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You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants’ Report set out in Appendix I to this document which have been prepared in accordance with IFRSs and the selected historical financial information and operating data included elsewhere in this document. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in “Forward-looking Statements” and “Risk Factors.” In evaluating our business, you should carefully consider the information provided in “Risk Factors” in this document.

OVERVIEW

We are an enterprise digitalization solutions provider in China, focusing on offering SaaS financial & tax digitalization and data-driven intelligence solutions. We process a variety of transaction documents, including, among others, invoices, receipts, bills, and other accounting records, that accurately reflect key business transactions of enterprises. Empowered by valuable insights into voluminous transaction data and equipped with advanced big data analytics capabilities, we facilitate the automated and digitalized business decision-making by financial service providers and other enterprise customers.

We have strategically developed our proprietary *Baiwang Cloud* platform, which is an intelligent business platform integrating advanced technologies, such as digital certificate, digital signature, OFD, big data analytics, AI and blockchain. *Baiwang Cloud* enables us to provide customers in an array of industry verticals with reliable, comprehensive and modularized SaaS solutions, including: (1) financial & tax digitalization solutions, delivered in cloud and/or on-premises applications and consisting of e-invoice compliance management, intelligent financial and tax management and intelligent supply chain collaboration solutions, and (2) data-driven intelligence solutions, consisting of digital precision marketing services and risk intelligence services. During the Track Record Period, we generated revenue primarily through charging (i) recurring subscription fees and/or usage-based fees for cloud financial & tax digitalization solutions, (ii) sales-based fees, usage-based fees and/or annual subscription fees for our data-driven intelligence solutions, and (iii) software license fees, one-time implementation fees and annual maintenance fees for on-premises financial & tax digitalization solutions.

We experienced significant growth during the Track Record Period. In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, our total revenue was RMB291.1 million, RMB453.8 million, RMB525.8 million, RMB377.3 million and RMB468.4 million, respectively. Our gross profit was RMB134.3 million, RMB216.2 million, RMB214.3 million, RMB156.2 million and RMB136.3 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. We recorded net loss of RMB388.8 million,

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RMB448.4 million, RMB156.2 million, RMB101.9 million and RMB213.5 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. We recorded adjusted net loss (non-IFRS measure) of RMB41.9 million, RMB16.7 million, RMB70.3 million, RMB61.3 million and RMB125.7 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. See “—Consolidated Statements of Profit or Loss and Other Comprehensive Income—Non-IFRS Measure” for details.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards. The historical financial information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

The preparation of historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates, as well as our management’s judgment in applying our accounting policies. We have consistently applied the accounting policies which conform with the International Accounting Standards (“IASs”), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB that are effective for the accounting period beginning on January 1, 2022 throughout the Track Record Period.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and will continue to be affected by various general factors, including primarily the following.

Development of Our Industries

We derived our revenue primarily from provision of financial & tax digitalization and data-driven intelligence solutions in China during the Track Record Period. Our business, financial condition and results of operations are affected by general factors driving the development of the industries in which we operate. According to the F&S Report, the development of China’s financial and tax-related transaction digitalization market is primarily driven by government-initiated tax and e-invoice reforms, including the B2V tax reform and the recent development of Golden Tax Project. Furthermore, the rapid development of compliance and information security technologies enable enterprises to more readily adopt financial & tax digitalization solutions that are reliable and secure. On the other hand, the transaction-based big data analytics for SMB financing is expected to be driven by the growing demand of financial service providers for multi-dimensional data resources. Our ability to anticipate and respond to market development and adapt to the constantly evolving industries will have a significant impact on our future performance.

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Favorable Government Policies

Favorable government policies have significantly affected our industries and our business model. The SAT launched the E-Invoice Service Platform (Phase I) Project and implemented the state action plan in light of the recent development of Golden Tax Project, which has propelled the e-invoice reform and brought significant market potential for our industries. We have also capitalized on the market demand created by policies promoting SMB financing to expand our data-driven intelligence solutions. Our ability to anticipate and respond to changes in government policies will have a significant impact on our future performance.

SPECIFIC FACTORS AFFECTING OUR RESULTS OF OPERATIONS

In addition to general industry and regulation factors, we believe the following company-specific factors have had, and will continue to have, a significant impact on our financial condition and results of operations.

Our Ability to Expand Customer Base and Increase Customer Retention and Spending

We generate revenue primarily from the provision of cloud and on-premises solutions for enterprise customers, and therefore, our growth depends, to a large extent, on our ability to attract customers. Leveraging our comprehensive solutions, strong brand reputation and diversified product and service matrix, we have greatly expanded our customer base during the Track Record Period.

In addition, our business growth depends, in part, on our ability to increase the average customer spending on our solutions by pursuing cross- and up-selling opportunities. For instance, the convenience and easy-to-use feature of our cloud financial & tax digitalization solutions have attracted certain customers of our on-premises solutions, which have subscribed to our cloud solutions to supplement their locally deployed software. Moreover, we have fostered a strong and long-lasting bonds with our customers, demonstrated by a high level of customer loyalty during the Track Record Period. As we continue to optimize our solution offerings and upgrade and expand solution functions, we believe we are capable of driving customer loyalty and spending and attracting new customers, thereby achieving sustainable growth in the long term.

Our Ability to Optimize Solution Offering and Mix

Our results of operations depend on our ability to address evolving market demands for our solutions. During the Track Record Period, we generated the majority of revenue from our cloud solutions, consisting of financial & tax digitalization solutions and data-driven intelligence solutions, which in general had a higher profit margin than our on-premises financial & tax digitalization solutions. Furthermore, our cloud financial & tax digitalization solutions had a higher profit margin than our data-driven intelligence solutions during the Track Record Period, while the profit margin of our data-driven intelligence solutions fluctuated during the relevant periods, primarily due to changes in various market factors, including the demands for SMB financing and the risk appetite of financial service providers. Specifically, the profit margin of our digital precision marketing services is affected by the

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referral fee ratio agreed with our marketing agents, which is further affected by the change in financial product mix that we facilitate in selling. In determining service fee ratios with us, the financial service providers typically factor in the attributes and profitability of the underlying financial products. For instance, service fee ratios for loan products are typically higher than those for credit facility products. During the Track Record Period, our service fee ratios for credit facility products launched by our financial service provider customers ranged from 0.3% to 1.94%, and our service fee ratios for loan products ranged from 0.1% to 2.91%. A majority of our revenue of digital precision marketing services is attributable to credit facility products. Furthermore, financial service providers with user acquisition demands are usually willing to increase the service fee ratios with us to expand user base for their products. Any significant change in our solution offering and mix will likely affect our profitability and results of operations.

Our Ability to Enhance Our Technology Innovation

We operate in industries characterized by continuous advancement in technology. As a result, our results of operations and long-term growth prospects will depend on our ability to develop and adopt technology innovation, which is crucial in keeping our solutions competitive in the market. It also requires unremitting and significant investment in R&D activities and talented R&D personnel. We have developed the key technologies in-house to achieve a solid technology foundation for enhanced solution functionality, such as the OFD template management technology, digital signature management technology and digital certificate management technology. We have dedicated significant resources toward our R&D efforts.

Going forward, we plan to continue to recruit and retain talented R&D personnel and increase investments to curate a new technology platform. Such investments on our R&D capability will increase our research and development expenses, which may impact our results of operations and financial condition. We expect that our strategic focus on product functionality and technological capability will continue to create entry barriers and enhance our market leadership, which in turn will enable us to achieve sustainable business growth.

Our Ability to Control Cost and Expenses

Our ability to effectively control our cost and expenses while achieving expected business growth is critical to our profitability. A significant component of our costs and expenses was staff costs. We believe our future success highly relies on our ability to attract, hire, retain and motivate seasoned employees. Specifically, the constant improvement of the overall quality of our solutions demands sophisticated personnel with experiences in, among others, software development and operation, e-invoice and tax compliance and management, and data analytics and various industry verticals. We expect that our staff costs to continue to increase in line with our business expansion. Our ability to control such costs and expenses may significantly affect our profitability. We have implemented a number of internal procedures to ensure the effectiveness and efficiency of our hiring practice, including review and approval procedures for staff recruitment, and additional staffing and the corresponding budget will require the approval of the head of department and/or the CFO. As we continue to grow our business, we expect to benefit from economies of scale and achieve additional cost savings to improve our overall profitability.

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In addition to staff costs, we have incurred substantial commission fees to market our solutions and our customers’ financial products. We have developed an extensive business collaborator network to leverage their local or platform resources to more effectively market our cloud financial & tax digitalization solutions and marketing agents to further promote our digital precision marketing services. We strive to control our referral fees and commission by relying more on our in-house sales network for our financial & tax digitalization solutions and tapping into the massive base of our non-paying users for our digital precision marketing services.

OUR KEY OPERATING DATA

The following table sets forth certain key operating metrics of our cloud financial & tax digitalization solutions for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
Cloud financial & tax digitalization solutions					
Number of customers					
— KA customers	164	205	217	168	218
— Mid-market customers	9,740	12,163	14,591	13,406	18,687
Number of non-paying users (in million)	8.4	7.7	17.0	15.0	23.6
Number of tax identification numbers served (in million)	36.0	35.3	40.5	33.0	43.1
Dollar-based retention rate for KA customers	103.3%	119.7%	104.4%	N/A	N/A
Average revenue per customer (RMB in thousands)	12.5	12.7	10.7	8.7	6.8

The number of non-paying users and the number of tax identification numbers served by us slightly decreased in 2021, due to the decrease in user usage of our complimentary services, primarily caused by market competition and deteriorated operational conditions of our non-paying users. The number of our non-paying users surged in 2022, primarily due to our enhanced marketing efforts to attract non-paying users. Our dollar-based retention rate for KA customers decreased in 2022, primarily due to delay in project delivery as a result of the COVID-19 pandemic. Such decrease was also partially attributable to the decrease in average customer spending in 2022, primarily due to the decrease in customer demand for digital invoice-related services as a result of the delayed implementation of the digital invoice reform during the COVID-19 pandemic.

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The following table sets forth certain key operating metrics of our data-driven intelligence solutions for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
	Data-driven intelligence solutions				
Number of customers	68	91	101	93	88
Average revenue per customer (RMB in thousands)	926.1	1,962.6	2,609.1	2,044.7	3,047.4
Number of viewing requests fulfilled for enterprise operation reports (in millions)	1.7	15.5	13.0	10.1	12.3
Number of enterprises included in the enterprise operation reports delivered (in thousands)	578.6	1,318.5	1,553.0	1,258.9	2,233.4
Value of financial product sales facilitated by us in connection with digital precision marketing services (RMB in billion)	4.0	14.7	29.6	20.5	35.6

The number of customers for our data-driven intelligence solutions decreased from 93 in the nine months ended September 30, 2022 to 88 in the nine months ended September 30, 2023, primarily because we had been adjusting the service delivery model for our enterprise operation reporting services and restructuring our service contracts. See “Business—Cloud Solutions—Data-driven Intelligence Solutions—Risk Intelligence Services—Enterprise Operation Reporting Services” for details on the service delivery model adjustment and its impact on our operations. The average revenue per customer for our data-driven intelligence solutions increased from RMB2.0 million in the nine months ended September 30, 2022 to RMB3.0 million in the nine months ended September 30, 2023, primarily due to the combined effect of our business growth and customer concentration caused by our service delivery model adjustment. The number of enterprises included in the enterprise operation reports delivered generally increased during the Track Record Period, primarily due to the increase in customer demand for our reports and our expanded access to enterprises with financing needs. The value of financial product sales facilitated by us in connection with digital precision marketing services significantly increased during the Track Record Period primarily due to our broadened access to potential financial product users as a result of our collaboration with marketing agents and the increase in SMB financing needs.

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CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for understanding our results of operations and financial condition, are set forth in Notes 4 and 5 to the Accountants' Report in Appendix I to this document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions.

Revenue Recognition

We recognize revenue when performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (2) our performance creates or enhances an asset that the customer controls as we perform; or (3) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. For further details of revenue recognition from contracts with customers, and from specific major sources of revenue, see Note 4.4 to the Accountants' Report in Appendix I to this document.

Equity-settled Share-based Payment Transactions

We have granted equity-settled share-based payment to our employees, as detailed in Note 36 to the Accountants' Report in Appendix I to this document. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserves). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserves. For share options/other share incentives that vest immediately at the date of grant, the fair value of the share options/other share incentives granted is expensed immediately to profit or loss. See Note 4.11 to the Accountants' Report in Appendix I to this document.

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Financial Instruments

Financial assets and financial liabilities are recognized when an entity within our Group becomes a party to the contractual provisions of the instrument. All ordinary purchases or sales of financial assets are recognized and derecognized on a trade date basis. Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, we currently have a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial Assets at FVTPL

Financial assets at fair value through profit or loss (“FVTPL”) are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in “other gains and losses.” We perform impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, other receivables, amounts due from related parties, and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We always recognize lifetime ECL for trade receivables and amounts due from related parties of trade nature (excluding the prepayments to related parties, where applicable). The ECL on these assets are assessed individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, we measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition in which case, we recognize lifetime ECL.

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Financial Liabilities and Equity

Financial liabilities and equity instruments issued by an entity within our Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by us are recorded as the proceeds received, net of direct issue costs. Shares with preferential rights subject to mandatory redemption in cash at the option exercisable by holders by agreed date are classified as financial liabilities. Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (2) held for trading or (3) it is designated as at FVTPL. A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (iii) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Provision for Expected Credit Losses on Trade Receivables

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. We use a practical expedient in estimating ECL on trade receivables and amounts due from related parties of trade nature using a provision matrix, taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to us in accordance with the contract and the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition. For collective assessment, we take into consideration the following characteristics when formulating the grouping: (1) past-due status; (2) nature, size and industry of debtors; and (3) external credit ratings when available. The grouping is regularly reviewed by the Directors to ensure the constituents of each group continue to share similar credit risk characteristics.

