
SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the entire document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

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 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.

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Leveraging our integrated API-enabled data exchange capabilities, in 2020, we started to provide data management solutions, a type of customized data technology solution that 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, 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%.

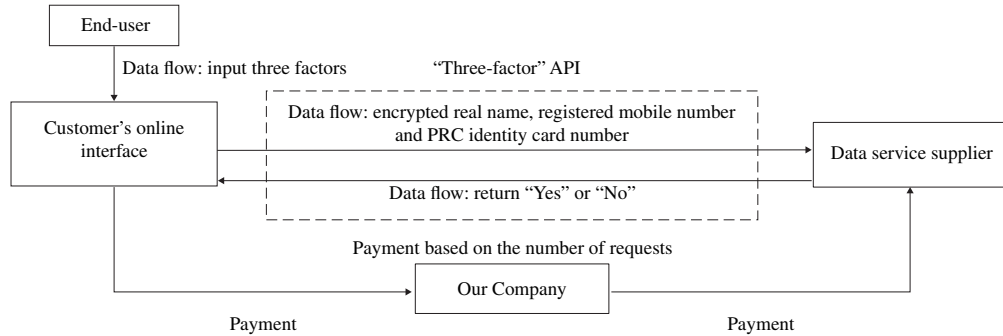
API Marketplace

Our API marketplace provides standard API services. Customers can integrate their software applications quickly with standardized APIs provided by API marketplace, enabling them to rapidly implement the functionality required for their scenarios. Our customers primarily consist of internet companies, software and app developers, and telecommunications operators, who subscribe to different service types to match their application scenarios. The APIs we offer on API marketplace cover a wide array of services, such as authentication, SMS notice, weather, news, IP address inspections and top-ups, which we broadly categorize into the following three service types:

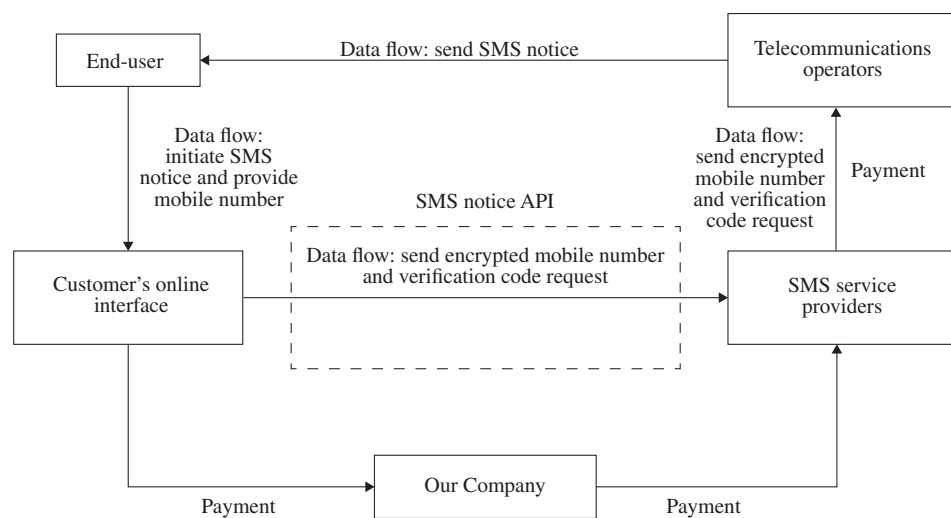
- *Query*: Customers utilize our APIs to request the retrieval of data results, such as identity authentication, mobile online status, online duration, information on companies, and certain publicly available information such as weather conditions. We provided approximately 300 paid APIs for query services as of December 31, 2023. One of our most popular query APIs is known as the “three-factor” API. The “three factors” refer to a person’s name, registered mobile number and PRC identity card number. Internet platforms in China typically require new customers to provide these three factors to verify their identity and register a new account. Without divulging any personal data, our customers will receive a “Yes” or “No” result confirming whether the three factors match the information previously registered by the same person. End-users provide their three factors on our customer’s online interface, such as a mobile app, website or WeChat mini program. The online

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interface provides encrypted data to data service suppliers through our APIs. Data service suppliers will return a “Yes” if the data provided match their records. The chart below provides an illustration of how three-factor API works:

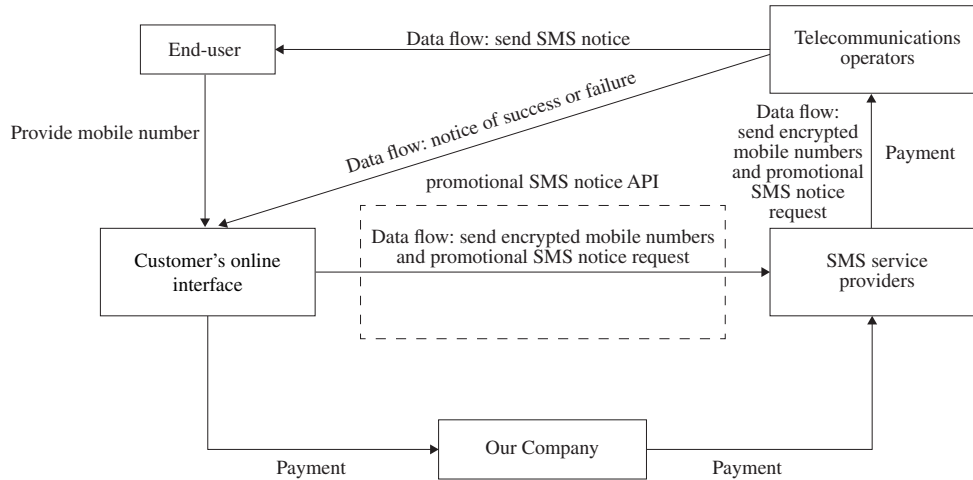


- SMS notice:* Our customers provide services to enable end-users to subscribe for SMS alerts, status updates and promotions. Our APIs facilitate SMS for account registration, login, security notice and password reset. We provided approximately five paid APIs for SMS notice services as of December 31, 2023. In the case of SMS notice APIs, an end-user initiates an SMS notice request and provides his or her mobile number to the customer’s online interface. The customer sends an SMS notice request to a third-party SMS service provider, who further delivers it to a telecommunications operator. The telecommunications operator sends the SMS to end-users. For example, when an end-user logs in to an app, the end-user may choose to log in by mobile authentication. In that case, the app will send a verification code request, with the end-user’s mobile number encrypted, to a third-party SMS service provider through our APIs. The third-party SMS service provider will work with a telecommunications operator, who will send an SMS login code to the end-user. The chart below provides an illustration of how SMS verification API works:

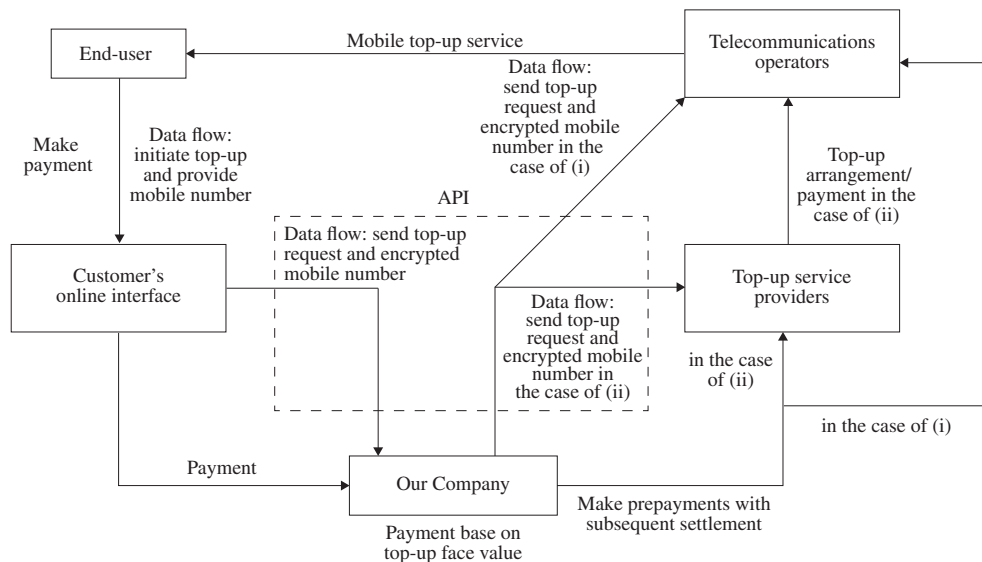


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Another example of SMS notice API is promotional SMS notice. A customer can initiate a request to send a promotional SMS notice to third-party SMS service providers or telecommunications operators. We will request the customer to provide a template for the SMS notice. Third-party SMS service providers will work with the telecommunications operators, who will send a promotional SMS notice to the designated end-users and a confirmation (as to whether or not the SMS notice was successfully sent) to the customer. The chart below provides an illustration of how promotional SMS notice API works:



- Top-up:* Almost all of our top-up services in 2023 were mobile top-ups. An end-user initiates a top-up on a customer’s online interface by clicking on a “top-up” button, inputting its mobile number and top-up amount. The customer’s online interface sends a top-up request to us through APIs. After receiving the request, we will either (i) send a request to the telecommunications operators directly, upon which we make payment to telecommunications operators; or (ii) send top-up requests to top-up service providers directly and make payments to them. We generally are not involved in the interaction between telecommunications operators and service providers. Revenue derived from mobile top-up service contributed to approximately 80%, 99%, and 99% of the total top-up service revenue for the years ended December 31, 2021, 2022 and 2023, respectively. We have been strategically scaling down our top-up service since 2021. The chart below provides an illustration of how top-up API works:



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In the case of query and SMS notice, we charge customers based on the number of API requests they make. For certain large customers, we enter into agreements individually and provide API services and settle their invoices on a monthly basis. For top-up, we earn revenue based on the difference between the unit price of top-up face value offered to our customers and our cost of purchase of the same face value from telecommunications operators or service providers. Our revenue from API marketplace was 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). In 2021, 2022 and 2023, revenue from post-payment customers of API marketplace represented 83.7%, 86.4% and 94.4% of the total revenue of API marketplace, respectively. See “Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Revenue – Revenue by Settlement Method”.

Data Management Solutions

Our data management solutions primarily comprise three service types, including external data management, data stewardship, and data circulation. With our solutions, we enable organizations to efficiently collect, process, govern, share, and utilize data while preserving privacy and security, achieving digital transformation. Our data management solutions offer the following key benefits:

- ***Promote efficiency through external data management:*** We empower our customers to leverage market data and services, enabling them to focus on business innovation while benefiting from a faster and more convenient access to external data in a safe and compliant manner. With the help of our data management solutions, corporate organizations can introduce, access and manage external data sources for multiple departments. By using them with corporate internal data, corporate organizations can make informed decision and manage daily operation effectively. Governments may use a centralized platform to integrate data from different government departments and manage them in one go. This approach is more efficient as compared to having each department introduce, manage and use data source on their own accord. See “Business – Our Services and Solutions – API Marketplace – Case Studies” for the specific examples of these business innovations.
- ***Empower data through optimized data stewardship:*** We assist our customers in achieving comprehensive integration and governance of their internal database, allowing them to build standardized data assets within their organizations. Data with unified standard is ready for output and utilization through APIs. See “Business – Our Services and Solutions – Data Management Solutions” for illustrations of data stewardship.

