*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 analytics services. 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 insights into voluminous transaction data and equipped with 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 a technology-integrated business platform encompassing technologies, such as digital certificate, digital signature, open fixed-layout document ("OFD"), big data analytics, AI and blockchain. *Baiwang Cloud* enables us to provide customers in an array of industry verticals with modularized solutions, including: (1) financial & tax digitalization solutions, delivered in cloud and/or on-premises applications and compatible with e-invoices and digital invoices, consisting of tax invoice compliance management, financial and tax management and supply chain collaboration solutions, and (2) data-driven analytics services, consisting of digital precision marketing services and risk analytics services. During the Track Record Period, we generated revenue primarily through charging (i) annual subscription fees, usage-based fees, sales-based fees and solution delivery fees for cloud financial & tax digitalization solutions, (ii) sales-based fees, annual subscription fees, usage-based fees and project-based fees for our data-driven analytics services, and (iii) software license fees, one-time implementation fees, annual maintenance fees and hardware equipment fees for on-premises financial & tax digitalization solutions.

We experienced significant growth during the Track Record Period. In 2021, 2022 and 2023, our total revenue was RMB453.8 million, RMB525.8 million and RMB713.0 million, respectively. Our gross profit was RMB216.2 million, RMB214.3 million and RMB282.0 million in 2021, 2022 and 2023, respectively. We recorded net loss of RMB448.4 million, RMB156.2 million and RMB359.3 million in 2021, 2022 and 2023, respectively. We recorded adjusted net loss (non-IFRS measure) of RMB16.7 million, RMB70.3 million and RMB83.4 million in 2021, 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 analytics services 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 tax invoice reforms, including the Business Tax to Value-Added 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.

### Favorable Government Policies

Favorable government policies have significantly affected our industries and our business model. As China's financial and tax-related transaction digitalization market continues to develop, significant market opportunities continue to emerge in the market, especially in light of the implementation of the digital invoice reform. We have also capitalized on the market demand created by policies promoting SMB financing to expand our data-driven analytics services. 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 Offerings 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 financial & tax digitalization solutions and data-driven analytics services, 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 analytics services during the Track Record Period, while the profit margin of our data-driven analytics services 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 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 2.60%. 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 offerings 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 and share-based payment expenses.

During the Track Record Period, we granted share economic rights in our share incentive platforms to our senior management and employees, and we incurred substantial share-based payment expenses of RMB161.4 million, RMB10.5 million and RMB191.1 million in 2021, 2022 and 2023, respectively, accounting for 35.6%, 2.0% and 26.8% of our total revenue in the same periods, respectively. Our share-based payment expenses contributed to our net loss position during the Track Record Period. The following table sets forth a breakdown of our share-based payment expenses by categorization in our consolidated statements of profit and loss and other comprehensive income, both in absolute amount and as a percentage of total share-based payments, for the periods indicated.

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | (RMB in thousands except for percentages) | | | | | |
| Cost of sales | 18,719 | 11.6 | 2,031 | 19.4 | 13,297 | 7.0 |
| Research and development expenses | 14,428 | 8.9 | 4,775 | 45.6 | 30,322 | 15.9 |
| Administrative expenses | 82,744 | 51.3 | 2,288 | 21.9 | 80,234 | 42.0 |
| Distribution and selling expenses | 45,527 | 28.2 | 1,375 | 13.1 | 67,211 | 35.1 |
| **Total** | **161,418** | **100.0** | **10,469** | **100.0** | **191,064** | **100.0** |

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, tax and tax invoice compliance and management, and data analytics and various industry verticals. We expect that our staff costs and share-based payment expenses 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.

In addition to staff costs and share-based payment expenses, 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.

## MATERIAL 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 material accounting policy information 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.

**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.

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.

***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 and Contract Assets**

The ECL rates for trade receivables are determined by provision matrix model using historical loss rates adjusted for forward-looking estimates, based on days past due for groupings of customers' business segments. The ECL rates for contract assets are estimated by taking into account of probabilities of default and loss given default sourced from public market information adjusted for forward-looking estimates for groupings of various customers based on their business segments.

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 losses, the historical loss rates of trade receivables and probabilities of default of contract assets will be adjusted.

The assessment of the correlation among historical loss rates, probabilities of default, loss given default, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future. The information about the ECLs on our trade receivables and contract assets are disclosed in Note 40 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 indicated.