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We recognize an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account. The information about the ECLs on our trade receivables are disclosed in Note 39 to the Accountants’ Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table set forth a summary of our consolidated statements of profit or loss for the year/period indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Revenue	291,115	100.0	453,763	100.0	525,765	100.0	377,253	100.0	468,442	100.0
Cost of sales	(156,807)	(53.9)	(237,600)	(52.4)	(311,475)	(59.2)	(221,026)	(58.6)	(332,121)	(70.9)
Gross profit	134,308	46.1	216,163	47.6	214,290	40.8	156,227	41.4	136,321	29.1
Other income	2,741	0.9	2,700	0.6	9,875	1.9	5,208	1.4	2,777	0.6
Impairment losses under ECL model, net of reversal	(792)	(0.3)	(1,751)	(0.4)	(1,217)	(0.2)	(1,588)	(0.4)	(1,283)	(0.3)
Other gains and losses	(1,283)	(0.4)	(1,301)	(0.3)	(2,330)	(0.4)	(2,293)	(0.6)	(989)	(0.2)
Research and development expenses	(114,137)	(39.2)	(137,777)	(30.4)	(144,281)	(27.4)	(108,514)	(28.8)	(135,460)	(28.9)
Administrative expenses	(56,011)	(19.2)	(137,091)	(30.2)	(73,504)	(14.0)	(55,594)	(14.7)	(144,938)	(30.9)
[REDACTED]	—	—	(6,366)	(1.4)	(16,307)	(3.1)	(10,087)	(2.7)	(18,642)	(4.0)
Distribution and selling expenses	(77,901)	(26.8)	(132,725)	(29.2)	(98,876)	(18.8)	(69,234)	(18.4)	(149,137)	(31.8)
Operating loss	(113,075)	(38.8)	(198,148)	(43.7)	(112,350)	(21.4)	(85,875)	(22.8)	(311,351)	(66.5)
Finance income	3,940	1.4	10,583	2.3	10,314	2.0	8,005	2.1	5,474	1.2
Finance costs	(738)	(0.3)	(243)	(0.1)	(1,567)	(0.3)	(1,218)	(0.3)	(806)	(0.2)
Fair value changes of financial assets and liabilities at FVTPL	(285,910)	(98.2)	(265,523)	(58.5)	(53,491)	(10.2)	(20,309)	(5.4)	97,798	20.9
Share of results of associates and joint ventures	6,983	2.4	4,958	1.1	1,069	0.2	(2,347)	(0.6)	(4,524)	(1.0)

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	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Loss before tax	(388,800)	(133.6)	(448,373)	(98.8)	(156,025)	(29.7)	(101,744)	(27.0)	(213,409)	(45.6)
Income tax expenses	—	—	—	—	(199)	(0.0)	(121)	(0.0)	(48)	(0.0)
Loss and total comprehensive expense for the year/period	<u>(388,800)</u>	<u>(133.6)</u>	<u>(448,373)</u>	<u>(98.8)</u>	<u>(156,224)</u>	<u>(29.7)</u>	<u>(101,865)</u>	<u>(27.0)</u>	<u>(213,457)</u>	<u>(45.6)</u>
Attributable to										
— Owners of the Company	(388,800)	(133.6)	(446,938)	(98.5)	(153,501)	(29.2)	(99,690)	(26.4)	(212,270)	(45.3)
— Non-controlling interests	—	—	(1,435)	(0.3)	(2,723)	(0.5)	(2,175)	(0.6)	(1,187)	(0.3)
	<u>(388,800)</u>	<u>(133.6)</u>	<u>(448,373)</u>	<u>(98.8)</u>	<u>(156,224)</u>	<u>(29.7)</u>	<u>(101,865)</u>	<u>(27.0)</u>	<u>(213,457)</u>	<u>(45.6)</u>
Loss per share attributable to owners of the company										
— Basic and diluted (RMB)	(2.78)	—	(3.19)	—	(1.10)	—	(0.71)	—	(1.52)	—

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance, such as certain non-cash items. We believe this measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

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We define adjusted net loss (non-IFRS measure) as net loss for the year, adjusted by adding non-recurring or non-operating items, including share-based payment expenses, [REDACTED], and fair value changes of financial liabilities at FVTPL relating to shares with preferential rights issued by us. Share-based payments are non-operating expenses arising from granting restricted share units and options to senior management and employees. The decision to make grants is discretionary and does not form a sustained pattern of recurrence, and the amount of grants may not directly correlate with the underlying performance of our business operations. Fair value changes of financial liabilities at FVTPL represent fair value changes relating to shares with preferential rights issued by us. We do not expect to record any fair value changes in such instruments following the completion of the [REDACTED]. See Note 33 to the Accountants’ Report in Appendix I to this document for details.

The following table reconciles our adjusted net loss (non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs:

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
	(unaudited)				
Reconciliation of net loss to adjusted net loss:					
Loss for the year/period	(388,800)	(448,373)	(156,224)	(101,865)	(213,457)
Add					
Share-based payment expenses	49,772	161,418	10,469	7,511	163,691
[REDACTED]	—	6,366	16,307	10,087	18,642
Fair value changes of financial liabilities at FVTPL					
– shares with preferential rights	297,114	263,850	59,153	23,005	(94,536)
Adjusted net loss (non-IFRS measure)	<u>(41,914)</u>	<u>(16,739)</u>	<u>(70,295)</u>	<u>(61,262)</u>	<u>(125,660)</u>

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KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from (1) cloud solutions, which include cloud financial & tax digitalization solutions and data-driven intelligence solutions, (2) on-premises financial & tax digitalization solutions, and (3) other services. The following table sets forth a breakdown of our revenue by business lines, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
	(unaudited)									
Cloud solutions	187,145	64.3	335,212	73.9	421,515	80.2	308,238	81.7	397,333	84.8
Financial & tax digitalization solutions	124,173	42.7	156,615	34.5	157,996	30.1	118,078	31.3	129,158	27.6
Data-driven intelligence solutions	62,972	21.6	178,597	39.4	263,519	50.1	190,160	50.4	268,175	57.2
— <i>Digital precision marketing services</i>	28,109	9.6	94,603	20.9	170,229	32.4	122,360	32.4	179,049	38.2
— <i>Risk intelligence services</i>	34,863	12.0	83,994	18.5	93,290	17.7	67,800	18.0	89,126	19.0
On-premises financial & tax digitalization solutions	96,861	33.3	110,168	24.3	93,491	17.8	60,280	16.0	68,910	14.7
Others⁽¹⁾	7,109	2.4	8,383	1.8	10,759	2.0	8,735	2.3	2,199	0.5
Total	<u>291,115</u>	<u>100.0</u>	<u>453,763</u>	<u>100.0</u>	<u>525,765</u>	<u>100.0</u>	<u>377,253</u>	<u>100.0</u>	<u>468,442</u>	<u>100.0</u>

(1) Includes primarily advertisement publishing services.

Revenue Generated from Cloud Solutions

Revenue Generated from Cloud Financial & Tax Digitalization Solutions

In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we derived revenue from our cloud financial & tax digitalization solutions of RMB124.2 million, RMB156.6 million, RMB158.0 million, RMB118.1 million and RMB129.2 million, respectively, accounting for 42.7%, 34.5%, 30.1%, 31.3% and 27.6% of our total revenue in the same periods, respectively. Our cloud financial & tax compliance solutions comprise e-invoice compliance management solutions, intelligent financial and tax management solutions and

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intelligent supply chain collaboration solutions, which can be subscribed separately or in combination. We typically enter into framework agreements with customers of our cloud financial & tax digitalization solutions, the terms of which generally range from one to five years. The framework agreements set forth the subscribed and purchased solutions and their respective payment terms.

E-invoice compliance management solutions. Our e-invoice compliance management solutions provide customers with full-cycle e-invoice management functions, including e-invoice processing and e-invoice compliance services. Revenue from e-invoice compliance management solutions consisted primarily of subscription fees to access our solutions. Revenue is recognized ratably over the term of the framework agreement, and subscription fees are typically settled by customers annually.

Intelligent financial and tax management solutions. Our intelligent financial and tax management solutions provide customers with enterprise spending management services, electronic accounting archive services and tax filing management services. Revenue from intelligent financial and tax management solutions typically consisted of subscription fees and usage-based fees. For subscription fees, revenue is recognized ratably over the term of the framework agreement, and the subscription fees are typically settled by customers annually. For usage-based fees, we typically charge customers based on the number of invoices processed and/or processing requests fulfilled.

Intelligent supply chain collaboration solutions. Our intelligent supply chain collaboration solutions provide customers with reconciliation and billing management services and contingent workforce management services. Revenue from intelligent supply chain collaboration solutions consisted of subscription fees and volume-based fees. The subscription fee model applies to reconciliation and billing management services, and customers have access to our services during the term of the framework agreement. Subscription fees are typically settled by customers annually. The volume-based fee model applies to contingent workforce management services, and we charge customers based on the amount of remuneration settled with the individual service providers using our services.

Implementation services. We generated revenue from providing on-demand services implementation services in relation to our cloud financial & tax digitalization solutions, which is charged based on a number of factors, including the number of technical specialists staffed on a given project and the duration of the project.

Revenue Generated from Data-driven Intelligence Solutions

In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we generated revenue from our data-driven intelligence solutions of RMB63.0 million, RMB178.6 million, RMB263.5 million, RMB190.2 million and RMB268.2 million, respectively, accounting for 21.6%, 39.4%, 50.1%, 50.4% and 57.2% of our total revenue in the same periods, respectively. Our data-driven intelligence solutions primarily comprise digital precision marketing services and risk intelligence services.

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Digital precision marketing services. In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we generated revenue from our digital precision marketing services of RMB28.1 million, RMB94.6 million, RMB170.2 million, RMB122.4 million and RMB179.0 million, respectively, accounting for 9.6%, 20.9%, 32.4%, 32.4% and 38.2% of our total revenue in the same periods, respectively. For digital precision marketing services, we charge financial service providers based on the value of financial products that we facilitate in selling.

Risk intelligence services. Our risk intelligence services comprise enterprise operation reporting services, user analytics services, risk analytics services, and intelligent procurement optimization services. In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we generated revenue from our risk intelligence services of RMB34.9 million, RMB84.0 million, RMB93.3 million, RMB67.8 million and RMB89.1 million, respectively, accounting for 12.0%, 18.5%, 17.7%, 18.0% and 19.0% of our total revenue in the same periods, respectively. We generated a substantial portion of the revenue from our risk intelligence services from the provision of our enterprise operation reporting services during the Track Record Period. For enterprise operation reporting services delivered pursuant to the pre-adjustment service delivery model, we charge financial service providers primarily based on the number of enterprises included in the enterprise operation reports delivered. To a lesser extent, we also provide annual subscription package under the pre-adjustment service delivery model, for which financial service providers pay a fixed fee for a pre-determined number of enterprises to be included the enterprise operation reports during the subscription period. For enterprise operation reporting services delivered pursuant to the adjusted service delivery model, we receive service fees from licensed credit reporting agencies, equal to the product of a pre-determined ratio as agreed between us and the licensed credit reporting agencies and the service fees received by licensed credit reporting agencies from the relevant financial service providers. For user analytics services, we charge financial service providers based on the number of enterprises on the list of potential financial product users. For our risk analytics services, we primarily charge a project-based fee.

Revenue Generated from On-premises Financial & Tax Digitalization Solutions

In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we generated revenue from our on-premises financial & tax digitalization solutions of RMB96.9 million, RMB110.2 million, RMB93.5 million, RMB60.3 million and RMB68.9 million, respectively, accounting for 33.3%, 24.3%, 17.8%, 16.0% and 14.7% of our total revenue in the same periods, respectively. We charge (1) software license fees for customers to access and use our solutions, (2) implementation and maintenance service fees, and (3) hardware equipment purchase fees.

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Revenue Generated from Other Services

Other services include primarily advertisement publishing services, which are charged with performance fee based on the number of clicks on the advertisement published on our WeChat official accounts and e-invoice review portal or, to a lesser extent, a fixed fee for the duration of the service period. In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we generated revenue from our other services of RMB7.1 million, RMB8.4 million, RMB10.8 million, RMB8.7 million and RMB2.2 million, respectively, accounting for 2.4%, 1.8%, 2.0%, 2.3% and 0.5% of our total revenue in the same periods, respectively.

Cost of Sales

Our cost of sales primarily consisted of (1) referral fees, representing fees paid to our marketing agents for digital precision marketing services, (2) staff costs, consisting of salaries and other employee benefits for our product and operations personnel, (3) cloud service fees, representing primarily costs associated with leased cloud infrastructure that supports the operation of our cloud solutions, (4) hardware costs, (5) share-based payment expenses arising from the grants of options and restricted share units to our products and operations personnel, and (6) other costs. Our cost of sales was RMB156.8 million, RMB237.6 million, RMB311.5 million, RMB221.0 million and RMB332.1 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our cost of sales by nature, both in absolute amount and as a percentage of total cost of sales, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
	(unaudited)									
Referral fees	24,493	15.6	64,204	27.0	153,605	49.3	109,345	49.5	165,128	49.7
Staff costs	55,383	35.3	86,349	36.3	84,607	27.2	58,257	26.4	85,051	25.6
Cloud service fees	45,775	29.2	43,080	18.1	47,040	15.1	33,570	15.2	50,444	15.2
Share-based payment expenses	4,499	2.9	18,719	7.9	2,031	0.6	1,485	0.7	8,678	2.6
Hardware costs	14,886	9.5	11,307	4.8	8,105	2.6	5,779	2.6	6,306	1.9
Others ⁽¹⁾	11,771	7.5	13,941	5.9	16,087	5.2	12,590	5.7	16,514	5.0
Total	156,807	100.0	237,600	100.0	311,475	100.0	221,026	100.0	332,121	100.0

(1) Includes primarily depreciation and amortization in relation to intangible assets, property, plant and equipment, right-of-use assets, and information security hardware, traveling expenses, and outsourcing expenses.

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During the Track Record Period, we incurred significant referral fees of RMB24.5 million, RMB64.2 million, RMB153.6 million, RMB109.3 million and RMB165.1 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, primarily due to the expansion of the business scale of our digital precision marketing services and our continual engagement of marketing agents. The number of financial product users referred by marketing agents that ultimately submitted applications for financial products was 54.7 thousand, 109.7 thousand, 160.9 thousand, 108.6 thousand and 158.0 thousand in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. Financial product users typically prefer credit facility products over loan products, primarily because credit facility products can more flexibly meet financial product users’ financing needs in terms of borrowing amounts and interest rates. Due to such market preference, a majority of our revenue from digital precision marketing services was attributable to credit facility products, and the value of credit facility products that we facilitated in selling continuously increased during the Track Record Period and was RMB2.4 billion, RMB10.9 billion, RMB25.8 billion, RMB17.5 billion and RMB33.7 billion in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, accounting for 59.8%, 74.3%, 87.3%, 85.5% and 94.6% of the total value of financial products that we facilitated in selling in the same periods, respectively. Our average referral fee ratio for credit facility products with marketing agents was 0.49%, 0.37%, 0.51%, 0.52% and 0.47% in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. Our average referral fee ratio for loan products with marketing agents was 0.45%, 0.71%, 0.78%, 0.77% and 0.75% in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Our hardware costs generally decreased, primarily because the continuous implementation of the Golden Tax project and the digital invoice reform gradually lowered enterprise needs for information security hardware for invoice issuance purposes after the adoption of digital invoices.