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- ***Facilitate full release of data value:*** We help our customers establish exchange of data systems that enable seamless data sharing among internal departments or foster data circulation with upstream and downstream business partners, unleashing the value of data. Data management solutions make data available for sharing and utilizing, which we refer to as “empowerment”. For example, a corporate organization may wish to share the supply chain data and relevant analytics with its suppliers, so that suppliers could optimize their warehouse management and manufacturing process.

Our data management solutions primarily follow a project-based pricing model, where customers are generally billed 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. Additionally, 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 solutions and related services are delivered to and accepted by the customers.

OUR STRENGTHS

We believe the following strengths contribute to our success:

- One of the first-movers in the digital economy’s key industry;
- An innovator in the industry with strong research and development capabilities and accumulated advantages in core technologies;
- Well-established and diversified customer base, a stable and diverse array of data service suppliers, and sustainable monetization capabilities;
- A scalable business model; and
- An entrepreneurial and experienced management team.

OUR STRATEGIES

To achieve our mission and further strengthen our market position, we intend to pursue the following strategies:

- Seize the significant opportunities arising from government and public data authorized operations to expand;
- Further explore service capabilities for diverse industries, continuously expanding regional coverage, service types and scenarios;
- Expand customer base and deepen industry ecosystem stakeholder relationships; and
- Enhance R&D capabilities.

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OUR INDUSTRY AND MARKET SHARES

We operate in the integrated API-enabled data exchange service market, a sub-segment of the API-enabled data exchange service market in China, and the data management solution market in China. According to the F&S Report,

- the size of API-enabled data exchange service market in China reached RMB6.9 billion in 2022, comprising RMB2.37 billion in the integrated API-enabled data exchange service segment and RMB4.57 billion in the industry-specific API-enabled data exchange service segment. The size of the API-enabled service market in China reached RMB37.9 billion in 2022;
- in 2022, we had a market share of 6.1% and 2.1% in the integrated API-enabled data exchange service market and overall API-enabled data exchange service market, respectively, in China. To differentiate from our competitors, we are expected to further leverage our leading position in the market to expand our business scale through cooperating with different data sources and participating in the establishment and operation of state-owned data exchanges; and
- the size of data management solution market in China totaled RMB50.7 billion in 2022 and we had a market share of 0.2%.

OUR CUSTOMERS

Our customers include internet companies, telecommunications operators, technology companies and other business and government organizations seeking digital transformation as well as individual app developers and technology professionals. For each of the years ended December 31, 2021, 2022 and 2023, revenue from our five largest customers accounted for 41.1%, 43.7% and 62.3% of our total revenue, respectively, and revenue from our largest customer accounted for 11.7%, 12.4% and 20.1% of our total revenue, respectively. For further details, see “Business – Our Customers”.

Customer H (Supplier A), Customer B (Supplier F) and Customer K (Supplier J) are telecommunications operators in China, which supplied data services to us in our API marketplace. In the meantime, these suppliers or their affiliates also purchased query, SMS notice or top-up services, as well as data management solutions, from us. Customer L (Supplier I)’s business covers four industry groups, namely, cloud data center, cloud service and big data, smart city and smart enterprise. It supplied us with software development services in connection with data management solutions and purchased three data management solutions from us in 2023.

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Revenue derived from these large customers were RMB51.1 million, RMB42.2 million and RMB65.4 million for each of the years ended December 31, 2021, 2022 and 2023, respectively, representing 19.6%, 12.8% and 14.8% of the total revenue, respectively. Our cost of sales attributable to them was RMB35.8 million, RMB26.3 million and RMB47.2 million for each of the years ended December 31, 2021, 2022 and 2023, respectively, representing 21.1%, 11.9% and 14.9% of the total cost of sales, respectively. For the respective years, the gross profit margin of the four customers was 29.9%, 37.6% and 27.8%, respectively, as compared to 35.7%, 32.0% and 28.3% of other customers, respectively.

OUR SUPPLIERS

Our procurement includes purchases of data services, software, hardware and technology services. For each of the years ended December 31, 2021, 2022 and 2023, our purchases amounted to RMB160.5 million, RMB208.0 million and RMB298.6 million, respectively, representing 94.4%, 94.0% and 94.4% of our total cost of sales, respectively. For further details, see “Business – Our Suppliers”.

For each of the years ended December 31, 2021, 2022 and 2023, procurement from our five largest suppliers accounted for 56.2%, 69.9% and 83.2% of our total purchases, respectively, and purchases from our largest supplier accounted for 36.3%, 42.5% and 46.3% of our total purchases, respectively.

