measures to perform on-going credit evaluation of the financial conditions of our customers. For both our new and existing customers, we assess the potential customer's credit quality at the early stage of entering contracts and our sales department is responsible for assessing the risks and credits of our customers.

For a new customer, as part of the customer onboarding process, our sales staff would collect basic information and build customer profiles to include the new customer's business operation conditions, financial conditions and credit conditions and assess their credit risk based on the information collected. Before we enter into a new contract with our new or existing customers, we internally review and confirm the contract with our staff in various key departments such as finance, sales and legal. Approvals from the relevant departments are required to enter into contracts. For our existing customers, we also consider the customers' payment history and any unsettled amount with them before entering into new contracts with them. We regularly update our assessments based on our customers' business operations and financial performance. We obtain information on our customer's operation and financial performance via the public domain and through regular communications with them.

When receivables become due, we take further appropriate follow-up actions based on our previous assessments, including continuous communications with our customers, demanding due payments through written communications and taking legal actions when necessary. Our sales team is responsible for following up periodically with our customers regarding unbilled receivables, and closely monitors the progress and outcome of such follow-ups.

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Our finance staff reviews settlement amounts every month and the aging of unbilled receivables and prepares a list of customers for sales staff to take further actions from time to time. If the outstanding receivables cannot be recovered after exhausting all proper measures, the sales staff would notify the finance department. The finance staff would review and obtain approvals from relevant personnel to make loss allowances for unrecoverable receivables whenever necessary.

Based on the foregoing, sample testing and the internal control consultant’s review of the Company’s policies and procedures, the internal control consultant engaged by the Company is of the view that there are no internal control deficiencies on unbilled receivables.

As a result of the foregoing, our Directors believe that our internal controls over unbilled receivables are sufficient and that there is no material recoverability issue with our receivables from our major and strategic customers.

Through discussions with the internal control consultant engaged by our Company (the “**Internal Control Consultant**”), the Sole Sponsor understood that the Internal Control Consultant has interviewed and discussed with the responsible persons to understand the abovementioned internal control procedures. The Internal Control Consultant noted that the Company has established written policies and procedures to manage and monitor the sales activities including pricing, customer’s identity verification, contract management, customer’s credit, and account receivables confirmation procedures.

Based on the foregoing, no material information has come to the Sole Sponsor’s attention that would lead it to disagree with the Directors’ and the Internal Control Consultant’s views on the effectiveness and sufficiency of the Group’s internal control measures on unbilled receivables as discussed.

As of the Latest Practicable Date, 21.8% of our trade receivables as of December 31, 2023, 79.8% of our trade receivables as of December 31, 2022 and 93.5% of our trade receivables as of December 31, 2021 had been settled. With the exception of trade receivables totalling RMB3.5 million, which have been accounted for in the impairment loss allowance, our Directors are not aware of any material recoverability issue.

As of the Latest Practicable Date, 39.5% of our unbilled receivables as of December 31, 2023, 90.2% of our unbilled receivables as of December 31, 2022, and 97.3% of our unbilled receivables as of December 31, 2021, had been billed.

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The table below sets forth the subsequent billing status as of the Latest Practicable Date of our unbilled receivables as of December 31, 2021, 2022 and 2023 by business segment:

	As of December 31,		
	2021	2022	2023
Subsequently billed receivables as of the Latest Practicable Date			
API marketplace	97.7%	98.9%	43.3%
Data management solutions	96.8%	75.1%	30.4%
Total	<u>97.3%</u>	<u>90.2%</u>	<u>39.5%</u>

The table below sets forth the subsequent billing status as of the Latest Practicable Date of our unbilled receivables as of December 31, 2021, 2022 and 2023 by customer type:

	As of December 31,		
	2021	2022	2023
Subsequently billed receivables as of the Latest Practicable Date			
Government	–	–	15.0%
SOEs	97.0%	82.2%	32.7%
Large corporate entities ⁽¹⁾	99.7%	99.9%	42.9%
SMEs ⁽²⁾	96.0%	82.8%	33.1%
Total	<u>97.3%</u>	<u>90.2%</u>	<u>39.5%</u>

(1) Represents corporate entities classified as “L” or large (大型) on Qichacha (企查查) and corporate entities classified as “M” or medium (中型), “S” or small (小型), or “XS” or extra small (微型) on Qichacha that are listed on the Beijing, Shanghai, Shenzhen and/or Hong Kong Stock Exchanges.