The following table sets forth a breakdown of our cost of sales by business lines, both in absolute amount and as a percentage of total cost of sales, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
	(unaudited)									
Cloud solutions	90,515	57.8	162,091	68.2	245,901	78.9	180,576	81.7	269,002	81.0
— Financial & tax digitalization	51,025	32.6	74,314	31.3	70,745	22.7	54,353	24.6	75,524	22.7
— Data-driven intelligence	39,490	25.2	87,777	36.9	175,156	56.2	126,223	57.1	193,478	58.3
On-premises financial & tax digitalization solutions	65,623	41.8	74,430	31.3	62,898	20.2	38,649	17.5	61,019	18.4
Others	669	0.4	1,079	0.5	2,676	0.9	1,801	0.8	2,100	0.6
Total	156,807	100.0	237,600	100.0	311,475	100.0	221,026	100.0	332,121	100.0

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Gross Profit and Gross Profit Margin

Our gross profit was RMB134.3 million, RMB216.2 million, RMB214.3 million, RMB156.2 million and RMB136.3 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, representing a gross profit margin of 46.1%, 47.6%, 40.8%, 41.4% and 29.1% in the same periods, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by business lines for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	profit	(%)	profit	(%)	profit	(%)	profit	(%)	profit	(%)
(RMB in thousands except for percentages)										
(unaudited)										
Cloud solutions	96,630	51.6	173,121	51.6	175,614	41.7	127,662	41.4	128,331	32.3
Financial & tax digitalization solutions	73,148	58.9	82,301	52.5	87,251	55.2	63,725	54.0	53,634	41.5
Data-driven intelligence solutions	23,482	37.3	90,820	50.9	88,363	33.5	63,937	33.6	74,697	27.9
— <i>Digital precision marketing services</i>	3,136	11.2	29,073	30.7	14,377	8.4	11,564	9.5	12,632	7.1
— <i>Risk intelligence services</i>	20,346	58.4	61,747	73.5	73,986	79.3	52,373	77.2	62,065	69.6
On-premises financial & tax digitalization solutions	31,238	32.3	35,738	32.4	30,593	32.7	21,631	35.9	7,891	11.5
Others	6,440	90.6	7,304	87.1	8,083	75.1	6,934	79.4	99	4.5
Total	<u>134,308</u>	46.1	<u>216,163</u>	47.6	<u>214,290</u>	40.8	<u>156,227</u>	41.4	<u>136,321</u>	29.1

During the Track Record Period, the gross profit margin for our digital precision marketing services increased from 11.2% in 2020 to 30.7% in 2021, primarily due to the increase in our revenue growth of digital precision marketing services and the decrease in average referral fee ratio with respect to credit facility products from 0.49% in 2020 to 0.37% in 2021. The gross profit margin for digital precision marketing services decreased from 30.7% in 2021 to 8.4% in 2022 and from 9.5% in the nine months ended September 30, 2022 to 7.1% in the nine months ended September 30, 2023, primarily due to the increase in sales of credit facility products facilitated by us, which typically had a lower profit margin.

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Other Income

Our other income primarily consisted of tax refund in the form of additional deduction from VAT payable allowed for by government authorities during the Track Record Period. We recorded other income of RMB2.7 million, RMB2.7 million, RMB9.9 million, RMB5.2 million and RMB2.8 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our other income, both in absolute amount and as a percentage of total other income, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands except for percentages)										
(unaudited)										
Tax refund	1,905	69.5	1,688	62.5	5,365	54.3	3,287	63.1	1,747	62.9
Government grants	802	29.3	1,010	37.4	4,206	42.6	1,722	33.1	1,030	37.1
Others	34	1.2	2	0.1	304	3.1	199	3.8	—	—
Total	2,741	100.0	2,700	100.0	9,875	100.0	5,208	100.0	2,777	100.0

Impairment Losses under ECL model, Net of Reversal

Our impairment losses under ECL model, net of reversal, primarily related to our trade receivables, other receivables and contract assets. Our impairment losses under ECL model, net of reversal, were RMB0.8 million, RMB1.8 million, RMB1.2 million, RMB1.6 million and RMB1.3 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Other Gains and Losses

Our other gains and losses primarily consisted of (1) gain on partial disposal of investment in an associate, (2) loss on disposal of property, plant and equipment, and (3) provisions in connection with certain ongoing litigations. We recorded other losses of RMB1.3 million, RMB1.3 million, RMB2.3 million, RMB2.3 million and RMB1.0 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

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Research and Development Expenses

Our research and development expenses primarily consisted of (1) staff costs, representing wages, salaries and other benefits for our R&D personnel, (2) share-based payment expenses, arising from the grants of share options and restricted share units to our R&D personnel, and (3) depreciation and amortization, representing the depreciation of our R&D equipment and facilities and right-of-use assets representing office premises of our R&D department and the amortization of the software used in our R&D activities. Our research and development expenses, as a percentage of our total revenue, were 39.2%, 30.4%, 27.4%, 28.8% and 28.9% in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our research and development expenses, both in absolute amount and as a percentage of total research and development expenses, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
	(unaudited)									
Staff costs	85,902	75.3	113,171	82.1	126,956	88.0	94,865	87.4	105,447	77.8
Share-based payment expenses	17,441	15.3	14,428	10.5	4,775	3.3	3,298	3.0	20,796	15.4
Depreciation and amortization	5,658	5.0	5,512	4.0	5,272	3.7	4,077	3.8	3,766	2.8
Others ⁽¹⁾	5,136	4.4	4,666	3.4	7,278	5.0	6,274	5.8	5,451	4.0
Total	114,137	100.0	137,777	100.0	144,281	100.0	108,514	100.0	135,460	100.0

(1) Includes primarily outsourcing expenses, rental expenses, office expenses, professional service fees, and traveling expenses.

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Administrative Expenses

Our administrative expenses primarily consisted of (1) staff costs, representing wages, salaries and other benefits for our administrative personnel, (2) traveling and promotion expenses incurred by our administrative personnel, (3) professional service fees for legal counsels and tax consultants, (4) outsourcing expenses, (5) rental expenses, (6) office expenses, (7) share-based payment expenses, arising from the grants of share options and restricted share units to our administrative personnel, and (8) depreciation and amortization, representing the depreciation of our equipment and facilities used by, and right-of-use assets representing office premises of, our administrative department and the amortization of the software used in our administrative activities. Our administrative expenses, as a percentage of our total revenue, were 19.2%, 30.2%, 14.0%, 14.7% and 30.9% in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as a percentage of total administrative expenses, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
	(unaudited)									
Share-based payment expenses	13,650	24.4	82,744	60.4	2,288	3.1	1,556	2.8	77,677	53.6
Staff costs	26,107	46.6	35,362	25.8	42,873	58.3	32,539	58.5	44,151	30.5
Traveling and promotion expenses	5,425	9.7	4,746	3.5	7,942	10.8	6,689	12.0	7,111	4.9
Professional service fees	6,134	10.9	7,870	5.7	6,608	9.0	5,916	10.6	4,680	3.2
Rental expenses	1,018	1.8	1,859	1.4	3,965	5.4	2,703	4.9	3,732	2.6
Office expenses	1,684	3.0	1,938	1.4	2,899	3.9	1,888	3.4	2,982	2.1
Outsourcing expenses	197	0.4	201	0.1	4,475	6.1	2,923	5.3	2,237	1.5
Depreciation and amortization	1,574	2.8	1,701	1.2	1,729	2.4	1,095	2.0	1,743	1.2
Others	222	0.4	670	0.5	725	1.0	285	0.5	625	0.4
Total	56,011	100.0	137,091	100.0	73,504	100.0	55,594	100.0	144,938	100.0

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Distribution and Selling Expenses

Our distribution and selling expenses primarily consisted of (1) staff costs, representing wages, salaries and other benefits for our distribution and selling personnel, (2) traveling and marketing expenses, representing expenses incurred by our sales personnel for distribution and selling activities, (3) commission fees paid to business collaborators for marketing and promoting our cloud financial & tax digitalization solutions, (4) depreciation, representing the depreciation of our equipment and facilities used by our sales department and right-of-use assets representing office premises of our sales department, and (5) share-based payment expenses, arising from the grants of share options and restricted share units to our sales personnel. Our distribution and selling expenses as a percentage of our total revenue, was 26.8%, 29.2%, 18.8%, 18.4% and 31.8% in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our distribution and selling expenses, both in absolute amount and as a percentage of total distribution and selling expenses, for the periods indicated.

	Year ended December 31,						Nine months ended September 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
	(unaudited)									
Share-based payment										
expenses	14,182	18.2	45,527	34.3	1,375	1.4	1,172	1.7	56,540	37.9
Staff costs	49,150	63.1	64,424	48.5	67,304	68.1	47,031	67.9	64,104	43.0
Traveling and marketing										
expenses	7,718	9.9	11,406	8.6	13,562	13.7	9,974	14.4	14,989	10.1
Commission fees	2,027	2.6	6,568	4.9	9,055	9.2	5,134	7.4	5,928	4.0
Depreciation	3,321	4.3	3,385	2.6	3,696	3.7	2,971	4.3	2,890	1.9
Others ⁽¹⁾	1,503	1.9	1,415	1.1	3,884	3.9	2,952	4.3	4,686	3.1
Total	77,901	100.0	132,725	100.0	98,876	100.0	69,234	100.0	149,137	100.0

(1) Includes primarily office and rental expenses, outsourcing expenses, and professional service fees.

[REDACTED]

Our [REDACTED] represented professional fees and related expenses incurred in connection with this [REDACTED]. In 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, we incurred nil, RMB6.4 million, RMB16.3 million, RMB10.1 million and RMB18.6 million in [REDACTED], respectively.

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Finance Income

Our finance income represented primarily interest income arising from bank deposits. We recorded finance income of RMB3.9 million, RMB10.6 million, RMB10.3 million, RMB8.0 million and RMB5.5 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Finance Costs

Our finance costs represented primarily interest expenses on lease liabilities. We recorded finance costs of RMB0.7 million, RMB0.2 million, RMB1.6 million, RMB1.2 million and RMB0.8 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Fair Value Changes of Financial Assets and Liabilities at FVTPL

Our financial assets at FVTPL were (1) wealth management products issued by banks, (2) investments in associates with preferential rights, and (3) arrangement/right to receive additional shares at nominal consideration. Our financial liabilities at FVTPL primarily represented our shares with preferential rights issued to investors. We recorded fair value losses of financial assets and liabilities at FVTPL of RMB285.9 million, RMB265.5 million, RMB53.5 million, and RMB20.3 million in 2020, 2021, 2022 and the nine months ended September 30, 2022. We recorded fair value gain of financial assets and liabilities at FVTPL of RMB97.8 million in the nine months ended September 30, 2023.

Share of Results of Associates and Joint Ventures

We recorded share of results of associates and joint ventures of RMB7.0 million, RMB5.0 million, RMB1.1 million, RMB2.3 million and RMB4.5 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Income Tax Expenses

Pursuant to the EIT Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a rate of 25% on the taxable profit. Enterprises recognized as a “High and New Technology Enterprise” (“HNTE”) are entitled to a preferential tax rate of 15% for three years as long as the HNTE status is valid, and qualifying entities may re-apply for an additional three years provided that their business operations continue to qualify for the HNTE status. Baiwang Co., Ltd. was recognized as an HNTE in 2019 and in 2022 for a term of three years from 2019 to 2021 and from 2022 to 2025, respectively. As a result, Baiwang Co., Ltd. was subject to the preferential tax rate of 15% during the Track Record Period.

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In addition, according to relevant laws and regulations promulgated by the State Council, enterprises engaging in R&D activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The SAT announced that enterprises engaging in R&D activities shall be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020, which was further extended to December 31, 2023. From October 1, 2022 to December 31, 2022, the Super Deduction ratio has increased to 200%. We have made our best estimate for the Super Deduction to be claimed in ascertaining assessable profits. For the risks relating to preferential tax treatments, see “Risk Factors—Risks Relating to Our Business and Industry—Preferential tax treatments and government grants currently available to us in the PRC could be discontinued or reduced.”

We recorded income tax expenses of nil, nil, RMB0.2 million, RMB0.1 million and RMB48,000 in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. Our effective tax rate, representing income tax expense divided by loss before taxation, was nil, nil, 0.1%, 0.1% and 0.0% in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, primarily due to our loss before tax and the preferential tax treatment enjoyed by us. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes and there were no matters in dispute or unresolved with the relevant tax authorities.

Loss for the Year/Period

As a result of the foregoing, we recorded net loss of RMB388.8 million, RMB448.4 million, RMB156.2 million, RMB101.9 million and RMB213.5 million in 2020, 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenue

Our revenue increased by 24.2% from RMB377.3 million in the nine months ended September 30, 2022 to RMB468.4 million in the nine months ended September 30, 2023.

Cloud solutions. Our revenue generated from cloud solutions increased by 28.9% from RMB308.2 million in the nine months ended September 30, 2022 to RMB397.3 million in the nine months ended September 30, 2023. Revenue generated from cloud financial & tax digitalization solutions increased from RMB118.1 million in the nine months ended September 30, 2022 to RMB129.2 million in the nine months ended September 30, 2023, primarily due to the increase in the number of mid-market and KA customers for our cloud financial & tax digitalization solutions. Revenue generated from data-driven intelligence solutions increased by 41.0% from RMB190.2 million in the nine months ended September 30, 2022 to RMB268.2

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million in the nine months ended September 30, 2023, primarily because (1) revenue generated from digital precision marketing services increased by 46.3%, primarily due to the increase in the value of financial products we facilitated in selling from RMB20.5 billion in the nine months ended September 30, 2022 to RMB35.6 billion in the nine months ended September 30, 2023, and (2) revenue generated from risk intelligence services increased by 31.5%, primarily as a result of the increase in the number of enterprises included in our enterprise operation reports delivered from 1.3 million in the nine months ended September 30, 2022 to 2.2 million in the nine months ended September 30, 2023, driven by increasing customer demand and the nationwide promotion of SMB financing.

On-premises financial & tax digitalization solutions. Our revenue generated from on-premises financial & tax digitalization solutions increased by 14.3% from RMB60.3 million in the nine months ended September 30, 2022 to RMB68.9 million in the nine months ended September 30, 2023, primarily due to the increase in average customer spending on our on-premises solutions from RMB49.2 thousand in the nine months ended September 30, 2022 to RMB64.9 thousand in the nine months ended September 30, 2023.

Others. Our revenue generated from other services decreased by 74.8% from RMB8.7 million in the nine months ended September 30, 2022 to RMB2.2 million in the nine months ended September 30, 2023, primarily due to our strategic adjustment of business focus on our other solutions.

Cost of sales

Our cost of sales increased by 50.3% from RMB221.0 million in the nine months ended September 30, 2022 to RMB332.1 million in the nine months ended September 30, 2023.

Cloud solutions. Our cost of sales relating to cloud solutions increased by 49.0% from RMB180.6 million in the nine months ended September 30, 2022 to RMB269.0 million in the nine months ended September 30, 2023. Our cost of sales relating to cloud financial & tax digitalization solutions increased by 39.0% from RMB54.4 million in the nine months ended September 30, 2022 to RMB75.5 million in the nine months ended September 30, 2023, primarily due to the increase in associated cloud service fees as a result of the increase in our service usage and the increase in associated staff costs due to the increase in staff headcount. Our cost of sales relating to data-driven intelligence solutions increased by 53.3% from RMB126.2 million in the nine months ended September 30, 2022 to RMB193.5 million in the nine months ended September 30, 2023, primarily due to the increase in our referral fees from RMB109.3 million in the nine months ended September 30, 2022 to RMB165.1 million in the nine months ended September 30, 2023 as a result of the growth in the business scale of our digital precision marketing services.

On-premises financial & tax digitalization solutions. Our cost of sales relating to on-premises financial & tax digitalization solutions increased by 57.9% from RMB38.6 million in the nine months ended September 30, 2022 to RMB61.0 million in the nine months ended September 30, 2023, primarily due to the increase in staff costs associated with on-premises solutions.

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Others. Our cost of sales relating to other services remained relatively stable at RMB1.8 million in the nine months ended September 30, 2022 and RMB2.1 million in the nine months ended September 30, 2023.