KEY OPERATING METRICS

The table below sets forth selected key operating metrics of our API marketplace business:

	Year ended December 31,		
	2021	2022	2023
Retention rate of our key customers of our API marketplace ⁽¹⁾⁽²⁾	78.9%	85.7%	59.1%
Net dollar expansion rate of revenue from our API marketplace key customers ⁽³⁾	136.4%	139.1%	217.3%
Number of key customers of API marketplace	21	22	17
Average income from our key customers of our API marketplace (in millions of RMB).	7.0	8.1	18.3
Average revenue per paying customer ⁽⁴⁾ (in thousands of RMB).	8.1	13.8	28.8
Number of active registered customers ⁽⁵⁾ (in thousands).	77.9	65.8	61.7
Number of active registered paying customers (in thousands) ⁽⁶⁾	14.9	12.1	10.7
Retention rate of paying customers of our API marketplace ⁽⁷⁾	38.0%	29.6%	36.6%
Net dollar expansion rate of revenue from paying customers of our API marketplace ⁽⁸⁾	83.8%	119.8%	123.4%
Conversion rate of non-paying customers into paying customers ⁽⁹⁾	0.37%	0.52%	0.45%
Number of API requests for query (in millions)	910.8	920.5	1,568.2
Average price per request of API request for query (in RMB).	0.137	0.158	0.173

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	Year ended December 31,		
	2021	2022	2023
Number of API requests for SMS notice (<i>in millions</i>)	2,037.9	2,130.7	2,097.5
Average price per request of API request for SMS notice (<i>in RMB</i>)	0.028	0.033	0.031
Aggregate top-up face value (<i>in millions of RMB</i>)	2,322.6	774.7	494.3
Revenue per RMB100 top-up ⁽¹⁰⁾ (<i>in RMB</i>)	0.53	0.98	1.25

- (1) Key customers refer to customers who contributed revenue of more than RMB1 million in a respective year.
- (2) Calculated as the number of key customers of API marketplace in the prior year that remain as our paying customers in the current year, divided by the number of all key customers of API marketplace in such prior year.
- (3) Calculated as revenue derived from our key customers of API marketplace in any given year divided by the revenue derived from the same key customers in the previous year, provided that the key customers must be a paid customer in the previous year. Otherwise the revenue attributable to the key customer will not be accounted for in the given year.
- (4) Calculated as revenue derived from our API marketplace for the respective year divided by the number of paying customers of API marketplace during the respective year.
- (5) Referred to the number of customers who used APIs (whether paid or for free) offered through API marketplace in the respective year.
- (6) Refers to the number of customers who used our APIs (whether paid or for free) offered through API marketplace in the respective year and historically made payment to us.
- (7) Calculated as the number of paying customers of API marketplace in the prior year who contributed to our revenue in the current year, divided by the number of all paying customers of API marketplace in such prior year.
- (8) Calculated as revenue derived from our paying customers of API marketplace in any given year divided by the revenue derived from the same paying customers in the previous year, provided that the paying customers must be a paid customer in the previous year. Otherwise, the revenue attributable to the paying customer will not be accounted for in the given year.
- (9) Calculated as for a given year, the number of paying customers of API marketplace who made their first payments to us in the given year, provided that such first payments were made at least 60 days after the registration of the respective customer, divided by the number of new non-paying customers, who registered or used any free API marketplace services in the respective year. The use of “60-day period” in this calculation is based on our internal policy regarding customer lifecycle management, and, according to F&S, it is a common industry method to calculate the customer conversion rate over a 60-day period between registration and the first payment.
- (10) We recognized the difference between the purchase for the top-up face value paid to data service suppliers and the amount we received from our customer as revenue during the Track Record Period. We are unable to provide net profit of each RMB100 top-up primarily because certain expenses cannot be allocated to subsegments of API marketplace.

We typically charge our customers based on their number of API requests for query and SMS notice services. Our average price per request for query service increased from RMB0.137 in 2021 to RMB0.158 in 2022, and further increased to RMB0.173 in 2023, primarily due to increased purchase costs of identity authentication-related API service supply, which led to a higher price. This trend was also attributable to the increase in the usage of mobile number-related three-factor authentication, which had a higher price per request. Our

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average price per request for SMS notice service decreased from RMB0.033 in 2022 to RMB0.031 in 2023, primarily due to a decrease in the usage of promotional SMS notice service, which had a higher price per request as compared to the average price per request in 2022 and 2023.

The net dollar expansion rate of revenue from our API marketplace key customers increased significantly from 139.1% in 2022 to 217.3% in 2023, primarily due to a significant increase in the revenue contributed by three key customers as a result of their increased purchases of our query services, mainly attributable to their increased trust in the quality and reliability of our services based on past collaborations as well as our competitive pricing.

Revenue per RMB100 top-up increased from RMB0.53 in 2021 to RMB0.98 in 2022 primarily because we ceased to offer gas card top-up in 2022, which had a much lower revenue per RMB100 top-up. In addition, certain mobile top-up service providers lowered their price as part of their promotional efforts. Revenue per RMB100 top-up increased to RMB1.25 in 2023 primarily because we were more selective in working with mobile top-up service suppliers to lower our purchase costs and we increased our unit price for certain popular top-up face values.

The retention rate of our key customers of API marketplace decreased from 85.7% in 2022 to 59.1% in 2023, primarily because certain key customers who used SMS notice and query APIs ceased to use our services in 2023.

The number of key customers of API marketplace declined from 22 in 2022 to 17 in 2023, primarily because nine key customers ceased to use our API marketplace service, partially offset by five new key customers. The nine key customers ceased to use our API marketplace service because (i) we terminated our business with them due to their prolonged settlement on amounts payable to us. We have made provision for trade receivables of API marketplace services to these customers; (ii) customer's adjustments to their business operations; and (iii) customer's refusal to settle amounts overdue, for which we filed a claim.

The average income from our key customers of our API marketplace increased substantially from RMB8.1 million in 2022 to RMB18.3 million in 2023, primarily due to: (i) an increase in the total income from our key customers, mainly attributable to (a) a significant increase in the number of query service requests purchased by three key customers, as discussed above; and (b) an increase in the proportion of revenue contributed by query services that commanded relatively higher gross profit margins, mainly due to the increased purchases from the aforementioned three key customers; and (ii) a decrease in our number of key customers as we ended our collaboration with nine key customers that, in general, contributed relatively lower revenue, both as a part of our ordinary course of business and as a result of our focus on cultivating deeper relationships with key customers that contributed higher revenue.