(2) Represents corporate entities classified as “M” or medium (中型), “S” or small (小型), or “XS” or extra small (微型), on Qichacha (企查查), excluding companies listed on the Beijing, Shanghai, Shenzhen and/or Hong Kong Stock Exchanges.

As of the Latest Practicable Date, 29.3% of our unbilled receivables as of December 31, 2023, 86.7% of our unbilled receivables as of December 31, 2022, and 97.0% of our unbilled receivables as of December 31, 2021, had been settled.

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The table below sets forth the subsequent settlement status as of the Latest Practicable Date of our unbilled receivables as of December 31, 2021, 2022 and 2023 by business segment:

	As of December 31,		
	2021	2022	2023
Subsequently settled unbilled receivables as of the Latest Practicable Date			
API marketplace	97.1%	96.5%	31.7%
Data management solutions	96.8%	69.7%	23.4%
Total	<u>97.0%</u>	<u>86.7%</u>	<u>29.3%</u>

The subsequent settlement rate as of the Latest Practicable Date of our unbilled receivables for data management solutions as of December 31, 2022 was relatively low at 69.7%, primarily because the following four customers had yet to settle payments with us:

- Two SOE customers that had to go through lengthy internal processes before issuing payments to us. As per communications with our sales personnel, one of them (accounting for 65.5% of the unbilled receivables for data management solutions as of December 31, 2022 that remained unsettled as of the Latest Practicable Date) has agreed to settle its outstanding unbilled receivables with us before June 30, 2024, and the other one (accounting for 11.9% of the outstanding unbilled receivables) before September 30, 2024;
- A publicly-funded university (accounting for 22.5% of the outstanding unbilled receivables) that delayed its settlement due to a decrease in the government grants it received in 2022 and 2023 as the Covid-19 pandemic negatively impacted the local government’s financial position. As per communications with our sales personnel, this customer has agreed to settle its outstanding unbilled receivables with us before June 30, 2024; and
- An SOE customer (accounting for 0.1% of the outstanding unbilled receivables) delayed its settlement as it had not yet received payments due from its own customer, a local government platform in Suzhou. As per communications with our sales personnel, this customer has agreed to settle the outstanding unbilled receivables with us before December 31, 2024.

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The table below sets forth the subsequent settlement status as of the Latest Practicable Date of our unbilled receivables as of December 31, 2021, 2022 and 2023 by customer type:

	As of December 31,		
	2021	2022	2023
Subsequently settled unbilled receivables as of the Latest Practicable Date			
Government	–	–	–
SOEs	96.9%	75.7%	25.4%
Large corporate entities ⁽¹⁾	99.7%	99.5%	32.4%
SMEs ⁽²⁾	94.7%	78.3%	16.9%
Total	<u>97.0%</u>	<u>86.7%</u>	<u>29.3%</u>

(1) Represents corporate entities classified as “L” or large (大型) on Qichacha (企查查) and corporate entities classified as “M” or medium (中型), “S” or small (小型), or “XS” or extra small (微型) on Qichacha that are listed on the Beijing, Shanghai, Shenzhen and/or Hong Kong Stock Exchanges.

(2) Represents corporate entities classified as “M” or medium (中型), “S” or small (小型), or “XS” or extra small (微型), on Qichacha (企查查), excluding companies listed on the Beijing, Shanghai, Shenzhen and/or Hong Kong Stock Exchanges.