Gross profit and gross profit margin

Our gross profit decreased by 12.7% from RMB156.2 million in the nine months ended September 30, 2022 to RMB136.3 million in the nine months ended September 30, 2023, and our gross profit margin decreased from 41.4% in the nine months ended September 30, 2022 to 29.1% in the nine months ended September 30, 2023.

Cloud solutions. Our gross profit margin for cloud solutions decreased from 41.4% in the nine months ended September 30, 2022 to 32.3% in the nine months ended September 30, 2023. Our gross profit margin for cloud financial & tax digitalization solutions decreased from 54.0% in the nine months ended September 30, 2022 to 41.5% in the nine months ended September 30, 2023, primarily because the increase in our cost of sales, especially our cloud service fees and staff costs, outpaced our revenue growth for cloud financial & tax digitalization solutions. Our gross profit margin for data-driven intelligence solutions decreased from 33.6% in the nine months ended September 30, 2022 to 27.9% in the nine months ended September 30, 2023, primarily due to (1) the increase in revenue contribution of our digital precision marketing services, which had a lower profit margin than other data-driven intelligence solutions, and (2) the margin erosion of digital precision marketing services, primarily due to the increase in sales of credit facility products facilitated by us, which typically had a lower profit margin. The value of credit facility products that we facilitated in selling increased from RMB17.5 billion in the nine months ended September 30, 2022 to RMB33.7 billion in the nine months ended September 30, 2023, accounting for 85.5% and 94.6% of the total value of financial products we facilitated in selling in the nine months ended September 30, 2022 and 2023, respectively, while the value of loan products that we facilitated in selling decreased from RMB3.0 billion in the nine months ended September 30, 2022 to RMB1.9 billion in the nine months ended September 30, 2023.

On-premises financial & tax digitalization solutions. Our gross profit margin for on-premises financial & tax digitalization solutions decreased from 35.9% in the nine months ended September 30, 2022 to 11.5% in the nine months ended September 30, 2023, primarily because the increase in costs of sales, especially staff costs driven by the increase in the relevant staff headcount, outpaced our revenue growth for on-premises solution.

Others. Our gross profit margin for other services decreased from 79.4% in the nine months ended September 30, 2022 to 4.5% in the nine months ended September 30, 2023, primarily due to the revenue decrease of our advertisement publishing services.

Other income

Our other income decreased from RMB5.2 million in the nine months ended September 30, 2022 to RMB2.8 million in the nine months ended September 30, 2023, primarily due to the decrease of RMB1.5 million in tax refund, as a result of change in the relevant tax policies.

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Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal, remained relatively stable at RMB1.6 million and RMB1.3 million in the nine months ended September 30, 2022 and 2023, respectively.

Other gains and losses

Our other losses decreased by 56.9% from RMB2.3 million in the nine months ended September 30, 2022 to RMB1.0 million in the nine months ended September 30, 2023, primarily because we made certain one-off provisions of litigations and one-time donation in the nine months ended September 30, 2022.

Research and development expenses

Our research and development expenses increased by 24.8% from RMB108.5 million in the nine months ended September 30, 2022 to RMB135.5 million in the nine months ended September 30, 2023, primarily due to (1) the increase of RMB17.5 million in share-based payment expenses for our R&D personnel and (2) the increase of RMB10.6 million in staff costs as a result of the increase in the headcount of our R&D staff.

Administrative expenses

Our administrative expenses increased significantly from RMB55.6 million in the nine months ended September 30, 2022 to RMB144.9 million in the nine months ended September 30, 2023, primarily due to the significant increase of RMB76.1 million in share-based payment for our administrative personnel.

Distribution and selling expenses

Our distribution and selling expenses increased significantly from RMB69.2 million in the nine months ended September 30, 2022 to RMB149.1 million in the nine months ended September 30, 2023, primarily due to (1) the increase of RMB55.4 million in share-based payment for our sales and marketing personnel and (2) the increase of RMB17.1 million in staff costs, as a result of the increase in headcount of our sales and marketing personnel.

Finance income

Our finance income decreased from RMB8.0 million in the nine months ended September 30, 2022 to RMB5.5 million in the nine months ended September 30, 2023, primarily due to a decrease of RMB2.1 million in interest income from bank balances and cash, as a combined result of the change in average balance of bank deposits and the fluctuation of bank interest rates.

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Finance costs

Our finance costs remained relatively stable at RMB1.2 million in the nine months ended September 30, 2022 and RMB0.8 million in the nine months ended September 30, 2023.

Fair value changes of financial assets and liabilities at FVTPL

We recorded fair value losses of financial assets and liabilities at FVTPL of RMB20.3 million in the nine months ended September 30, 2022, as compared to a fair value gain of financial assets and liabilities at FVTPL of RMB97.8 million in the nine months ended September 30, 2023, primarily due to the fair value gain in relation to our shares with preferential rights of RMB94.5 million in the nine months ended September 30, 2023, as compared to fair value loss in relation to our shares with preferential rights of RMB23.0 million in the nine months ended September 30, 2022. However, we recorded a decrease of RMB2.5 million in the fair value gain in relation to financial assets at FVTPL, primarily due to the fair value loss of RMB8.5 million in relation to our investments in associates with preferential rights, as a result of downward adjustment of valuation of our certain associate.

Share of results of associates and joint ventures

Our share of loss of associates and joint ventures increased by 92.8% from RMB2.3 million in the nine months ended September 30, 2022 to RMB4.5 million in the nine months ended September 30, 2023, primarily due to the decrease in profit of our associates and joint ventures.

Income tax expenses

Our income tax expenses decreased from RMB0.1 million in the nine months ended September 30, 2022 to RMB48,000 in the nine months ended September 30, 2023, primarily due to the decrease of deferred tax in relation to certain financial assets.

Loss for the period

As a result of the above, our net loss was RMB101.9 million and RMB213.5 million in the nine months ended September 30, 2022 and 2023, respectively, and our net loss margin increased from 27.0% in the nine months ended September 30, 2022 to 45.6% in the nine months ended September 30, 2023.

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

Revenue

Our revenue increased by 15.9% from RMB453.8 million in 2021 to RMB525.8 million in 2022.

Cloud solutions. Our revenue generated from cloud solutions increased by 25.7% from RMB335.2 million in 2021 to RMB421.5 million in 2022, primarily driven by the increase in revenue of data-driven intelligence solutions. Revenue generated from cloud financial & tax digitalization solutions remained relatively stable at RMB156.6 million and RMB158.0 million in 2021 and 2022, respectively. Revenue generated from data-driven intelligence solutions increased by 47.5% from RMB178.6 million in 2021 to RMB263.5 million in 2022, primarily because (1) revenue generated from digital precision marketing services increased by 79.9% primarily due to the increase in the value of financial products we facilitated in selling from RMB14.7 billion in 2021 to RMB29.6 billion in 2022, which was partially driven by the increase in the number of financial service providers that engaged our services, and (2) revenue generated from risk intelligence services increased by 11.1%, primarily as a result of the increase in the number of enterprises included in our enterprise operation reports delivered from 1.3 million in 2021 to 1.6 million in 2022, driven by increasing customer demand and the nationwide promotion of SMB financing.

On-premises financial & tax digitalization solutions. Our revenue generated from on-premises financial & tax digitalization solutions decreased by 15.2% from RMB110.2 million in 2021 to RMB93.5 million in 2022, primarily because (1) we downwardly adjusted the price of our on-premises solutions to attract mid-market customers and retain existing customers amid the COVID-19 pandemic, and (2) we experienced temporary delays in solution delivery in 2022 due to the impact of the COVID-19 pandemic.

Others. Our revenue generated from other services increased by 28.6% from RMB8.4 million in 2021 to RMB10.8 million in 2022, primarily due to the increase in customer demand for our advertisement publishing services.

Cost of sales

Our cost of sales increased by 31.1% from RMB237.6 million in 2021 to RMB311.5 million in 2022.

Cloud solutions. Our cost of sales relating to cloud solutions increased by 51.7% from RMB162.1 million in 2021 to RMB245.9 million in 2022. Our cost of sales relating to cloud financial & tax digitalization solutions decreased by 4.8% from RMB74.3 million in 2021 to RMB70.7 million in 2022, primarily because we recognized greater share-based payment expenses incurred in connection with the restricted share units newly granted to our management overseeing our products and operations in 2021, which were vested in the same year. Our cost of sales relating to data-driven intelligence solutions increased significantly

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from RMB87.8 million in 2021 to RMB175.2 million in 2022, primarily due to the increase in referral fees paid to our marketing agents in relation to our digital precision marketing services. For credit facility products launched by financial service providers, our referral fee ratios with marketing agents typically ranged from 0.3% to 0.69% in 2021, as compared to 0.1% to 0.72% in 2022. For loan products launched by financial service providers, our referral fee ratios with marketing agents typically ranged from 0.05% to 1.18% in 2021, as compared to 0.17% to 1.6% in 2022.

On-premises financial & tax digitalization solutions. Our cost of sales relating to on-premises financial & tax digitalization solutions decreased by 15.5% from RMB74.4 million in 2021 to RMB62.9 million in 2022, generally in line with the revenue decrease of our on-premises financial & tax digitalization solutions.

Others. Our cost of sales relating to other services increased from RMB1.1 million in 2021 to RMB2.7 million in 2022, primarily due to increases in staff costs associated with advertisement publishing services.

Gross profit and gross profit margin

Our gross profit remained relatively stable at RMB216.2 million in 2021 and RMB214.3 million in 2022, and our gross profit margin decreased from 47.6% in 2021 to 40.8% in 2022.

Cloud solutions. Our gross profit margin for cloud solutions decreased from 51.6% in 2021 to 41.7% in 2022. Our gross profit margin for cloud financial & tax digitalization solutions increased from 52.5% in 2021 to 55.2% in 2022, primarily due to the impact of a decrease in share-based payment expenses in 2022. Our gross profit margin for data-driven intelligence solutions decreased from 50.9% in 2021 to 33.5% in 2022, primarily due to a higher revenue contribution of our digital precision marketing services in 2022. We experienced a decrease in the profit margin of our digital precision marketing services in 2022, as the growth of referral fees outpaced that of revenue in the same period, primarily due to an increase in our average fee ratio with marketing agents. The value of credit facility products that we facilitated in selling increased from RMB10.9 billion in 2021 to RMB25.8 billion in 2022, accounting for 74.3% and 87.3% of the total value of financial products we facilitated in selling in 2021 and 2022, respectively. This change in the product mix underlying our digital precision marketing services drove up the increase of our referral fees, as the sales of credit facility products typically had a lower profit margin. The average referral fee ratio with marketing agents for such credit facility products increased from 0.37% in 2021 to 0.51% in 2022, which contributed to the decrease in the profit margin of our digital precision marketing services in 2022. Meanwhile, the average referral fee ratio with marketing agents for loan products we facilitated in selling also increased from 0.71% in 2021 to 0.78% in 2022, and the value of loan products that we facilitated in selling remained relatively stable at RMB3.8 billion in 2021 and RMB3.7 billion in 2022. The intensified market competition also drove the increase in our fee ratios with marketing agents, in order for us to continue to deepen engagement with our marketing agents.

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On-premises financial & tax digitalization solutions. Our gross profit margin for on-premises financial & tax digitalization solutions remained relatively stable at 32.4% in 2021 and 32.7% in 2022.

Others. Our gross profit margin for other services decreased from 87.1% in 2021 to 75.1% in 2022, primarily because the increase in cost of sales of other services outpaced the increase in revenue from other services.

Other income

Our other income increased significantly from RMB2.7 million in 2021 to RMB9.9 million in 2022, primarily due to (1) an increase of RMB3.7 million in tax refund, as a result of the increase in our deductible input VAT, driven by increases in purchases of services, hardware and other office equipment, and (2) an increase of RMB3.2 million in government grants, representing an increase in grants from Chongqing Fuling Comprehensive Free Trade Zone of RMB1.6 million in relation to our contribution to a local digital economy platform project and an increase in RMB1.6 million for government subsidies from Beijing Municipal Bureau of Economy and Information Technology.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal, were RMB1.8 million and RMB1.2 million in 2021 and 2022, respectively.

Other gains and losses

Our other losses increased by 76.9% from RMB1.3 million in 2021 to RMB2.3 million in 2022, primarily due to the decrease in gain on partial disposal of investment in an associate of RMB1.6 million.

Research and development expenses

Our research and development expenses increased by 4.7% from RMB137.8 million in 2021 to RMB144.3 million in 2022, primarily due to an increase of RMB13.8 million in staff costs, as a result of the increase in the headcount in our R&D department, partially offset by a decrease of RMB9.7 million in share-based payment expenses for our R&D personnel.

Administrative expenses

Our administrative expenses decreased by 46.4% from RMB137.1 million in 2021 to RMB73.5 million in 2022, primarily due to a decrease of RMB80.5 million in share-based payment expenses for our administrative and management personnel, partially offset by an increase of RMB7.5 million in staff costs, as a result of an increase in the overall compensation level of our administrative department.

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Distribution and selling expenses

Our distribution and selling expenses decreased by 25.5% from RMB132.7 million in 2021 to RMB98.9 million in 2022, primarily due to the decrease of RMB44.2 million in share-based payment expenses for our sales personnel, partially offset by (1) an increase of RMB2.9 million in staff costs, as a result of the increases in the headcount and the overall compensation level in our sales and marketing department, and (2) an increase of RMB2.5 million in commission fees, primarily due to the increase in the number of our business collaborators.

Finance income

Our finance income remained relatively stable at RMB10.6 million in 2021 and RMB10.3 million in 2022.

Finance costs

Our finance costs increased significantly from RMB0.2 million in 2021 to RMB1.6 million in 2022, representing the increase in interest expense on lease liabilities, primarily due to the renewal of our office lease.

Fair value changes of financial assets and liabilities at FVTPL

Our fair value losses of financial assets and liabilities at FVTPL decreased by 79.9% from RMB265.5 million in 2021 to RMB53.5 million in 2022, primarily due to the decrease in fair value loss in relation to our shares with preferential rights from RMB263.9 million in 2021 to RMB59.2 million in 2022. Furthermore, we recorded fair value changes of financial assets at FVTPL from fair value losses of RMB1.7 million in 2021 to fair value gains of RMB6.0 million in 2022 due to the increase in fair value of investment in associates with preferential rights and wealth management products.

Share of results of associates and joint ventures

Our share of profit of associates and joint ventures decreased by 78.0% from RMB5.0 million to RMB1.1 million, primarily due to the decrease in profit of our associates and joint ventures.

Income tax expenses

Our income tax expenses increased from nil in 2021 to RMB0.2 million in 2022, primarily because an operating subsidiary incurred income tax expenses in 2022.

Loss for the year

As a result of the above, our net loss was RMB448.4 million and RMB156.2 million in 2021 and 2022, respectively, and our net loss margin decreased from 98.8% in 2021 to 29.7% in 2022.

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Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 55.9% from RMB291.1 million in 2020 to RMB453.8 million in 2021.