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Our average revenue per paying customer increased from approximately RMB8,100 in 2021 to approximately RMB13,800 in 2022, and further increased to approximately RMB28,800 in 2023, primarily due to: (i) an overall decrease in our number of paying customers, mainly attributable to a decrease in our number of low-spending paying customers; and (ii) an increase in our revenue from paying customers, mainly attributable to our strategic focus on attracting and engaging large customers that contributed much higher revenue on average than our low-spending paying customers.

The number of active registered customers decreased from approximately 77,900 in 2021 to approximately 65,800 in 2022, which further decreased to approximately 61,700, primarily because we ceased to offer certain APIs. The number of active registered paying customers decreased from approximately 14,900 in 2021 to 12,100 in 2022, which further decreased to 10,700 in 2023, which was in line with the decrease in the active registered customers.

Our retention rate of paying customers of our API marketplace decreased from 38.0% in 2021 to 29.6% in 2022, primarily because we ceased to offer paid APIs, such as car ticket inquiry, car information check and driving license checks. The retention rate of paying customers of our API marketplace increased to 36.6% in 2023, primarily due to an increase in usage of multiple paid APIs by our paying customers in 2023, such as invalid mobile number checks, identity related authentications, telecommunication operators history related checks and IP address checks.

The number of API query requests increased from 910.8 million in 2021 to 920.5 million in 2022, primarily because one large customer increased its usage. It further increased to 1,568.2 million in 2023, primarily due to the introduction of new key customers and an increase in usage by existing customers, partly offset by a decrease in usage by certain existing customers.

As customers use our API marketplace services, our technology improves as we adapt to customer needs, and our improved services in turn attract more potential customers and enhance customer loyalty, resulting in higher retention rates and revenue contribution from our key customers.

The table below sets forth selected key operating metrics of our data management solutions:

	Year ended December 31,		
	2021	2022	2023
Number of projects delivered to and accepted by the customers	20	22	62
Number of projects delivered to and accepted by government customers . .	2	4	20
Number of projects delivered to and accepted by SOE customers	5	9	29
Number of projects delivered to and accepted by other customers	13	9	13
Number of projects delivered to and accepted in loss	–	–	–
Total revenue (<i>in millions of RMB</i>)	65.3	105.4	99.0
Number of customers	18	21	29

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* For the avoidance of doubt, the number of customers was calculated by consolidating contracting parties who controlled each other or were under common control based on the information provided by the contracting parties.

We did not have any data management solutions projects that incurred losses during the Track Record Period and up to the Latest Practicable Date, primarily because we evaluate the cost for each project before we provide a quote or make a bidding proposal, as required under our project management operation manual. In addition, a substantial portion of the cost for each project comes from the labor costs of our programmers, who are paid at a fixed salary on a monthly basis and therefore we are unlikely to incur substantial unexpected costs. Our project contracts also include clauses for payment milestones or payment due dates, which reduces our credit risk for each project.

Our number of projects delivered to and accepted by the customers remained steady in 2021 and 2022, and increased significantly from 22 in 2022 to 62 in 2023. The total revenue derived from data management solutions decreased from RMB105.4 million in 2022 to RMB99.0 million in 2023, primarily because in 2023 we provided a large amount of a new solution, “data police”, which required little customization and each project contributed to a small amount of revenue as compared to revenue from more customized solutions.

During the Track Record Period, we have continued to attract new high-quality customers including government organizations, state-owned enterprises, and financial institutions by enriching our solution offerings and continuously improving our brand reputation.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in the “Risk Factors” section. You should read the “Risk Factors” section in its entirety before you decide to [REDACTED] in our Company. Some of the major risks that we face include, among others:

- Fluctuations in demand for our services and solutions may adversely affect our business and results of operations. Any loss of or decline in demand for our products and services could materially and adversely affect our business, results of operations and financial condition;
- Unauthorized access to our customers’, suppliers’, or our own data could harm our reputation and have a negative impact on our business and financial performance;
- Our ability to attract and retain qualified personnel could materially affect our business and the results of operations. Rising labor costs in China could make it more costly to attract and retain qualified personnel and adversely affect our results of operations;

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- If we cannot continue to innovate or effectively respond to the rapidly evolving technology, market demands, industry dynamics and other risks and uncertainties, our business, results of operations and prospects would be materially and adversely affected;
- Our services and solutions depend on the performance of internet infrastructure, third-party service providers and our technologies. Unexpected system failures, interruptions, and inadequacies may harm our business and results of operations;
- We have experienced, and in the future may continue to experience, net operating cash outflow, an increase in trade receivables turnover days and a substantial amount of unbilled trade receivables, all of which could expose us to liquidity risks;
- Failure to maintain our advantages in an increasingly competitive market may adversely affect our business and growth prospects;
- Our business is subject to seasonality; and
- We experienced customer and supplier concentration during the Track Record Period and may continue to be exposed to the risk of such concentration in the future.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zuo held an aggregate of approximately 53.33% interest in our share capital, including approximately (i) 43.59% beneficial interest; (ii) 0.15% interest of spouse; and (iii) 9.59% interest in Yiju Liuhe and Liuju Liuhe, each being a limited partnership established in China as our employee shareholding platforms whereby Mr. Zuo is the sole general partner. Mr. Zuo’s spouse, Ms. Hua, who holds 0.15% beneficial interest in our share capital, is deemed to be interested in the same number of Shares that Mr. Zuo is interested in for the purpose of the Securities and Futures Ordinance. Immediately following the completion of the [REDACTED], Mr. Zuo, Yiju Liuhe, Liuju Liuhe and Ms. Hua will hold an aggregate of approximately [REDACTED] interest in our share capital, comprising approximately [REDACTED] beneficial interest, [REDACTED] interest of spouse and [REDACTED] interest in controlled corporations. Accordingly, Mr. Zuo, Ms. Hua, Yiju Liuhe and Liuju Liuhe will remain a group of Controlling Shareholders upon completion of the [REDACTED]. For further information, see “Relationship with our Controlling Shareholders”.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a transaction which would constitute a partially-exempt continuing connected transaction under Chapter 14A of the Listing Rules after the [REDACTED]. For the (i) three years ended December 31, 2021, 2022 and 2023, the transaction amounts were approximately RMB5,531,801, RMB4,914,027 and RMB5,055,722, respectively; and (ii) three months ended March 31, 2024, the transaction amounts were approximately RMB1,800,000.