We believe the prolonged settlement of receivables to be in line with market practice in China. As more fully set forth under “Business – Our Customers – General Terms of Contracts with Customers”, a small number of customers contribute a large percentage of our revenues. For example, in 2023, the top 1% of our active registered paying customers accounted for 97.3% of our revenue. These customers typically have stronger bargaining power and may request that they settle payment at a later period. It is also often to our strategic interests to accommodate requests for extended period of settlement, as these customers enhance our ability to keep abreast of industry trends and business opportunities.

For the reasons set forth below, our Directors are of the view, and the Sponsor concurs, that there is minimal risk of non-recoverability of our unbilled receivables, and that sufficient provision has been made:

We measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and calculate ECLs based on lifetime ECLs individually or collectively using a provision matrix with appropriate groupings. Our provision matrix is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

With respect to our unsettled receivables as of the Latest Practicable Date, based on the ECL allowance principles set forth herein, we have made impairment loss allowances depending on the circumstances surrounding the counterparty and the nature of the receivables.

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For example, we made an impairment loss allowance of the full amount of the receivables for a counterparty that had gone bankrupt. We made partial impairment loss allowances for various SOE customers that will settle with us once their customers have settled with them, which they expect to occur within the year.

Prepayments, Deposits and Other Receivables

The table below sets forth an analysis of our current portion of prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Deposits and other receivables	3,048	4,612	2,201
Prepayments	18,302	55,146	70,339
Prepaid [REDACTED] expenses and deferred issue costs	[REDACTED]	[REDACTED]	[REDACTED]
	21,350	59,758	78,937
Less: impairment loss allowance	(1,029)	(292)	(194)
Total	20,321	59,466	78,743

Our current deposits and other receivables primarily consisted of our prepaid input VAT, bidding deposits, and advancements to employees in daily operations. Our current deposits and other receivables increased by 51.3% from RMB3.0 million as of December 31, 2021 to RMB4.6 million as of December 31, 2022, primarily because we made additional deposits in relation to our bidding activities. Our current deposits and other receivables decreased by 52.3% to RMB2.2 million as of December 31, 2023 primarily due to an increase in our prepaid taxes.

Our current prepayments primarily consisted of prepayments to suppliers. Our current prepayments increased significantly from RMB18.3 million as of December 31, 2021 to RMB55.1 million as of December 31, 2022, and further increased by 27.6% to RMB70.3 million as of December 31, 2023. The increase in our current prepayments was primarily because as we continued to grow our API marketplace business and gain customers with demand for high-quality services, we made more prepayments to suppliers in order to accelerate the settlement of payables to ensure that we receive a steady supply of data services and strengthen our relationships with suppliers. We had prepaid [REDACTED] expenses and deferred issue costs of RMB[REDACTED] in relation to our [REDACTED] and [REDACTED] as of December 31, 2023.

As of the Latest Practicable Date, RMB45.7 million, or 58.1% of our prepayments, deposits and other receivables as of December 31, 2023, had been settled.

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Contract Assets

Our contract assets arising from data management solutions relate to our rights to consideration for work completed during the project warranty and maintenance period of usually one year after delivery. Our contract assets increased significantly from RMB1.1 million as of December 31, 2021 to RMB4.0 million as of December 31, 2022, primarily due to an increase in the total amount of retention money we were entitled to collect as our revenue from data management solutions grew. Our contract assets decreased by 53.3% to RMB1.9 million as of December 31, 2023, primarily because for certain of our data management solution projects, the amount of consideration originally recognized as contract assets was reclassified as trade receivables when these projects reached the end of their warranty and maintenance period. The table below sets forth our contract assets as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Contract assets arising from data management solutions	1,124	4,021	1,873
Less: impairment loss allowance	(7)	(27)	(8)
Total	<u>1,117</u>	<u>3,994</u>	<u>1,865</u>

As of the Latest Practicable Date, 20.9% of our contract assets as of December 31, 2023, had been recognized as trade receivables.