Cloud solutions. Our revenue generated from cloud solutions increased by 79.2% from RMB187.1 million in 2020 to RMB335.2 million in 2021. Revenue generated from cloud financial & tax digitalization solutions increased by 26.1% from RMB124.2 million in 2020 to RMB156.6 million in 2021, primarily due to increased customer demand for our solutions. The number of customers of our cloud financial & tax digitalization solutions increased from approximately 9,900 in 2020 to approximately 12,370 in 2021. The dollar-based retention rate for our cloud financial & tax digitalization solutions was 114.9% in 2021. Revenue generated from data-driven intelligence solutions increased significantly from RMB63.0 million in 2020 to RMB178.6 million in 2021, primarily due to (1) the significant increase in revenue generated from digital precision marketing services from RMB28.1 million in 2020 to RMB94.6 million in 2021, primarily due to the increase in the value of financial products we facilitated in selling from RMB4.0 billion in 2020 to RMB14.7 billion in 2021, which was partially driven by the increase in the number of financial service providers that engaged our services, and (2) the significant increase in revenue generated from risk intelligence services from RMB34.9 million in 2020 to RMB84.0 million in 2021, as a result of the increase in the number of enterprises included in the enterprise operation reports delivered from 0.6 million in 2020 to 1.3 million in 2021, driven by increasing customer demand and the nationwide promotion of SMB financing.

On-premises financial & tax digitalization solutions. Our revenue generated from on-premises financial & tax digitalization solutions increased by 13.7% from RMB96.9 million in 2020 to RMB110.2 million in 2021, primarily due to increased customer demand for our solutions. The number of customers of our on-premises financial & tax digitalization solutions increased from 606 in 2020 to 917 in 2021.

Others. Our revenue generated from other services increased by 18.3% from RMB7.1 million in 2020 to RMB8.4 million in 2021, primarily due to the increase in the number of customers of our advertisement publishing services.

Cost of sales

Our cost of sales increased by 51.5% from RMB156.8 million in 2020 to RMB237.6 million in 2021, generally in line with our revenue growth.

Cloud solutions. Our cost of sales relating to cloud solutions increased by 79.1% from RMB90.5 million in 2020 to RMB162.1 million in 2021. Our cost of sales relating to cloud financial & tax digitalization solutions increased by 45.7% from RMB51.0 million in 2020 to RMB74.3 million in 2021, primarily due to the increase in associated staff cost, and

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share-based payment expenses in connection with the restricted share units, which were newly granted to our management overseeing our products and operations and vested in 2021. Our cost of sales relating to data-driven intelligence solutions increased significantly from RMB39.5 million in 2020 to RMB87.8 million in 2021, primarily due to the increase in the referral fees to marketing agents as a result of the growth in the business scale of our digital precision marketing services. For credit facility products launched by financial service providers, our referral fee ratios with marketing agents typically ranged from 0.3% to 0.69% in 2021, as compared to 0.46% to 0.58% in 2020. For loan products launched by financial service providers, our referral fee ratios with marketing agents typically ranged from 0.05% to 1.18% in 2021, as compared to 0.07% to 0.97% in 2020.

On-premises financial & tax digitalization solutions. Our cost of sales relating to on-premises financial & tax digitalization solutions increased by 13.4% from RMB65.6 million in 2020 to RMB74.4 million in 2021, generally in line with the revenue increase of our on-premises solutions.

Others. Our cost of sales relating to other services increased from RMB0.7 million in 2020 to RMB1.1 million in 2021, primarily due to the increase in associated staff cost and share-based payment expenses.

Gross profit and gross profit margin

Our gross profit increased by 61.0% from RMB134.3 million in 2020 to RMB216.2 million in 2021, and our gross profit margin increased from 46.1% in 2020 to 47.6% in 2021.

Cloud solutions. Our gross profit margin for cloud solutions remained stable at 51.6% in 2020 and 2021, respectively. Our gross profit margin for cloud financial & tax digitalization solutions decreased from 58.9% in 2020 to 52.5% in 2021, primarily due to the increase in share-based payment to product and operations personnel for our cloud financial & tax digitalization solutions. Our gross profit margin for data-driven intelligence solutions increased from 37.3% in 2020 to 50.9% in 2021, and in particular, the gross profit margin for our digital precision marketing services increased from 11.2% in 2020 to 30.7% in 2021, as our revenue growth outpaced the increase in cost. Specifically, the average referral fee ratio with marketing agents for such credit facility products decreased from 0.49% in 2020 to 0.37% in 2021, which contributed to the increase in the profit margin of our digital precision marketing services in 2021.

On-premises financial & tax digitalization solutions. Our gross profit margin for on-premises financial & tax digitalization solutions remained stable at 32.3% in 2020 to 32.4% in 2021.

Others. Our gross profit margin for other services decreased from 90.6% in 2020 to 87.1% in 2021, primarily due to the increase in associated staff cost and share-based payment expenses.

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Other income

Our other income remained relatively stable at RMB2.7 million in 2020 and 2021, respectively.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal, increased from RMB0.8 million in 2020 to RMB1.8 million in 2021, primarily due to impairment losses in relation to our trade receivables, as a result of deteriorated financial situation of certain of our customers caused by the COVID-19 pandemic.

Other gains and losses

Our other losses remained stable at RMB1.3 million in 2020 and 2021, respectively.

Research and development expenses

Our research and development expenses increased by 20.8% from RMB114.1 million in 2020 to RMB137.8 million in 2021, primarily due to an increase of RMB27.3 million in staff costs, as a result of the increases in the headcount of and compensation level for our R&D personnel, partially offset by a decrease of RMB3.0 million in share-based payment expenses for our R&D personnel.

Administrative expenses

Our administrative expenses increased significantly from RMB56.0 million in 2020 to RMB137.1 million in 2021, primarily due to (1) an increase of RMB69.1 million in share-based payment expenses for our administrative and management personnel, and (2) an increase of RMB9.3 million in staff costs, primarily due to an overall increase in compensation level for administrative staff.

Distribution and selling expenses

Our distribution and selling expenses increased by 70.3% from RMB77.9 million in 2020 to RMB132.7 million in 2021, primarily due to (1) an increase of RMB31.3 million in share-based payment expenses for our sales personnel, (2) an increase of RMB15.3 million in staff costs, primarily due to the increase in the headcount of our sales personnel and the expiry of concessions of the social security and provident fund in 2021, (3) an increase of RMB4.5 million in commission paid to business collaborators to promote our cloud financial & tax digitalization solutions, and (4) an increase of RMB3.7 million in traveling and marketing expenses as a result of our enhanced marketing efforts.

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Finance income

Our finance income increased significantly from RMB3.9 million in 2020 to RMB10.6 million in 2021, representing the increase in interest income from our bank deposits, primarily due to the increase in our bank deposits as a result of our proceeds from investors in 2021.

Finance costs

Our finance costs decreased by 71.4% from RMB0.7 million in 2020 to RMB0.2 million in 2021, representing the decrease in interest expense on lease liabilities, primarily due to the expiry of certain of our leases.

Fair value changes of financial assets and liabilities at FVTPL

Our fair value losses of financial assets and liabilities at FVTPL decreased by 7.1% from RMB285.9 million in 2020 to RMB265.5 million in 2021, primarily due to the decrease of fair value loss of our financial liabilities in connection with our shares with preferential rights in 2021, partially offset by the change in fair value changes of financial assets at FVTPL from fair value gains of RMB11.2 million in 2020 to fair value losses of RMB1.7 million in 2021 in connection with our investment in financial assets at FVTPL.

Share of results of associates and joint ventures

Our share of results of associates and joint ventures decreased by 28.6% from RMB7.0 million in 2020 to RMB5.0 million in 2021, primarily due to the decrease in profit of our associates and joint ventures.

Income tax expenses

We did not incur income tax expenses in 2020 and 2021, primarily due to our loss before tax.

Loss for the year

As a result of the above, our net loss increased by 15.3% from RMB388.8 million in 2020 to RMB448.4 million in 2021, and our net loss margin decreased from 133.6% in 2020 to 98.8% in 2021.

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DISCUSSION OF MAJOR ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth details of our summary consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	September 30, 2023
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	11,501	8,042	8,703	10,412
Right-of-use assets	10,667	36,408	24,609	18,494
Intangible assets	865	7,644	6,961	6,931
Investments in associates	80,027	75,171	87,027	87,479
Investments in joint ventures	8,333	9,739	10,845	13,874
Deposits paid for investment in an associate	—	5,200	—	—
Financial assets at FVTPL	—	19,440	39,487	32,648
Contract costs	21,968	36,471	38,088	39,822
Contract assets	692	1,239	161	245
Long-term bank deposits	52,506	103,027	106,427	—
Prepayments	5,000	671	—	—
	191,559	303,052	322,308	209,905
Current assets				
Inventories	13,399	8,972	10,992	6,266
Contract costs	28,086	18,245	42,026	49,354
Contract assets	64,619	68,836	77,891	84,126
Trade and other receivables, deposits and prepayments	57,793	78,332	85,188	81,374
Amounts due from related parties	2,987	19,260	3,631	7,225
Financial assets at FVTPL	200,666	218,856	400,900	351,770
Restricted bank deposits	847	515	103	2,063
Short-term bank deposits with maturity over three months	30,198	104,785	80,472	108,970
Cash and cash equivalents	273,102	505,006	237,206	211,360
	671,697	1,022,807	938,409	902,508

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	As of December 31,			As of
	2020	2021	2022	September 30, 2023
	(RMB in thousands)			
Current liabilities				
Lease liabilities	6,578	10,312	18,442	14,425
Trade and other payables	162,574	140,465	136,919	144,286
Tax liabilities	—	—	31	186
Contract liabilities	104,817	130,631	165,476	161,333
Financial liabilities at FVTPL	—	216,650	2,151,922	2,057,386
Amounts due to related parties	29,518	14,020	11,052	15,883
	303,487	512,078	2,483,842	2,393,499
Net current assets/(liabilities)	368,210	510,729	(1,545,433)	(1,490,991)
Total assets less current liabilities	559,769	813,781	(1,223,125)	(1,281,086)
Capital and reserves				
Share capital	140,000	140,000	140,000	140,000
Reserves	(940,747)	(1,226,267)	(1,369,299)	(1,417,878)
Deficits attributable to owners of the Company	(800,747)	(1,086,267)	(1,229,299)	(1,277,878)
Non-controlling interests	—	(1,435)	(4,158)	(5,345)
Total deficits	(800,747)	(1,087,702)	(1,233,457)	(1,283,223)
Non-current liabilities				
Lease liabilities	304	25,364	7,354	2,137
Financial liabilities at FVTPL	1,360,212	1,876,119	2,830	—
Deferred tax liabilities	—	—	148	—
	1,360,516	1,901,483	10,332	2,137
Total deficits and non-current liabilities	559,769	813,781	(1,223,125)	(1,281,086)

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Property, Plant and Equipment

Our property, plant and equipment consisted of equipment, including office equipment, electronic equipment, and special equipment, which was primarily information security hardware, and leasehold improvement. We had property, plant and equipment of RMB11.5 million, RMB8.0 million, RMB8.7 million and RMB10.4 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. The following table sets forth the components of our property and equipment as of the dates indicated.

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Equipment	8,942	7,789	7,326	8,944
Leasehold improvement	2,559	253	1,377	1,468
Total	11,501	8,042	8,703	10,412

Our property, plant and equipment decreased from RMB11.5 million as of December 31, 2020 to RMB8.0 million as of December 31, 2021, primarily due to a decrease of RMB2.3 million in leasehold improvement as a result of depreciation. Our property, plant and equipment further increased to RMB8.7 million as of December 31, 2022, primarily due to the increase in leasehold improvement primarily as a result of our office renovation, partially offset by depreciation. Our property, plant and equipment then increased to RMB10.4 million as of September 30, 2023, primarily due to our purchase of special equipment, partially offset by depreciation.

Right-of-use Assets

Our right-of-use assets primarily consisted of leased offices. Our right-of-use assets increased significantly from RMB10.7 million as of December 31, 2020 to RMB36.4 million as of December 31, 2021, primarily due to the lease renewal for our current office premises in Beijing. Our right-of-use assets decreased to RMB24.6 million as of December 31, 2022, primarily due to depreciation. Our right-of-use assets then decreased to RMB18.5 million as of September 30, 2023, primarily due to depreciation.

Intangible Assets

Our intangible assets primarily consisted of software and patents. Our intangible assets increased significantly from RMB0.9 million as of December 31, 2020 to RMB7.6 million as of December 31, 2021, primarily due to the addition of certain patents in relation to the electronic accounting archive management services in 2021. Our intangible assets then decreased to RMB7.0 million as of December 31, 2022, primarily due to amortization. Our intangible assets remained relatively stable at RMB6.9 million as of September 30, 2023.

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Investments in Associates

Our investments in associates comprised cost of investments in associates and share of post-acquisition profit or loss. Our investments in associates decreased from RMB80.0 million as of December 31, 2020 to RMB75.2 million as of December 31, 2021, primarily due to the partial disposal of investment in an associate. Our investments in associates increased to RMB87.0 million as of December 31, 2022, primarily due to our investment in Beijing Baiwang Intelligent Finance and Taxation Technology Co., Ltd. and Guangxi United Credit Reporting Co., Ltd. Our investments in associates remained relatively stable at RMB87.5 million as of September 30, 2023.

Investments in Joint Ventures

Our investments in joint ventures comprised cost of investments in joint ventures and share of post-acquisition profit or loss. Our investments in joint ventures increased from RMB8.3 million as of December 31, 2020 to RMB9.7 million as of December 31, 2021, and further increased to RMB10.8 million as of December 31, 2022, primarily due to our share of profit in joint ventures. Our investments in joint ventures then increased to RMB13.9 million as of September 30, 2023, primarily due to our investment in Guangdong Baiwang Information Technology Co., Ltd., Henan Baiwang Cloud Digital Technology Co., Ltd., and Baiwang Cloud (Chongqing) Information Technology Services Co., Ltd.

Deposits Paid for Investment in an Associate

Deposits paid for investment in an associate represented investment deposits of RMB5.2 million that we paid in September 2021 to acquire certain equity interests in Beijing Baiwang Intelligent Finance and Taxation Technology Co., Ltd.

Prepayments

Our prepayments consisted of prepayments for the intangible assets and [REDACTED] for professional fees and related expenses incurred in connection with this [REDACTED]. Our prepayments of RMB5.0 million as of December 31, 2020 represented the amount we prepaid in 2020 to acquire certain patents in relation to the electronic accounting archive management services. The prepayments were de-recognized in 2021 when the related assets were transferred to us. Our prepayments of RMB0.7 million as of December 31, 2021 represented prepayments of [REDACTED] incurred in connection with this [REDACTED].

Inventories

Our inventories consisted primarily of information security hardware, including physical servers, for the implementation of our financial & tax digitalization solutions. We recorded inventories of RMB13.4 million, RMB9.0 million, RMB11.0 million and RMB6.3 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively.

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As of January 31, 2024, approximately RMB[2.1] million (unaudited), or [33.6]% (unaudited), of our inventories as of September 30, 2023 had been delivered. The relatively low inventory consumption rate was primarily because the relevant projects had not been completed as of January 31, 2024, and related inventories would be recognized as cost of sales upon the completion and customer acceptance of such projects.