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Our Directors estimate that the proposed annual caps in respect of this transaction will not exceed RMB7,000,000 and RMB2,800,000 for the financial year ending December 31, 2024 and the three months ending March 31, 2025, respectively. Further particulars about such transaction, together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in “Connected Transactions”.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of the historical financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements as of and for the years ended December 31, 2021, 2022 and 2023, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this document, as well as the information set forth in “Financial Information”. Our financial information was prepared in accordance with IFRSs.

Summary of Consolidated Statements of Profit or Loss

	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/(loss) for the year	45,966	41,284	35,061
Profit/(loss) 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>

SUMMARY

During the Track Record Period, we generated revenue primarily from API marketplace, and, to a lesser extent, 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	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
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
Revenue from API marketplace . .	194,720	74.9	223,532	68.0	342,069	77.6
Revenue from data management solutions	65,291	25.1	105,404	32.0	99,014	22.4
Total Revenue	<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 – Material Accounting Policy Information – Principal versus Agent Consideration in Revenue Recognition”.

During the Track Record Period, our revenue from API marketplace has been increasing steadily, mainly attributable to revenue growth from both query and SMS notice services, primarily driven by increasing API requests made by a growing customer base. These growth trends were partially offset by a decreasing revenue stream from our top-up service during the Track Record Period due to our strategic scale-down of this service, which we believe has limited growth potential and negatively impacted our cash flow and liquidity. See “Financial Information – Results of Operations”.

Our revenue from data management solutions increased from RMB65.3 million in 2021 to RMB105.4 million in 2022, mainly driven by (i) a growing number of new mandates and existing projects delivered to and accepted by customers as we continued expanding our customer base and enriching solution offerings, (ii) our efforts to increase our revenue per project, and/or (iii) our continued efforts to enhance our brand reputation. Our revenue from data management solutions decreased to RMB99.0 million in 2023, primarily due to a decrease in the average revenue of our projects, mainly because most of our projects delivered and accepted had more standardized components, and such projects generally generated lower revenue.

SUMMARY

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.

During the Track Record Period, our purchase costs for API marketplace constituted the largest component of our cost of sales. Such costs represent our costs of procuring data services from suppliers which typically charge us based on the number of customer API requests made through API marketplace. In addition, we incurred a small amount of costs for the operation of free APIs, primarily labor and server costs. We allocated these costs to our cost of sales for paid APIs, but this practice would not have a material impact on our operations and financial performance as a whole.

During the Track Record Period, our cost of sales had increased steadily, mainly attributable to our increased purchases of data services for API marketplace and specialized software and hardware for data management solutions, reflecting the continued growth in both of our business lines; and, to a lesser extent, a general increase in our labor costs from 2021 to 2023 as a result of an increase in the headcount and average salary.

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
Total API marketplace	60,778	71,483	96,898
Data management solutions	29,134	36,071	27,754
Total	89,912	107,554	124,652

SUMMARY

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%

Our net profit decreased by 10.2% from RMB46.0 million in 2021 to RMB41.3 million in 2022, and further decreased by 15.1% to RMB35.1 million in 2023. Our net profit margin decreased from 17.7% in 2021 to 12.6% in 2022, and further decreased to 7.9% in 2023. The decreases in our net profit and net profit margin were primarily due to a decrease in our gross profit margin and an increase in our total expenses mainly attributable to non-recurring [REDACTED] expenses of [REDACTED] in 2023 in connection to the [REDACTED] and an increase in our net impairment loss on financial and contract assets.

For further details of our financial performance and key financial data, see “Financial Information – Principal Components of Consolidated Statements of Profit or Loss”.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Cash and cash equivalents at the beginning of the year	403,836	182,287	168,470
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)
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>

In 2021 and 2022, we had net cash outflows from operating activities of RMB33.8 million and RMB36.8 million, respectively. Major working capital changes which adversely affected our cash flow during these years include: (i) an increase in trade receivables, driven by the continued growth of our business and an increase in our post-paid API marketplace customers;

SUMMARY

(ii) an increase in prepayments, deposits and other receivables primarily due to our increased prepayments to suppliers to secure a steady supply of data services; and (iii) an increase in inventories in 2021, primarily because we had yet to deliver certain data management solutions to our customers at the end of the year, and the cost of sales related to these projects were accounted for as inventories. Our cash flow and working capital during the Track Record Period were adversely affected by an expansion in our customer and supplier base, which comprise large internet and technology companies and government organizations in China because they typically settle payments after using our API services or after the delivery and acceptance of data management solution projects. For API marketplace, our customers may incur a substantial number of API requests during a period and therefore 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. To strengthen our relationships with suppliers, we settle payables sooner to ensure a steady supply of data services for our API marketplace and specialized software and hardware for our data management solutions. The increase in our receivable turnover days and reduction in our payable turnover days during the Track Record Period led to a longer cash conversion cycle, which further impacted our cash flow and working capital. See also “Risk Factors – Risks Relating to Our Business and Industry – We have experienced, and in the future may continue to experience, net operating cash outflow, an increase in trade receivables turnover days and a substantial amount of unbilled trade receivables, all of which could expose us to liquidity risks”.