Trade Payables

Our trade payables primarily consist of payables to our suppliers. Our trade suppliers generally grant us a credit period of up to three months from the date of billing. The table below sets forth our trade payables and other as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
API marketplace	9,506	9,195	35,712
Data management solutions	<u>27,944</u>	<u>27,477</u>	<u>25,779</u>
Total	<u>37,450</u>	<u>36,672</u>	<u>61,491</u>

As of December 31, 2021, 2022 and 2023, our trade payables to suppliers for API marketplace accounted for 25.4%, 25.1% and 58.1% of our total trade payables, while our trade payables to our suppliers for data management solutions accounted for 74.6%, 74.9% and 41.9%.

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Our trade payables to suppliers for API marketplace as of December 31, 2023 was significantly higher than as of December 31, 2021 and 2022, primarily due to: (i) the more relaxed payment schedule with our suppliers, mainly attributable to our increased purchases and stronger relationship with suppliers, as well as our good settlement history of payables; (ii) our slower settlement of payables to improve our liquidity and operating cash flow; and (iii) an overall increase in our purchases of data services due to the growth of our query service business.

The table below sets forth an aging analysis of our trade payables:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Within one year	36,389	30,179	50,130
One to two years	775	6,086	7,959
Over two years	286	407	3,402
Total	37,450	36,672	61,491

Our trade payables aged within one year increased by 66.1% from RMB30.2 million in 2022 to RMB50.1 million in 2023, primarily due to an increase in our trade payables to suppliers for API marketplace. Our trade payables aged over two years increased significantly from RMB0.4 million in 2022 to RMB3.4 million in 2023, primarily due to our delay in settlement of payables to our suppliers on certain data management solution projects as we had not yet received payments from our customers on these projects; per the back-to-back payment arrangements in our agreements with such suppliers, our obligation to make payment does not arise until we have received payment from our respective customers. Our trade receivables aged one to two years increased significantly from RMB0.8 million in 2021 to RMB6.1 million, primarily due to our delay in settlement of payables to certain suppliers for data management solutions for the same foregoing reason.

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

	Year ended December 31,		
	2021	2022	2023
Trade payables turnover days ⁽¹⁾	95	61	57

(1) Trade payables turnover days equal the average of the opening and closing trade payables balances of the indicated year divided by the cost of sales for the same year and multiplied by 365 days.

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Our trade payables turnover days decreased from 95 days in 2021 to 61 days in 2022, and further decreased to 57 days in 2023, primarily due to our efforts to accelerate the settlement of payables to secure a steady supply of data services, software and hardware from our suppliers.

As of the Latest Practicable Date, RMB20.8 million, or 33.8% of our trade payables as of December 31, 2023, had been settled.

Other Payables and Accruals

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

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Deposits received.	130	130	82
Other payables	39	37	22
Other tax payables	2,457	3,785	1,453
Construction costs payable.	15,566	27,205	2,054
Accruals	4,921	8,317	5,934
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Total.	<u>23,113</u>	<u>39,474</u>	<u>19,816</u>

Our construction costs payable were the largest component of our other payables and accruals as of December 31, 2021 and 2022. Fluctuations in our construction costs payable during the Track Record related to our payment schedule based on the construction of our headquarters building and our purchase of furniture, fixtures and office equipment for such building. Our accruals increased significantly from RMB4.9 million as of December 31, 2021 to RMB8.3 million as of December 31, 2022, primarily due to increase in our salaries payable and professional fees payable. Our accruals decreased by 28.7% from RMB8.3 million as of December 31, 2022 to RMB5.9 million as of December 31, 2023, primarily due to our settlement of professional fees payable in relation to our previous listing preparations. We had accrued [REDACTED] expenses of RMB[REDACTED] as of December 31, 2023 in relation to our [REDACTED] and [REDACTED].

As of the Latest Practicable Date, RMB14.6 million, or 73.6% of our other payables and accruals as of December 31, 2023, had been settled.