Trade Receivables

Our trade receivables arose from contracts with customers. Our trade receivables increased from RMB21.7 million as of December 31, 2020 to RMB28.4 million as of December 31, 2021 and further to RMB30.8 million as of December 31, 2022, generally in line with our business growth. Our trade receivables remained relatively stable at RMB30.0 million as of September 30, 2023. We typically grant a credit period between three to six months from invoice date, which are agreed with each of our customers. The following table sets forth our trade receivables, net of allowance for credit losses, as of the dates indicated.

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade receivables – contracts with customers	23,193	31,476	34,988	33,999
Less: allowance for credit losses	(1,526)	(3,051)	(4,140)	(4,040)
	21,667	28,425	30,848	29,959

The following table sets forth an aging analysis of our trade receivables.

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within 30 days	5,314	8,206	8,103	5,800
31 to 180 days	8,979	12,537	12,488	13,480
181 to 365 days	4,658	5,645	6,977	6,246
Over one year	4,242	5,088	7,420	8,473
Total	23,193	31,476	34,988	33,999

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During the Track Record Period, trade receivables that were aged over 180 days were RMB8.9 million, RMB10.7 million, RMB14.4 million and RMB14.7 million as of December 31, 2020, 2021 and 2022 and September 30, 2023, respectively, accounting for 38.4%, 34.1%, 41.1% and 43.3% of our total trade receivables as of the same dates, respectively, exceeding the typical credit period we granted to customers of 90 to 180 days. Such overdue balance was primarily due to the lengthy internal approval and settlement processes of certain customers, the temporary deteriorated operation status of certain customers, and working capital strain as a result of the COVID-19 pandemic. As of the Latest Practicable Date, 95.1%, 83.1%, 71.8%, and 38.7% of our trade receivables that were aged over 180 days as of December 31, 2020, 2021 and 2022 and September 30, 2023 were settled, respectively. See “—Contract Assets” for detailed discussion on the recoverability of our trade receivables.

The following table sets forth the number of our trade receivables turnover days for the periods indicated.

	Year ended December 31,			Nine months ended September 30,
	2020	2021	2022	2023
Trade receivables turnover days ⁽¹⁾	35.3	22.0	23.1	19.9

(1) Trade receivables turnover days was calculated based on the average of opening and closing balance of trade receivables for the relevant period, divided by the revenue for the same period, and multiplied by 365 days for the years ended December 31, 2020, 2021 and 2022 and 270 days for the nine months ended September 30, 2023.

Our trade receivables turnover days decreased from 35.3 days in 2020 to 22.0 days in 2021, primarily because we enhanced our collection efforts in 2021. Our trade receivables turnover days remained relatively stable at 23.1 days and 19.9 days in 2022 and nine months ended September 30, 2023, respectively.

As of January 31, 2024, approximately RMB[20.0] million (unaudited), or [58.7]% (unaudited), of our trade receivables as of September 30, 2023 had been settled. The relatively low rate of subsequent settlement was primarily due to the lengthy process required for payment settlement by certain customers.

Other Receivables, Deposits and Prepayments

Our other receivables, deposits and prepayments primarily include (1) notes receivables, (2) prepayments in relation to, among others, the purchase of goods and services, rent and property management fees and [REDACTED], (3) VAT recoverable, primarily representing (i) prepayment of output VAT in relation to certain unrecognized revenue in the same year, and (ii) the unutilized input VAT incurred as of the dates indicated, which can be applied to offset the

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output VAT incurred in subsequent years, (4) deposits, in relation to our office leases and property management fees, and (5) other receivables, including bid security, advance payment to other parties, primarily in relation to our contingent workforce management services and others.

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Notes receivables	494	301	589	357
Prepayments	5,664	4,488	7,351	11,930
VAT recoverable	16,545	21,880	17,840	17,996
Deposits refundable				
within one year	3,900	4,566	4,766	5,378
Other receivables				
— bid security	1,725	1,826	2,305	2,505
— advance payment to other parties ⁽¹⁾	—	15,090	19,909	9,627
— others ⁽²⁾	7,851	1,998	1,755	3,806
Less: allowance for credit losses	(53)	(242)	(175)	(184)
Total	36,126	49,907	54,340	51,415

(1) Includes third-party individual service providers of our customers.

(2) Includes primarily the amount to be collected on behalf of customers.

Our other receivables, deposits and prepayments increased from RMB36.1 million as of December 31, 2020 to RMB49.9 million as of December 31, 2021, primarily due to (1) an increase of RMB15.1 million in advance payment to other parties, substantially all of which represented advance payment through our contingent workforce management services of service fees payable by our customer to its third-party individual service providers, and (2) an increase of RMB5.3 million in VAT recoverable, as a result of (i) an increase in prepayment of output VAT in relation to certain unrecognized revenue in the same year, and (ii) certain input VAT incurred in intra-group transactions but not certified by tax authorities in 2021 to offset the output VAT incurred in the same year. Such input VAT was subsequently confirmed by the tax authorities and applied to offset the output VAT incurred in subsequent years. The increase in our other receivables, deposits and prepayments was partially offset by a decrease of RMB5.9 million in others due to the adjustment of relevant arrangements to collect payment on behalf of customers.

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Our other receivables, deposits and prepayments increased to RMB54.3 million as of December 31, 2022, primarily due to an increase of RMB4.8 million in advance payment to other parties, as a result of the increase in service compensation payable by such customer through our contingent workforce management services to its third-party individual service providers, partially offset by a decrease of RMB4.0 million in VAT recoverable, as we applied the unutilized input VAT incurred in 2021 to offset the output VAT incurred in 2022.

Our other receivables, deposits and prepayments then decreased to RMB51.4 million as of September 30, 2023, primarily due to the decrease of RMB10.3 million in advances to other parties as a result of the decrease in compensation settlement demand from the relevant customer of our contingent workforce management services.

As of January 31, 2024, approximately RMB[9.4] million (unaudited), or [97.7]% (unaudited), of advance payment to other parties as of September 30, 2023 had been subsequently settled. We typically obtained reimbursement of our advance payment to other parties within 30 days following the pay-outs. Considering our historical settlement practices with respect to the relevant customers in relation to our advance payment to its individual service providers and the industry reputation of such customer, our Directors do not foresee material impediment to recover our balance for advance payment to other parties.

Contract Assets

Contract assets primarily represented our right to receive consideration in exchange of our goods and services that we had transferred to a customer that is not yet unconditional. Our contract assets primarily arose from our cloud financial & tax digitalization solutions, digital precision marketing services, risk intelligence services and on-premises solutions. Our contract assets increased from RMB65.3 million as of December 31, 2020 to RMB70.1 million as of December 31, 2021 and further to RMB78.1 million as of December 31, 2022 and RMB84.4 million as of September 30, 2023, generally in line with our business growth. The following table sets forth an aging analysis of our contract assets for the periods indicated.

	As of December 31,			As of
	2020	2021	2022	September 30, 2023
	(RMB in thousands)			
Within 30 days	14,883	24,794	26,305	17,413
31 to 180 days	35,028	27,433	25,047	44,100
181 to 365 days	9,068	9,163	13,863	14,829
Over one year	6,639	9,029	13,376	8,812
Total	65,618	70,419	78,591	85,155

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The following table sets forth the number of turnover days of our contract assets for the periods indicated.

	Year ended December 31,			Nine months ended September 30,
	2020	2021	2022	2023
	Contract assets turnover days ⁽¹⁾	51.9	54.7	51.7

(1) Contract assets turnover days was calculated based on the average of opening and closing balance of contract assets for the relevant period, divided by the revenue for the same period, and multiplied by 365 days for the years ended December 31, 2020, 2021 and 2022 and 270 days for the nine months ended September 30, 2023.

As of January 31, 2024, approximately RMB[54.8] million (unaudited), or [64.4]% (unaudited), of our contract assets as of September 30, 2023 had been billed and accounted as trade receivables and subsequently settled.

The following table sets forth the number of turnover days of our trade receivables and contract assets for the periods indicated.

	Year ended December 31,			Nine months ended September 30,
	2020	2021	2022	2023
	Trade receivables and contract assets turnover days ⁽¹⁾	87.3	76.7	74.8

(1) The turnover days of trade receivables and contract assets was calculated based on the average of opening and closing balance of trade receivables and contract assets for the relevant period, divided by the revenue for the same period, and multiplied by 365 days for the years ended December 31, 2020, 2021 and 2022 and 270 days for the nine months ended September 30, 2023.

Our Directors considered that we do not have any material recoverability issue for our trade receivables and contract assets and the allowance for expected credit losses was adequate and reasonable for the following reasons.

- Our trade receivables and contract assets with significant balances are assessed for estimated credit losses (“ECL”) individually. In addition, we use practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by

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customer type and credit rating). The provision matrix is initially based on our historical observed default rates. We calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates will be adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. We have also engaged an independent valuer to evaluate the ECL provision for both our trade receivables and contract assets. As of December 31, 2020, 2021 and 2022 and September 30, 2023, we recorded allowance for credit losses of RMB1.5 million, RMB3.1 million, RMB4.1 million and RMB5.2 million, respectively, of which 85.2%, 88.4%, 92.1%, and 91.2% related to trade receivables aged 181 days or above as of the same dates, respectively. Therefore, we believe that the credit losses allowances with respect to trade receivables aged 181 days or above are adequately provisioned, and do not foresee material recoverability issue with respect to our trade receivables aged 181 days or above.

- To manage risk arising from trade receivables and contract assets, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Such credit evaluation includes assessment of credit quality of these customers, which takes into account their financial position, past settlement records, industry characteristics and other factors. Our credit control department also oversees our trade receivables and contract assets and routinely communicates with our customers to minimize credit risk, and our senior management regularly reviews the overdue balances. Specifically, during the course of providing cloud financial & tax digitalization solutions, data-driven analytics solutions and on-premises solutions, we will also review the amount of services consumed by relevant customers and crosscheck and monitor the accrued service fees as reflected in our billing systems. We also designate specialized sales and operation and maintenance personnel to monitor project progress and maintain close contact with our customers.

Contract Costs

Contract costs primarily represented costs to fulfill contracts with our customers and arose from our financial & tax digitalization solutions. Our contract costs increased from RMB50.1 million as of December 31, 2020 to RMB54.7 million as of December 31, 2021 and further to RMB80.1 million as of December 31, 2022, primarily due to (1) the increase in the total number of service contracts with customers, driven by our business growth, and (2) the increase in costs associated with our service contracts that were not completed as of each of the year end due to the impact of the COVID-19 pandemic. Our contract costs then increased to RMB89.2 million as of September 30, 2023, primarily due to the increase in staff costs incurred for project delivery, driven by the increase in headcount of our project delivery personnel.

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Financial Assets at Fair Value through Profit or Loss

Our financial assets at FVTPL primarily consisted of wealth management products issued by banks, investment in associates with preferential rights and arrangement/right to receive additional shares at nominal consideration. Our wealth management products, including structured deposit, are short-term investments with expected rates of return ranging from nil to 20.00%, depending on the market price of underlying financial instruments. Arrangement/right to receive additional shares at nominal consideration represents our right to receive additional shares in Shanghai Xinghan Information Technology Co., Ltd. and Beijing Baiwang Intelligent Finance and Taxation Technology Co., Ltd. from one of its owners. We had financial assets at FVTPL of RMB200.7 million, RMB238.3 million, RMB440.4 million and RMB384.4 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. Fair value changes of wealth management products issued by banks are valued using level 2 inputs, and fair value changes of investment in associates with preferential rights and arrangement/right to receive additional shares at nominal consideration are valued using level 3 inputs.

We may continue to invest in similar wealth management products in the future using our surplus cash and acquire equity interests that we believe will further our business. Depending on the materiality of the investment, our investment decisions shall be approved by our general manager, our Board and/or our shareholders. Our general manager is mainly responsible for making, implementing and supervising our equity investment decisions.

We believe we can make better use of our cash by making appropriate investments in wealth management products of low-to-medium risk, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. Our finance department is responsible for the analysis and research of investment in wealth management products based on our cash positions. Investment decisions on wealth management products must be approved by our chief financial officer. Redemption of wealth management products prior to their maturity must be initiated by finance managers and approved by our chief financial officer. These policies and measures were formulated by our senior management.

We believe that our internal policies regarding financial products and the related risk management mechanism are adequate. We may continue to purchase financial products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the completion of the [REDACTED]. We will comply with relevant size test requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate after the [REDACTED].

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Cash and Cash Equivalents

Our cash and cash equivalents increased from RMB273.1 million as of December 31, 2020 to RMB505.0 million as of December 31, 2021, primarily due to our proceeds from investors. Our cash and cash equivalents then decreased to RMB237.2 million as of December 31, 2022, primarily as a result of our purchase of wealth management products and the cash used in our operating activities. Our cash and cash equivalents then decreased to RMB211.4 million as of September 30, 2023, primarily due to use of cash in support of our operations.

Trade Payables

Our trade payables primarily represented payables for hardware procurement, referral fees payable to marketing agents, and commission fees payable to business collaborators. Our trade payables increased from RMB27.7 million as of December 31, 2020 to RMB35.1 million as of December 31, 2021, primarily due to our business growth. Our trade payables decreased to RMB30.9 million as of December 31, 2022, as a result of our shortened payment settlement cycle with suppliers. Our trade payables increased to RMB33.3 million as of September 30, 2023, primarily in relation to referral fees payable to our marketing agents. The following sets for an aging analysis of our trade payables for the periods indicated.

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within three months	19,255	27,506	26,082	24,270
Three to six months	973	3,675	2,111	2,160
Six months to one year	7,363	350	1,957	4,702
One to two years	111	3,593	340	1,786
Over two years	2	23	379	402
Total	27,704	35,147	30,869	33,320

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Our trade payables turnover days decreased from 62.1 days in 2020 to 48.3 days in 2021 and further to 38.7 days in 2022 and 26.1 days in the nine months ended September 30, 2023, primarily due to our more frequent settlement with suppliers for our trade payables. The credit period on trade payables is typically 30 to 90 days. The following table sets forth the number of our trade payables turnover days for the periods indicated.

	Year ended December 31,			Nine months ended
				September 30,
	2020	2021	2022	2023
Trade payables turnover days ⁽¹⁾	62.1	48.3	38.7	26.1

(1) Trade payables turnover days was calculated based on the average of opening and closing balance of trade payables for the relevant period, divided by the cost of sales for the same period, and multiplied by 365 days for the years ended December 31, 2020, 2021 and 2022 and 270 days for the nine months ended September 30, 2023.

As of January 31, 2024, approximately RMB[23.6] million (unaudited), or [70.7]% (unaudited), of our trade payables as of September 30, 2023 had been settled.

Other Payables

Our other payables consisted of accrued staff costs, other tax payables, payable for acquisition of an associate and advance received from investors for our shares with preferential rights.