Summary of Consolidated Statements of Financial Position

	As of December, 31		
	2021	2022	2023
	(RMB in thousands)		
Total current assets	419,527	433,512	480,963
Total current liabilities	114,950	107,889	138,106
Net current assets	<u>304,577</u>	<u>325,623</u>	<u>342,857</u>
Total non-current assets	301,680	310,660	291,096
Total non-current liabilities	11,134	9,328	5,536
Total assets	721,207	744,172	772,059
Total liabilities	126,084	117,217	143,642
Net assets	<u>595,123</u>	<u>626,955</u>	<u>628,417</u>
Equity attributable to owners of the Company	595,515	627,312	628,464
Non-controlling interests	(392)	(357)	(47)
Total equity	<u>595,123</u>	<u>626,955</u>	<u>628,417</u>

SUMMARY

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, and further increased by 5.3% to RMB342.9 million as of December 31, 2023. The increase in our net current assets was primarily due to increases in our trade receivables, time deposits and prepayments, deposits and other receivables.

Our total equity increased by 5.3% from RMB595.1 million as of December 31, 2021 to RMB627.0 million as of December 31, 2022, and remained relatively stable at RMB628.4 million as of December 31, 2023. The increase in our total equity was primarily due to the contribution from net profit, partially offset by decreases in fair value of financial assets and the deemed distribution to a shareholder in 2023.

Our trade receivables comprise billed and unbilled receivables. Unbilled receivables accounted for 91.2%, 76.5% and 72.6% of the total receivables as of December 31, 2021, 2022 and 2023, respectively. The underlying revenue of the unbilled receivables as of the same dates accounted for 31.2%, 26.2%, and 27.0% of the total revenues in 2021, 2022 and 2023, respectively. For the detailed analysis of unbilled receivables, see “Financial Information – Current Assets and Liabilities – 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 unbilled receivables were primarily due to the prolonged process from revenue recognition to payment settlement of our API marketplace and the fact that we issue invoices after the data management solution customers have fulfilled their internal protocols to make payments.

The settlement process for our post-paid API marketplace customers consists of three stages: (i) we recognize revenue and make available to our customers a record of the number of API requests the customers made in the previous month as well as the amounts to be charged; (ii) the customers check our records against their own records. If the customers believe there are discrepancies, they discuss the matter with us and we work together to reconcile the record; and (iii) the customers undergo their internal protocols to initiate the payment process. Once the customers inform us that their internal protocols have been satisfied, they will request that we issue an invoice. Among our post-paid API marketplace customers for each of the years ended December 31, 2021, 2022 and 2023, the average number of days between our recognition of revenue and our issuance of invoices was 109.4 days, 91.2 days and 129.4 days, respectively.

The settlement process for our post-paid data management solutions customers consists of two stages: (i) the customers confirm with us their understanding of the contents of the contract, the relevant milestones, and a payment plan. Once these milestones have been realized, we issue our invoice; and (ii) we collect amounts outstanding in connection with the various projects. To maintain our relationships with customers, we issue invoices after the customers have fulfilled their internal protocols to make payments. Among our post-paid data management solutions customers for each of the years ended December 31, 2021, 2022 and 2023, the average number of days between our recognition of revenue to our issuance of the invoices was 280.0 days, 217.4 days and 120.5 days, respectively.

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For a detailed discussion of the stages in our settlement process, see “Business – Our Customers – General Terms of Contracts with Customers”. Furthermore, we have experienced an increase in the turnover days of trade receivables from 114 days in 2021 to 133 days in 2023. For the reasons of the increase, see “Risk Factors – Risks Relating to Our Business and Industry – We have experienced, and in the future may continue to experience, net operating cash outflow, an increase in trade receivables turnover days and a substantial amount of unbilled trade receivables, all of which could expose us to liquidity risks.”

Key Financial Ratios

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

	Year ended December 31,		
	2021	2022	2023
	(in percentages)		
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/(loss) divided by revenue for the year and multiplied by 100%.

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.

OUR [REDACTED] INVESTORS

We had multiple rounds of [REDACTED] Investments since our establishment. We have a total of 15 principal [REDACTED] Investors, which include (i) individual investors that have made meaningful investment in our Company and each holding more than 1% of our total issued share capital immediately prior to the [REDACTED]; and (ii) corporate [REDACTED] Investors. Our principal [REDACTED] Investors include, among others, JD Technology, Suzhou Guofa No. 8, Tahoe Growth and Shanghai Keluopu. For details of our [REDACTED] Investments and background of our [REDACTED] Investors, see “History, Development and Corporate Structure – [REDACTED] Investments”. Pursuant to the applicable PRC laws, the [REDACTED] Investors shall not dispose of any of the Shares held by them within 12 months following the [REDACTED].

SUMMARY

[REDACTED] STATISTICS

All statistics in the table below are based on the assumption that the [REDACTED] has been completed and [REDACTED] new H Shares are issued pursuant to the [REDACTED].