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Contract Liabilities

Our contract liabilities represent our obligation to transfer services to a customer for which we have received advance consideration from the customer. We receive payments from customers based on billing schedule as established in contracts. The table below sets forth our contract liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
API marketplace	31,891	26,902	20,491
Data management solutions	19,549	2,790	9,311
Total	<u>51,440</u>	<u>29,692</u>	<u>29,802</u>

Our contract liabilities arising from API marketplace decreased by 15.6% from RMB31.9 million as of December 31, 2021 to RMB26.9 million as of December 31, 2022, and further decreased by 23.8% to RMB20.5 million as of December 31, 2023. The overall decreasing trend in our contract liabilities arising from API marketplace was primarily a reflection of the fact that our pre-paid customers have been utilizing our API services from prepaid consideration while we continued to gain more large post-paid customers.

Our contract liabilities arising from data management solutions decreased by 85.7% from RMB19.5 million as of December 31, 2021 to RMB2.8 million as of December 31, 2022, primarily due to the delivery and acceptance of certain large data management solutions that were yet undelivered as of the end of 2021. Our contract liabilities increased significantly to RMB9.3 million as of December 31, 2023 primarily due to (i) an increase in our number of data management solutions yet to be delivered and accepted at the end of the year; and (ii) certain of our new data management solution projects were short-term in nature, and we received prepayments from these customers.

As of the Latest Practicable Date, RMB3.5 million, or 11.7% of our contract liabilities as of December 31, 2023, had been recognized as revenue.

Lease Liabilities

We lease properties to operate our business. These leases are typically made for a fixed term of two years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

To a lesser extent, we also lease properties with a term of less than one year. These leases are short-term and we have elected not to recognize right-of-use assets and lease liabilities for these leases. For details of our lease liabilities during the Track Record Period, see “– Indebtedness”.

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Repurchase Liabilities

Our repurchase liabilities were in relation to our share repurchase obligation under the share transfer agreement signed with China-Singapore Ventures. For details, see “– Indebtedness”. As of December 31, 2021, 2022 and 2023 and January 31, 2024, we had repurchase liabilities of nil, nil, RMB23.0 million and RMB23.2 million, respectively.

NON-CURRENT ASSETS AND LIABILITIES

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

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	212,781	233,972	223,466
Intangible assets	118	109	100
Financial assets at FVOCI	88,189	75,954	61,700
Financial assets at FVTPL	–	–	5,245
Prepayments, deposits and other receivables	36	5	40
Deferred tax assets	556	620	545
Total non-current assets	301,680	310,660	291,096
Non-current liabilities			
Lease liabilities	–	22	–
Deferred tax liabilities	11,134	9,306	5,536
Total non-current liabilities	11,134	9,328	5,536

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted mainly of buildings, construction-in-progress, leasehold land, and furniture, fixtures and office equipment. Our property, plant and equipment increased by 10.0% from RMB212.8 million as of December 31, 2021 to RMB234.0 million as of December 31, 2022, primarily due to: (i) an addition of RMB15.9 million in construction-in-progress, which was transferred to buildings upon completion, as the construction of our headquarters building came to completion; (ii) an addition of RMB10.8 million in leasehold improvements; and (iii) an addition of RMB5.6 million in furnitures, fixtures, and office equipment, primarily incurred as we prepared our headquarters building for daily use. Our property, plant and equipment decreased by 4.5% to RMB223.5 million as of December 31, 2023 primarily due to the depreciation and amortization of our headquarters building.

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Financial Assets at FVOCI

Our financial assets at FVOCI represented unlisted equity investments irrevocably designated at fair value through other comprehensive income due to their long-term strategic nature. The table below sets for the financial assets at FVOCI as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Unlisted equity investments, at fair value	88,189	75,954	61,700

The table below sets forth the movements of the unlisted equity investments at level 3 fair value measurement during the Track Record Period:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
At the beginning of the year/period	50,114	88,189	75,954
Fair value changes	38,142	(12,400)	(14,266)
Exchange difference	(67)	165	12
At the end of the year/period	<u>88,189</u>	<u>75,954</u>	<u>61,700</u>