	As of December 31,			As of
	2020	2021	2022	September 30, 2023
	(RMB in thousands)			
Accrued staff costs	39,724	53,448	53,276	59,437
Other tax payables	18,062	25,724	15,278	16,447
Payable for acquisition of an associate	31,760	—	—	—
Advance received from investors for our shares with preferential rights	25,200	—	—	—
Others	20,124	26,146	37,496	35,082
Total	134,870	105,318	106,050	110,966

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Our other payables decreased from RMB134.9 million as of December 31, 2020 to RMB105.3 million as of December 31, 2021, primarily due to (1) a decrease of RMB31.8 million in payable for acquisition of an associate, primarily in relation to our investment in Boya Zhongke, and (2) a decrease of RMB25.2 million in advance received from investors for our shares with preferential rights, which were issued in 2021 to satisfy consideration paid in December 2020, partially offset by (i) an increase of RMB13.7 million in accrued staff costs, as a result of the increases in the headcount and average compensation level of our workforce, and (ii) an increase of RMB7.7 million in other tax payables in 2021, primarily due to an increase in the output VAT incurred in intra-group transactions in 2021, which was not certified by tax authorities in the same year. Our other payables increased to RMB111.0 million as of September 30, 2023, primarily due to the increase of RMB6.2 million in accrued staff costs, as a result of the increase in our staff headcount.

Contract Liabilities

Our contract liabilities consisted primarily of non-refundable advance payments made by customers of our financial and tax digitalization solutions and risk intelligence services, while the underlying services are yet to be provided. Our contract liabilities increased from RMB104.8 million as of December 31, 2020 to RMB130.6 million as of December 31, 2021, and further to RMB165.5 million as of December 31, 2022, primarily due to our business growth, especially with respect to our risk intelligence services. Our contract liabilities then decreased to RMB161.3 million as of September 30, 2023, primarily due to the reclassification of such contract liabilities as revenue as we delivered customer projects.

As of January 31, 2024, approximately RMB[103.3] million (unaudited), or [64.1]% (unaudited), of our contract liabilities as of September 30, 2023, had been recognized as revenue.

Financial Liabilities at Fair Value through Profit or Loss

Our financial liabilities were primarily related to our shares with preferential rights issued in our equity financings. We had financial liabilities at FVTPL of RMB1,360.2 million, RMB2,092.8 million, RMB2,154.8 million and RMB2,057.4 million as of December 31, 2020, 2021, 2022 and September 30, 2023, respectively. We applied the discounted cash flow method to determine the underlying equity value of our Company and option pricing method and equity allocation model to determine the fair value of our shares with preferential rights.

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Fair Value Measurements

We made judgments and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To indicate the reliability of inputs in determining the fair values, we classified our financial instruments into three levels prescribed under the accounting standards:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

There were no transfers between level 1, level 2 and level 3 during the Track Record Period. The following table sets forth the fair value measurement hierarchy of our financial assets and liabilities.

	Level 1	Level 2	Level 3	Total
	(RMB in thousands)			
As of December 31, 2020				
Assets:				
Financial assets at FVTPL	—	200,666	—	200,666
Liabilities:				
Financial liabilities at FVTPL	—	—	1,360,212	1,360,212
As of December 31, 2021				
Assets:				
Financial assets at FVTPL	—	218,856	19,440	238,296
Liabilities:				
Financial liabilities at FVTPL	—	—	2,092,769	2,092,769
As of December 31, 2022				
Assets:				
Financial assets at FVTPL	—	400,900	39,487	440,387
Liabilities:				
Financial liabilities at FVTPL	—	—	2,154,752	2,154,752
As of September 30, 2023				
Assets:				
Financial assets at FVTPL	—	351,770	32,648	384,418
Liabilities:				
Financial liabilities at FVTPL	—	—	2,057,386	2,057,386

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For level 2 financial instruments, valuations are generally obtained from third-party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. For level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

Our corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the management. At each reporting date, the corporate finance team analyzes the movements in the values of financial instruments and determines the major inputs applied in valuation. The valuation is reviewed and approved by the management.

In relation to the valuation of the level 3 financial instruments, the Sole Sponsor has reviewed and understood the classification policy of financial instruments into level 3 fair value hierarchy. The Sole Sponsor has further conducted relevant due diligence work, including but not limited to (1) discussion with the Company about the rationale of the transactions and key basis and assumptions for the valuation; (2) review of valuation report of the financial instruments; (3) discussion with the Reporting Accountants about their work performed in connection with the valuation of the Company’s financial instruments; and (4) discussion with the valuer as to their competence and previous experience in valuation of similar financial instruments. Having considered the above, nothing has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to cast reasonable doubt on the relevant valuation work performed for the Company’s level 3 financial instruments during the Track Record Period.

Details of the fair value measurements of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 40 of the Accountants’ Report in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary use of cash is to fund our working capital requirements and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily through cash generated from financing activities. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, [REDACTED] from the [REDACTED] and other funds raised from the capital markets from time to time. We monitor our cash flows and cash balance and funding requirement on a regular basis. We strive to maintain optimal

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liquidity that meets our working capital requirement. Our net current liabilities positions as of January 31, 2024, were primarily attributable to financial liabilities at FVTPL in relation to our shares with preferential rights, partially offset by cash and cash equivalents and financial assets at FVTPL. We do not expect to record any fair value changes in such instruments following the completion of the [REDACTED]. See Note 33 to the Accountants’ Report in Appendix I to this document for details.

As of December 31, 2020, 2021, 2022 and September 30, 2023, we had cash and cash equivalents of RMB273.1 million, RMB505.0 million, RMB237.2 million and RMB211.4 million, respectively. Taking into account the financial resources available to us, including cash and cash equivalents, bank deposits, cash flows from operating activities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
Net cash used in operating activities	(80,069)	(13,989)	(64,276)	(132,199)	(128,413)
Net cash (used in)/from investing activities	(209,046)	(189,776)	(189,804)	(197,441)	121,433
Net cash from/(used in) financing activities	94,183	435,669	(13,720)	(11,974)	(18,866)
Net (decrease)/increase in cash and cash equivalents	(194,932)	231,904	(267,800)	(341,614)	(25,846)
Cash and cash equivalents at the beginning of the year/period	468,034	273,102	505,006	505,006	237,206
Cash and cash equivalents at the end of the year/period	273,102	505,006	237,206	163,392	211,360

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Net cash used in operating activities

Net cash used in operating activities was RMB128.4 million in the nine months ended September 30, 2023, primarily due to our loss before tax of RMB213.4 million, adjusted for (1) certain non-cash and non-operating items, primarily including share-based payment expenses of RMB163.7 million and fair value changes of financial assets and liabilities at FVTPL of RMB97.8 million, (2) changes in working capital that positively affected the cash flows, primarily including decrease in trade and other receivables, deposits and prepayments of RMB9.0 million, partially offset by (3) changes in working capital that negatively affected the cashflows, primarily including increase in contract assets of RMB9.1 million and increase in contract assets of RMB6.6 million.

Net cash used in operating activities was RMB64.3 million in 2022, primarily due to our loss before tax of RMB156.0 million, adjusted for (1) certain non-cash and non-operating items, primarily including fair value changes of financial assets and liabilities at FVTPL of RMB53.5 million, depreciation of right-of-use assets of RMB12.5 million, share-based payment expenses of RMB10.5 million, and interest income of RMB3.9 million, (2) changes in working capital that negatively affected the cash flows, primarily including an increase in contract costs of RMB25.4 million, an increase in contract assets of RMB8.2 million, and an increase in trade and other receivables, deposits and prepayment of RMB5.6 million, partially offset by (3) changes in working capital that positively affected the cash flows, primarily including an increase in contract liabilities of RMB34.8 million and a decrease in amounts due from related parties of RMB18.5 million.

Net cash used in operating activities was RMB14.0 million in 2021, primarily due to our loss before tax of RMB448.4 million, adjusted for (1) certain non-cash and non-operating items, primarily including fair value changes of financial assets and liabilities at FVTPL of RMB265.5 million, share-based payment expenses of RMB161.4 million, depreciation of right-of-use assets of RMB10.1 million and depreciation of property, plant and equipment of RMB5.6 million, (2) changes in working capital that negatively affected the cash flows, primarily including an increase in trade and other receivables, deposits and prepayments of RMB21.1 million, an increase in amounts due from related parties of RMB16.3 million, and a decrease in amounts due to related parties of RMB15.5 million, partially offset by (3) changes in working capital that positively affected the cash flows, primarily including an increase in trade and other payables of RMB33.3 million and an increase in contract liabilities of RMB25.8 million.

Net cash used in operating activities was RMB80.1 million in 2020, primarily due to our loss before tax of RMB388.8 million, adjusted for (1) certain non-cash and non-operating items, primarily including fair value changes of financial assets and liabilities at FVTPL of RMB285.9 million, share-based payment expenses of RMB49.8 million and depreciation of right-of-use assets of RMB10.1 million, (2) changes in working capital that negatively affected the cash flows, primarily including an increase in contract assets of RMB48.3 million and an increase in contract costs of RMB15.5 million, partially offset by (3) changes in working capital that positively affected the cash flows, primarily including an increase in trade and other payables of RMB41.0 million and an increase in contract liabilities of RMB6.5 million.

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Net cash (used in)/from investing activities

Net cash from investing activities was RMB121.4 million in the nine months ended September 30, 2023, primarily attributable to redemption of wealth management products of RMB650.0 million and withdrawal of term deposits of RMB80.0 million, partially offset by purchases of wealth management products of RMB600.0 million.

Net cash used in investing activities was RMB189.8 million in 2022, primarily attributable to purchases of wealth management products of RMB1,400.0 million, placement of term deposits of RMB80.0 million, payments for associates with preferential rights investments and the arrangement/right to receive additional shares at nominal consideration of RMB16.6 million, and investments in associates of RMB11.9 million, partially offset by redemption of wealth management products of RMB1,210.0 million and withdrawal of term deposits of RMB100.0 million.

Net cash used in investing activities was RMB189.8 million in 2021, primarily attributable to purchases of wealth management products of RMB594.0 million, placement of term deposits of RMB150.0 million, payments for associates with preferential rights investments and the arrangement/rights to receive additional shares at nominal consideration of RMB34.0 million, and investments in associates of RMB21.8 million, partially offset by redemption of wealth management products of RMB584.0 million and withdrawal of term deposits of RMB30.0 million.

Net cash used in investing activities was RMB209.0 million in 2020, primarily attributable to purchases of wealth management products of RMB1,739.7 million, investments in associates of RMB31.8 million and placement of term deposits of RMB30.0 million, partially offset by redemption of wealth management products of RMB1,589.7 million and interest of term deposits and wealth management products of RMB11.0 million.

Net cash from/(used in) financing activities

Net cash used in financing activities was RMB18.9 million in the nine months ended September 30, 2023, primarily attributable to repayments of lease liabilities of RMB13.7 million and prepayments of share issue costs of RMB5.1 million.

Net cash used in financing activities was RMB13.7 million in 2022, representing repayments of lease liabilities of RMB12.0 million and prepayments of share issue costs of RMB1.7 million.

Net cash from financing activities was RMB435.7 million in 2021, primarily attributable to proceeds from issue of shares with preferential rights of RMB443.5 million, partially offset by repayments of lease liabilities of RMB7.2 million.

Net cash from financing activities was RMB94.2 million in 2020, primarily attributable to proceeds from issue of shares with preferential rights of RMB105.2 million, partially offset by repayments of lease liabilities of RMB11.0 million.

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Current Assets and Current Liabilities

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

	As of December 31,			As of	As of
	2020	2021	2022	September 30, 2023	January 31, 2024
	(RMB in thousands)				(unaudited)
Current assets					
Inventories	13,399	8,972	10,992	6,266	[4,384]
Contract costs	28,086	18,245	42,026	49,354	[49,090]
Contract assets	64,619	68,836	77,891	84,126	[90,270]
Trade and other receivables, deposits and prepayments	57,793	78,332	85,188	81,374	[72,833]
Amounts due from related parties	2,987	19,260	3,631	7,225	[19,638]
Financial assets at FVTPL	200,666	218,856	400,900	351,770	[300,205]
Restricted bank deposits	847	515	103	2,063	[2,058]
Short-term bank deposits with maturity over three months	30,198	104,785	80,472	108,970	[—]
Cash and cash equivalents	273,102	505,006	237,206	211,360	[380,477]
	<u>671,697</u>	<u>1,022,807</u>	<u>938,409</u>	<u>902,508</u>	<u>[918,955]</u>
Current liabilities					
Lease liabilities	6,578	10,312	18,442	14,425	[14,767]
Trade and other payables	162,574	140,465	136,919	144,286	[168,321]
Tax liabilities	—	—	31	186	[204]
Contract liabilities	104,817	130,631	165,476	161,333	[121,452]
Financial liabilities at FVTPL	—	216,650	2,151,922	2,057,386	[2,057,386]
Amounts due to related parties	29,518	14,020	11,052	15,883	[20,935]
	<u>303,487</u>	<u>512,078</u>	<u>2,483,842</u>	<u>2,393,499</u>	<u>[2,383,065]</u>
Net current assets/(liabilities)	<u>368,210</u>	<u>510,729</u>	<u>(1,545,433)</u>	<u>(1,490,991)</u>	<u>[(1,464,110)]</u>

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We had net current assets of RMB368.2 million and RMB510.7 million as of December 31, 2020 and 2021, respectively. We had net current liabilities of RMB1,545.4 million and RMB1,491.0 million as of December 31, 2022 and September 30, 2023, respectively. Our net current assets position as of December 31, 2020 and 2021 was primarily attributable to our cash and cash equivalents, financial assets at FVTPL, trade and other receivables, and short-term bank deposits with maturity over three months, partially offset by financial liabilities at FVTPL, contract liabilities and trade and other payables.

Our net current liabilities position as of December 31, 2022 and September 30, 2023 was primarily attributable to financial liabilities at FVTPL in relation to our shares with preferential rights, partially offset by financial assets at FVTPL. We do not expect to record any fair value changes in such instruments following the completion of the [REDACTED]. See Note 33 to the Accountants’ Report in Appendix I to this document for details.

Our net current liabilities remained relatively stable at RMB1,491.0 million and RMB[1,464.1] million as of September 30, 2023 and January 31, 2024, respectively.

Our net current liabilities decreased from RMB1,545.4 million as of December 31, 2022 to RMB1,491.0 million as of September 30, 2023, primarily due to a decrease of RMB94.5 million in current financial liabilities at FVTPL.

We recorded net current liabilities of RMB1,545.4 million as of December 31, 2022, as compared to net current assets of RMB510.7 million as of December 31, 2021, primarily due to the reclassification of financial liabilities at FVTPL in connection with our shares with preferential rights from non-current to current liabilities.

Our net current assets increased from RMB368.2 million as of December 31, 2020 to RMB510.7 million as of December 31, 2021, primarily due to the increases in cash and cash equivalents and short-term deposits with maturity over three months, as a result of receipts of proceeds from issue of shares with preferential rights.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period, consisting primarily of purchases of property, plant and equipment and intangible assets, were RMB8.4 million, RMB4.8 million, RMB4.5 million and RMB5.5 million, respectively, in 2020, 2021, 2022 and the nine months ended September 30, 2023, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from capital injection from shareholders and cash on hand.

We plan to fund our planned capital expenditure by using capital injection from shareholders, cash on hand and the [REDACTED] from this [REDACTED]. See “Future Plans and [REDACTED]” for certain details of our expansion plan.