	<u>Based on the [REDACTED] of [REDACTED]</u>
Market capitalization of our H Shares ⁽¹⁾	[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share ^{(2) (3)}	[REDACTED]

- (1) The calculation of market capitalization is based on a total of [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED].
- (2) The unaudited pro forma adjusted net tangible asset per Share as of December 31, 2023 is calculated after making the adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information” and on the basis that [REDACTED] Shares were in issue assuming the [REDACTED] had taken place on December 31, 2023 and without taking into account of any Shares that may be allotted and issued or repurchased by our Company under the general mandate for the allotment and issuance of Shares or the general mandate for repurchase of Shares.
- (3) The subsequent events disclosed in the Accountants’ Report in Appendix I to this document would have no impact on the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Group as of December 31, 2023 per share. For details, see “Appendix II – Unaudited Pro Forma Financial Information”.

[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 [REDACTED] (assuming the [REDACTED] of [REDACTED] per [REDACTED]) accounting for approximately [REDACTED] of our [REDACTED], of which approximately [REDACTED] is directly attributable to the issue of our [REDACTED] and will be deducted from equity, approximately [REDACTED] has been expensed in our consolidated statements of profit or loss during the Track Record Period, and approximately [REDACTED] 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 [REDACTED]; (ii) sponsor fee of approximately [REDACTED]; and (iii) [REDACTED]-related expenses, comprising professional fees to the legal advisors, Reporting Accountant and other professionals of approximately [REDACTED] for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses of approximately [REDACTED]. 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.

SUMMARY

FUTURE PLANS AND [REDACTED]

After deducting the [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming the [REDACTED] of [REDACTED] per [REDACTED], we estimate that we will receive [REDACTED] of approximately [REDACTED] from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the following purposes:

- approximately [REDACTED], representing [REDACTED] of the [REDACTED], will be used to comprehensively upgrade the existing suite of APIs in our API marketplace, to seize the significant opportunities arising from the opening and authorized operations of government and public data, which may create opportunities for future growth;
- approximately [REDACTED], representing [REDACTED] of the [REDACTED], will be used to upgrade our existing products and services of our data management solutions. This aims to develop and expand industry-specific applications, strengthening our technical capabilities and market competitiveness in data management solutions;
- approximately [REDACTED], representing [REDACTED] of the [REDACTED], will be used to research and develop the technologies for data security and privacy protection, building a comprehensive ecosystem for digital ownership, secure data storage, trusted data transmission, and collaborative production; and
- approximately [REDACTED], representing [REDACTED] of the [REDACTED] will be allocated for working capital and general corporate purposes.

See “Future Plans and [REDACTED]” for details.

DATA SECURITY AND REGULATORY COMPLIANCE

We offer our services and solutions with privacy as a core tenet. PRC data privacy and security laws that are relevant to our business include the PRC Cybersecurity Law, the PRC Data Security Law, the PRC Personal Information Protection Law and other applicable laws. As advised by our PRC Legal Advisors, our business has complied with the above laws in all material respects during the Track Record Period. See “Regulatory Overview – Regulations Related to Internet Security and Privacy Protection – Regulations on Privacy Protection” for laws and regulations that affect our business.

SUMMARY

For our API marketplace, we act as an intermediary technical service provider to provide query and SMS notice services. For top-up service, our customers collect and transmit top-up mobile numbers with encrypted technologies. We transmit data among customers and suppliers based on the entrustment of customers. During the transmission, we ensure personal information is identity masked. With respect to the personal information of end-users provided by customers and the personal information included in query results returned by suppliers, we neither store nor use such information for any other business purpose. We store order information only to the extent necessary for reconciliation and error handling, with strict internal clearance protocols in place. If the order information includes personal information, we make measures of anonymization or encryption. We set forth different retention periods depending on the types of data and the applicable legal requirements. When providing data management solutions, we do not collect, transmit or share personal information because these solutions are hosted by the customer’s IT systems, and we are not involved in their daily operations. We provide education and training sessions on data security for our employees. When an alleged or actual leakage incident occurs, we will implement our internal control protocols. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data leakage or loss of data or information. As of the Latest Practicable Date, we have obtained all consents from our direct suppliers and customers to provide and receive API marketplace service. See “Business – Risk Management and Internal Controls – Data Privacy Risk Management” and “Business – Regulatory Compliance”.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we are not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Our PRC Legal Advisors advised that during the Track Record Period and up to the Latest Practicable Date, we have obtained the requisite licences, qualifications and permits from the relevant PRC regulatory authorities for our operations.

RECENT DEVELOPMENTS

From January to April 2024, we handled 526.8 million query service requests compared to 558.7 million query service requests for the same period in 2023, while our average price per request for query service increased significantly from RMB0.15 in January to April 2023 to RMB0.23 for the same period in 2024. The decrease in the number was mainly due to (1) a decrease in the usage of an identity authentication API frequently utilized by an internet corporate customer and (2) decreases in two APIs which were mainly used by small individual and corporate customers, which are priced lower than the average price per query. The increase in average price of query service requests was 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.

SUMMARY

From January to April 2024, we handled 923.7 million SMS notice service requests compared to 773.4 million SMS notice service requests for the same period in 2023. The increase in the number of SMS notice service requests was primarily due to an internet company increasing its usage in a promotional SMS notice service. Our average price per request for SMS notice service remained relatively stable at RMB0.03 from January to April 2023 and the same period in 2024.

For data management solutions, ten projects were delivered and accepted in January to April 2024 compared to nine for the same period in 2023, which remained relatively stable.

We received a letter of intent from the Suzhou Branch of a commercial bank in China in June 2024. The commercial bank will provide loan facilities of no more than RMB400 million in aggregate to the Company in the next three years. The loan can be by way of credit and fixed asset mortgages, with interest rates determined based on the prevailing market rates.

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.