Our financial assets at FVOCI represented unlisted equity investments irrevocably designated at fair value through other comprehensive income due to their nature as long-term strategic instruments. As of December 31, 2021, 2022 and 2023, our financial assets at FVOCI amounted to RMB88.2 million, RMB76.0 million and RMB61.7 million, respectively, as measured at fair values based on the valuation performed by independent professional valuers with fair values being determined based on significant unobservable inputs using valuation techniques. There was no transfer between different levels of the fair value hierarchy or change in valuation technique used during the Track Record Period. The changes in our financial assets at FVOCI during the Track Record Period were caused by fluctuations in the fair value of our unlisted equity investments in Shanghai Fairyland Software Co., Ltd. (上海復深藍軟件股份有限公司), Beijing Tiantian Yuedong Network Technology Co., Ltd. (北京天天悅動網絡技術有限公司), and Stratifyd, Inc. For details, see Note 20 to the Accountants’ Report as set out in Appendix I to this document.

The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group’s historical financial information for the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant’s opinion on the historical financial information of the Group for the Track Record Period is set out on page I-2 of Appendix I to this document.

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We perform the valuation of level 3 financial instruments for financial reporting purposes, taking into account significant unobservable inputs and applicable valuation technique, and manage the valuation exercise of the investments on a case-by-case basis. We carry out independent due diligence procedures on our unlisted equity investments, including taking reasonable steps to verify the accuracy and reasonableness of material company information that is likely to affect the valuation of the assets, such as financial performance and forecasts, total addressable market, competitive advantages, business plans and assumptions; and engage an independent qualified professional valuer to aid our management and directors as to the determination of the fair value of our level 3 instruments. Our Directors are satisfied with the valuation work for financial assets categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountant’s Report as referred to in Appendix I to this document.

INDEBTEDNESS

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

	As of December 31,			As of January 31,
	2021	2022	2023	2024
	(RMB in thousands)			
	(Unaudited)			
Lease liabilities	–	65	–	–
Repurchase liabilities	–	–	23,013	23,211
Total	–	65	23,013	23,211

During the Track Record Period, our borrowings comprised a RMB20.0 million loan obtained and repaid in 2021. As of December 31, 2021, 2022 and 2023 and January 31, 2024, we recognized lease liabilities of nil, RMB65,000, nil and nil, respectively, and repurchase liabilities of nil, nil, RMB23.0 million and RMB23.2 million, respectively. For details on our repurchase liabilities, see Note 41 to the Accountants’ Report in Appendix I to this document.

As of January 31, 2024, being the latest practicable date for determining our indebtedness, we have no unutilized banking facilities.

Except as disclosed above, as of the Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

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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 we 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. Our Directors also confirm that there has not been any material change in our indebtedness since the Latest Practicable Date and up to the date of this document.

CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period were primarily used for the construction of our headquarters building. We funded our capital expenditures during the Track Record Period mainly from our internal cash resources. Our capital expenditures amounted to RMB65.3 million, RMB32.2 million and RMB1.6 million for 2021, 2022 and 2023, respectively. In 2021, while our headquarters building was still under construction, our capital expenditures were relatively high. Our capital expenditures decreased after the construction of our headquarters building was completed in early 2022. As of the Latest Practicable Date, we did not have any material capital expenditures planned for 2024.

CAPITAL COMMITMENTS

The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Contracted, but not provided for			
– Construction-in-progress	15,851	–	–
– Office equipment	3,851	–	–
– Leasehold improvements	9,908	–	–
– Financial assets at FVTPL	–	–	13,333
Total	29,610	–	13,333

Our capital commitments in 2021, and 2022 were all related to the construction and preparation of our headquarters building. Hence, after the relocation was completed in January 2022, we did not have any material capital commitments as of December 31, 2022. As of December 31, 2023, our capital commitments comprised financial assets at FVTPL of RMB13.3 million relating to our unlisted debt security.