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Capital Commitments

Our capital commitments primarily related to our capital expenditure in acquisition of equity interests in associates. The following table sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,			As of September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Contracted but not provided for:				
Capital expenditure in respect of acquisition of equity interests in associates	50,115	22,250	22,250	29,930

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted primarily of lease liabilities. Our lease liabilities as of December 31, 2020, 2021, 2022, and September 30, 2023 and January 31, 2024, being the latest practicable date for the purpose of indebtedness statement, were as follows.

	As of December 31,			As of September 30,	As of January 31,
	2020	2021	2022	2023	2024
	(RMB in thousands)				(unaudited)
Lease liabilities, current	6,578	10,312	18,442	14,425	[14,767]
Lease liabilities, non-current	304	25,364	7,354	2,137	[1,210]
Total	6,882	35,676	25,796	16,562	[15,977]

Save as disclosed above, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of the Latest Practicable Date. We had not guaranteed the indebtedness of any independent third parties as of the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since January 31, 2024.

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CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

[REDACTED]

We expect to incur a total of approximately [REDACTED] million ([REDACTED] million) of [REDACTED] in connection with the [REDACTED], representing approximately [REDACTED] of the [REDACTED] from the [REDACTED] (assuming an [REDACTED] of [REDACTED], being the mid-point of the [REDACTED] between [REDACTED] and [REDACTED], and assuming that the [REDACTED] is not exercised), including (1) sponsor fees and [REDACTED], SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [REDACTED] of approximately [REDACTED] million ([REDACTED] million), and (2) [REDACTED] of approximately [REDACTED] million ([REDACTED] million), which consist of (i) fees and expenses of legal advisors and accountants of approximately [REDACTED] million ([REDACTED] million), and (ii) other fees and expenses of approximately [REDACTED] million ([REDACTED] million). Approximately [REDACTED] million is expected to be charged to our consolidated statements of profit or loss, and approximately [REDACTED] million is expected to be deducted from equity. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

	As of/for the year ended			As of/for the nine	
	December 31,			months ended	
	2020	2021	2022	2022	2023
Profitability ratios					
Gross profit margin ⁽¹⁾	46.1%	47.6%	40.8%	41.4%	29.1%
Net loss margin ⁽²⁾	133.6%	98.8%	29.7%	27.0%	45.6%
Liquidity ratios					
Current ratio ⁽³⁾	2.2	2.0	0.4	N/A	0.4

(1) The calculation of gross profit margin is based on gross profit for the year/period divided by revenue for the respective year/period and multiplied by 100.0.

(2) The calculation of net loss margin is based on loss for the year/period divided by revenue for the respective year/period and multiplied by 100.0.

(3) The calculation of current ratio is based on current assets divided by current liabilities as of period end.

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Analysis of Key Financial Ratios

Gross Profit Margin and Net Loss Margin

See “—Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net loss margin during the Track Record Period.

Current Ratio

Our current ratio remained relatively stable at 2.2 as of December 31, 2020 and 2.0 as of December 31, 2021, and decreased to 0.4 as of December 31, 2022, primarily due to the reclassification of financial liabilities at FVTPL in connection with our shares with preferential rights from non-current to current liabilities. Our current ratio remained stable at 0.4 as of September 30, 2023.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. During the Track Record Period, we entered into a number of related party transactions. For details of our related party transactions, see Note 42 to the Accountants’ Report in Appendix I to this document. The following table sets forth our balance with related parties as of the dates indicated.

	As of/for the year ended December 31,			As of/ for the nine months ended September 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Amounts due from related parties				
Trade related	2,947	3,529	3,568	7,172
Non-trade related	40	15,731	63	53
Amounts due to related parties				
Trade related	29,403	13,905	10,937	15,677
Non-trade related	115	115	115	206

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During the Track Record Period, our non-trade related amount due from related parties primarily consisted of amount due from Ms. Chen, our Controlling Shareholder, and Beijing Baiwang Rongxin Technology Co., Ltd., controlled by Ms. Chen (“Baiwang Rongxin”). The balance of RMB15.7 million as of December 31, 2021 was related to the working capital needs of Beijing Zhongshui Yitong Technology Co., Ltd., controlled by Ms. Chen (“Zhongshui Yitong”).

Zhongshui Yitong was founded in December 2013 and primarily engaged in the research and development of tax-filing CD-ROM products for enterprises. As such products were rendered obsolete by the development of internet and mobile technologies, Zhongshui Yitong decided to terminate the relevant product and business development and deregister in December 2020. Due to its de-registration, the obligation to repay such receivable was assumed by Baiwang Rongxin. The balance was then considered recoverable by us as unsecured and repayable on demand, with an agreed interest rate of 3.8%.

During the Track Record Period, there was not any sharing of resources, including without limitation, plant and equipment, manpower, administrative functions, banking facilities or otherwise, between Zhongshui Yitong or Baiwang Rongxin, and our Group, shareholders, directors employees or any of the associates of our Group.

During the Track Record Period, we also had non-trade related amount due from other related parties of RMB40,000, RMB63,000 and RMB53,000 as of December 31, 2020 and 2022 and September 30, 2023, respectively, which were unsecured, interest-free and repayable on demand. Non-trade related balance from other related parties was primarily originated from advances to some of our senior management.

We expect to settle the non-trade related balance with related parties prior to the [REDACTED].

According to the General Lending Provision (貸款通則) issued by the PBOC in 1996 (the “General Lending Provisions”), only financial institutions are licensed to engage in business of extending loans, and loans between enterprises other than financial institutions are prohibited. The PBOC may impose penalties on illegal enterprise lenders in the amount equivalent to one to five times the income arising from loan-advancing activities. Notwithstanding the General Lending Provisions, the Supreme People’s Court has had new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的研究) which came into effect on June 23, 2015 and was latest amended in December 2020 (the “Private Lending Provisions”), pursuant to which the Supreme People’s Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions, so long as the private lending contract which the enterprises entered into is for the need of production and business operation and does not fall into certain situations stipulated in the PRC Civil Code and the Private Lending Provisions. According to the Private Lending Provisions, relevant people’s courts shall uphold the claim by the lender on the payment of the interests under the lending contract whereby the annual interest rate agreed upon by the parties to the lending contract does not exceed four times of the loan prime rate for one-year loan when the contract is concluded.

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Our Directors confirmed that (1) such loans/advances made to Ms. Chen Jie and her controlled entity or others were for business operation purposes and did not fall into the situations which would lead to the invalidation of such loans/advances; (2) the annual interest rate of the loans/advances made to Ms. Chen Jie and her controlled entity is within the scope allowed by the Private Lending Provisions, and the loans/advances made to others did not generate any interest income; (3) the Company had not received any notice of claim or was subject to any investigation or penalty for the loans/advances made to Ms. Chen Jie and her controlled entity or others during the Track Record Period and up to the Latest Practicable Date.

Based on the Director confirmation and the abovementioned analysis, our PRC legal Advisor is of the view that: (1) the loans/advances made to Ms. Chen Jie and her controlled entity and others were valid under the current PRC laws and regulations and do not violate any mandatory provision of applicable PRC laws and regulations; and (2) such loans/advances were legally binding on the parties.

Our Directors believe that each of the related party transactions was conducted in the ordinary course of business on an arm’s length basis. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our principal financial instruments comprise financial assets at FVTPL, trade and other receivables, cash and cash equivalents, amount due from related parties, lease liabilities, trade and other payables, amount due to related parties and financial liabilities at FVTPL. We are exposed to a variety of financial risks, primarily including market risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our senior management is responsible for our risk management. We regularly monitor our exposure and currently have not used any derivative financial instruments to hedge any of these financial risks.

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Market Risk

Interest Rate Risk

We are exposed to cash flow interest rate risk relating to our bank balances and cash with market interest rate and market interest rate-indexed wealth management products. Our income and operating cash flows are substantially independent of changes in market interest rates. We are exposed to fair value interest risk relating to our term deposits, lease liabilities, wealth management products and our shares with preferential rights. We manage our interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. As of September 30, 2023, we have not used any interest rate swaps to hedge our exposure to interest rate risk. For more details about our interest rate risk, see Note 40 to the Accountants’ Report in Appendix I to this document.

Price Risk

We are exposed to price risk relating to (1) wealth management products and associates with preferential rights measured as financial assets at FVTPL, and (2) shares with preferential rights and contingent consideration for acquiring an associate measured as financial liabilities at FVTPL, because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market. Our management considers the price risk on our investments in the wealth management products is limited as the maturity periods of these investments are short.

Credit Risk

We are exposed to credit risk relating to bank balances and cash, restricted bank deposits, term deposits with maturity over three months, term deposits with maturity over one year, trade and other receivables, as well as amounts due from related parties and contract assets. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

Our bank balances and cash, restricted bank deposits, term deposits with maturity over three months and term deposits with maturity over one year are mainly deposited in state-owned or reputable financial institutions in Mainland China. There has been no recent history of default in relation to these financial institutions. We consider the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period. We consider that there is no significant credit risk and no material losses due to the default of the other parties.

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To manage risk arising from trade receivables and amounts due from related parties of trade nature, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history, and our management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is typically between three to six months from the invoice dates, and the credit quality of these customers is assessed, which takes into account their financial position, past business dealings and other factors. In view of the sound collection history of receivables due from them, to measure the expected credit losses, trade receivables and amounts due from related parties of trade nature have been grouped based on shared credit risk characteristics and aging. In addition, trade receivables and amounts due from related parties of trade nature with significant balances or credit-impaired are assessed for estimated credit loss individually.

For more details about our credit risks, including our maximum exposure, see Note 40 to the Accountants’ Report in Appendix I to this document.

DIVIDEND

During the Track Record Period, we did not declare any dividends. PRC laws require that dividends be paid only out of net profits calculated according to PRC GAAP, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including the IFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Although the calculation of our distributable profits is in accordance with PRC GAAP or IFRSs, whichever is lower, we do not expect such difference between distributable profits calculated under PRC GAAP and IFRSs to be material or have any substantive impact on any dividend to be declared. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Pursuant to our Articles of Association, an annual profit distribution proposal shall be proposed by the Board based on our profitability, capital supply and needs, which, subject to the approval by the Board, will be submitted to the Shareholders’ general meeting for consideration. We may distribute profits by cash, Shares or a combination of cash and Shares. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be determined by our Shareholders.

DISTRIBUTABLE RESERVES

As of September 30, 2023, our Company had no distributable reserves. According to the PRC Company Law, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous year’s accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reached 50% of its registered capital. We may pay dividends out of aftertax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, we cannot pay dividends if we are in an accumulated loss position.

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DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operations remained stable in all material respects. The number of invoices issued with our cloud financial & tax digitalization solutions was 669.6 million in the three months ended December 31, 2023, as compared to 650.0 million in the three months ended December 31, 2022. The number of viewing requests fulfilled for enterprise operation reports was 5.1 million for the three months ended December 31, 2023, as compared to 2.9 million in the three months ended December 31, 2022. The number of enterprises included in the enterprise operation reports delivered was 1.8 million in the three months ended December 31, 2023, as compared to 0.9 million in the three months ended December 31, 2022. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since September 30, 2023, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since September 30, 2023 which would materially affect the information in the Accountants’ Report set out in Appendix I to this document.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

Since the COVID-19 outbreak, a series of precautionary and control measures have been implemented worldwide to contain the virus. Government efforts to contain the spread of COVID-19, including city “stay-at-home” advice, widespread business closures, travel restrictions and emergency quarantines, have caused significant and unprecedented disruptions to the global economy and normal business operations across sectors and countries.

During the regional resurgence of COVID-19, we had to temporarily close certain of our offices. In addition, our ability to carry out effective sales and marketing activities were also temporarily restrained by the pandemic. A number of our employees were infected with the COVID-19 in December 2022, which temporarily disrupted our business operations. Moreover, certain of our customers were adversely affected by the COVID-19 pandemic, and we experienced difficulty in collecting trade receivables from these customers. Additionally, in 2022, we experienced temporary delays in delivering our financial & tax digitalization solutions due to the impact of COVID-19 pandemic, and as a result, our contract liabilities increased from RMB130.6 million as of December 31, 2021 to RMB165.5 million as of December 31, 2022. We downwardly adjusted the price of certain solutions to attract mid-market customers and retain existing customers amid the COVID-19 pandemic. In response, we have strengthened marketing efforts for our basic and standardized cloud

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financial & tax digitalization solutions towards price-sensitive customers with basic invoice-processing needs, and we would constantly follow up with these customers to up-sell our solutions. We also integrate the offerings of our financial & tax digitalization solutions and data-driven intelligence solutions, which differentiates our solutions from those of our market peers and enables us to expand our product and service coverage and increase average customer spending.

As of the Latest Practicable Date, we did not experience material business disruptions or operating difficulties due to the COVID-19 outbreak. We believe the COVID-19 outbreak has not materially affected our business relationships with our business partners. We have seen an increase in demands for enterprise digitalization solutions from customers, as offline business activities have been curtailed as a result of the national and regional quarantine measures.

We adopted several precautionary measures to maintain a safe and hygienic working environment, such as adopting COVID-19 disinfecting techniques for our offices, distributing masks for employees, adopting flexible working schedules and locations, and implementing internal reporting system.

See “Risk Factors—Risks Relating to Our Business and Industry—Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could have a negative impact on our business operations” for more details of the risks we are exposed to due to health epidemics and other outbreaks.

[REDACTED] ADJUSTED CONSOLIDATED TOTAL TANGIBLE ASSETS LESS LIABILITIES OF OUR GROUP

The following **[REDACTED]** adjusted consolidated total tangible assets less liabilities of our Group has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of **[REDACTED]** Financial Information for inclusion in Investment Circulars” issued by the HKICPA for illustrative purposes only, and is set out here to illustrate the effect of the **[REDACTED]** on our consolidated tangible assets as of September 30, 2023 as if it had taken place on that date.

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Our [REDACTED] adjusted consolidated total tangible assets less liabilities of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the [REDACTED] been completed as of September 30, 2023 or any future date. It is prepared based on our consolidated net tangible assets as of September 30, 2023 as set out in the Accountants’ Report in Appendix I to this document, and adjusted as described below.

	Audited consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of September 30, 2023 ⁽¹⁾	Estimated [REDACTED] from the [REDACTED]	[REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of September 30, 2023	[REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of September 30, 2023 per Share ⁽³⁾	RMB	HK\$ ⁽⁴⁾
	(RMB in thousands)					
Based on the [REDACTED] of [REDACTED] per Share	[(1,284,809)]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of [REDACTED] per Share	[(1,284,809)]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- (1) The [REDACTED] statement of adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of September 30, 2023 is based on the consolidated deficits attributable to owners of our Company amounted to RMB[1,277,878,000], with adjustments for intangible assets of our Group as of September 30, 2023 of RMB[6,931,000] extracted from the Accountants’ Report set forth in Appendix I to the document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of [REDACTED] per Share and [REDACTED] per Share, after deduction of the [REDACTED] and other related expenses payable by our Company and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are [REDACTED] from Hong Kong dollars into RMB at an exchange rate of HK\$1.0000 to RMB[0.9161] prevailing on [June 20, 2023].
- (3) The [REDACTED] adjusted consolidated net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED].
- (4) The [REDACTED] adjusted consolidated net tangible assets per Share is [REDACTED] into Hong Kong dollars at an exchange rate of HK\$1.0000 to RMB[0.9161] prevailing on [June 20, 2023].