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RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

We entered into the following related party transactions with related companies during the Track Record Period, on terms mutually agreed upon between us and the related companies:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Shareholder			
Provision of API marketplace services	26	–	–
Related companies			
Purchase of API marketplace services	1	–	–
Provision of API marketplace services	5,537	4,922	5,056

We are of the view that our transactions with related parties during the Track Record Period were trade in nature and were conducted on an arm’s length basis and with normal commercial terms between the relevant parties. For details, see Note 35 to the Accountants’ Report in Appendix I to this document. We are also of the view that our related party transactions during the Track Record Period will not distort our historical results or make our historical results unreflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023 and the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against us.

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KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates or for the years indicated:

	Year ended/As of December 31,		
	2021	2022	2023
Revenue growth.	45.8%	26.5%	34.1%
Gross profit margin ⁽¹⁾	34.6%	32.7%	28.3%
Net profit margin ⁽²⁾	17.7%	12.6%	7.9%

(1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.

(2) Net profit margin equals profit divided by revenue for the year and multiplied by 100%.

For a discussion of the factors affecting our revenue growth, gross profit margin and net profit margin, see “– Results of Operations”.

DIVIDENDS

We paid RMB20.0 million of dividends to our shareholders in 2021. No dividend has been declared and paid in 2022 and 2023.

We do not have a formal dividend policy or a fixed dividend payout ratio. We may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Our interest-bearing financial instruments at variable rates as of December 31, 2021, 2022 and 2023 are the cash at bank and time deposits except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. Our interest-bearing financial instruments at fixed interest rates as of December 31, 2021, 2022 and 2023 are fixed deposits and the change of market interest rate does not expose us to fair value interest risk. Our Directors consider that our exposure to interest rate risk is not significant and no sensitivity analysis of interest rate risk is presented. For details, see Note 39(a) to the Accountants’ Report in Appendix I to this document.

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Credit Risk

Our credit risk is primarily attributable to our trade receivables, deposits and other receivables and contract assets. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, deposits and other receivables and contract assets, credit evaluations are performed on all debtors. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. 15.9%, 19.3%, 24.3% of our trade receivables, deposits and other receivables and 38.2%, 40.5%, 58.1% of our contract assets was due from our largest customer and the five largest customers, respectively, as of December 31, 2021, 2022 and 2023, respectively. For details, see Note 39(b) to the Accountants’ Report in Appendix I to this document.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with our directors, who have built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves. For details, see Note 39(c) to the Accountants’ Report in Appendix I to this document.

Equity Price Risk

The table below sets out the sensitivity of the carrying amount of financial assets at FVOCI and FVTPL during the Track Record Period to a change in the significant unobservable inputs while all other variable held constant. A positive number below indicates an increase in total comprehensive income for the year/period. For a decrease in total comprehensive income for the year, the balance below would be negative. For details, see Note 39(d) to the Accountants’ Report in Appendix I to this document.

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
10% higher in the fair value of the investment.	7,531	6,473	5,252
10% lower in the fair value of the investment	(7,531)	(6,473)	(5,252)

FINANCIAL INFORMATION

Foreign Currency Risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our currency risk is minimal as most of our transactions are carried out in functional currency of the respective entities.

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company had a distributable reserve of RMB90.5 million.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to disclosures required under Rules 13.13 to 13.19 of Chapter 13 of the Hong Kong Listing Rules.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately RMB[REDACTED] million (assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED]) accounting for approximately [REDACTED] of our [REDACTED], of which approximately RMB[REDACTED] million is directly attributable to the issue of our [REDACTED] and will be deducted from equity, approximately RMB[REDACTED] million has been expensed in our consolidated statements of profit or loss during the Track Record Period and approximately RMB[REDACTED] million is expected to be expensed after the Track Record Period. Our estimated [REDACTED] expenses include: (i) [REDACTED]-related expenses, representing [REDACTED] and fees of approximately RMB[REDACTED] million; (ii) Sponsor fee of approximately RMB[REDACTED] million; and (iii) [REDACTED]-related expenses, comprising professional fees to the legal advisors, Reporting Accountant and other professionals of approximately RMB[REDACTED] million for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses of approximately RMB[REDACTED] million. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.