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | *(RMB in thousands, except for percentages)* | | | | | |
| Revenue | 453,763 | 100.0 | 525,765 | 100.0 | 712,996 | 100.0 |
| Cost of sales | (237,600) | (52.4) | (311,475) | (59.2) | (430,965) | (60.4) |
| **Gross profit** | 216,163 | 47.6 | 214,290 | 40.8 | 282,031 | 39.6 |
| Other income | 2,700 | 0.6 | 9,875 | 1.9 | 4,035 | 0.6 |
| Impairment losses under ECL model, net of reversal | (1,751) | (0.4) | (1,217) | (0.2) | (5,823) | (0.8) |
| Other gains and losses | (1,301) | (0.3) | (2,330) | (0.4) | (1,375) | (0.2) |
| Research and development expenses | (137,777) | (30.4) | (144,281) | (27.4) | (187,956) | (26.4) |
| Administrative expenses | (137,091) | (30.2) | (73,504) | (14.0) | (169,090) | (23.7) |
| [**REDACTED**] | (6,366) | (1.4) | (16,307) | (3.1) | (24,107) | (3.4) |
| Distribution and selling expenses | (132,725) | (29.2) | (98,876) | (18.8) | (202,821) | (28.4) |
| **Operating loss** | (198,148) | (43.7) | (112,350) | (21.4) | (305,106) | (42.8) |
| Finance income | 10,583 | 2.3 | 10,314 | 2.0 | 6,879 | 1.0 |
| Finance costs | (243) | (0.1) | (1,567) | (0.3) | (1,022) | (0.1) |
| Fair value changes of financial assets and liabilities at FVTPL | (265,523) | (58.5) | (53,491) | (10.2) | (55,895) | (7.8) |
| Share of results of associates and joint ventures | 4,958 | 1.1 | 1,069 | 0.2 | (4,030) | (0.6) |

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | *(RMB in thousands, except for percentages)* | | | | | |
| **Loss before tax** | (448,373) | (98.8) | (156,025) | (29.7) | (359,174) | (50.4) |
| Income tax expenses | — | — | (199) | (0.0) | (116) | (0.0) |
| **Loss and total comprehensive expense for the year** | (448,373) | (98.8) | (156,224) | (29.7) | (359,290) | (50.4) |
| **Attributable to** | | | | | | |
| — Owners of the Company | (446,938) | (98.5) | (153,501) | (29.2) | (357,980) | (50.2) |
| — Non-controlling interests | (1,435) | (0.3) | (2,723) | (0.5) | (1,310) | (0.2) |
| | (448,373) | (98.8) | (156,224) | (29.7) | (359,290) | (50.4) |
| **Loss per share attributable to owners of the company** | | | | | | |
| — Basic and diluted (RMB) | (3.19) | — | (1.10) | — | (2.56) | – |

**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 may not be comparable to similar measures presented by other companies. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and 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.

We define adjusted net loss (non-IFRS measure) as net loss for the year, adjusted by adding share-based payment expenses, [**REDACTED**], and fair value changes of financial liabilities at FVTPL relating to shares with preferential rights issued by us, which are non-cash in nature. Share-based payments are non-cash expenses arising from granting share economic rights in our share incentive platforms to senior management and employees. [**REDACTED**] were incurred in connection with the [**REDACTED**]. 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:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | (RMB in thousands) | | |
| **Reconciliation of net loss to adjusted net loss (non-IFRS measure):** | | | |
| **Loss for the year** | **(448,373)** | **(156,224)** | **(359,290)** |
| **Add** | | | |
| Share-based payment expenses | 161,418 | 10,469 | 191,064 |
| [**REDACTED**] | 6,366 | 16,307 | 24,107 |
| Fair value changes of financial liabilities at FVTPL | | | |
| – shares with preferential rights | 263,850 | 59,153 | 60,707 |
| **Adjusted net loss (non-IFRS measure)** | (16,739) | (70,295) | (83,412) |

## KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

### Revenue

During the Track Record Period, we generated revenue from (1) cloud financial & tax digitalization solutions, (2) data-driven analytics services, (3) on-premises financial & tax digitalization solutions, and (4) 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | *(RMB in thousands except for percentages)* | | | | | |
| Cloud financial & tax digitalization solutions | 156,615 | 34.5 | 157,996 | 30.1 | 219,539 | 30.8 |
| Data-driven analytics services | 178,597 | 39.4 | 263,519 | 50.1 | 352,425 | 49.4 |
| — *Digital precision marketing services* | 94,603 | 20.9 | 170,229 | 32.4 | 210,187 | 29.5 |
| — *Risk management services* | 83,994 | 18.5 | 93,290 | 17.7 | 142,238 | 19.9 |
| On-premises financial & tax digitalization solutions | 110,168 | 24.3 | 93,491 | 17.8 | 138,132 | 19.4 |
| Others[(1)] | 8,383 | 1.8 | 10,759 | 2.0 | 2,900 | 0.4 |
| **Total** | 453,763 | 100.0 | 525,765 | 100.0 | 712,996 | 100.0 |

(1) Includes primarily advertisement publishing services.

#### *Revenue Generated from Cloud Financial & Tax Digitalization Solutions*

In 2021, 2022 and 2023, we derived revenue from our cloud financial & tax digitalization solutions of RMB156.6 million, RMB158.0 million and RMB219.5 million, respectively, accounting for 34.5%, 30.1% and 30.8% of our total revenue in the same periods, respectively. Our cloud financial & tax compliance solutions comprise tax invoice compliance management solutions, financial and tax management solutions and 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.

*Tax invoice compliance management solutions*. Our tax invoice compliance management solutions provide customers with full-cycle tax invoice management functions, including tax invoice processing and tax invoice compliance services. Revenue from tax 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.

*Financial and tax management solutions*. Our financial and tax management solutions provide customers with enterprise spending management services, electronic accounting archive services and tax filing management services. Revenue from 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.

*Supply chain collaboration solutions*. Our supply chain collaboration solutions provide customers with reconciliation and billing management services and contingent workforce management services. Revenue from 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.

*Solution delivery services*. We generated revenue from providing solution delivery services in relation to our cloud financial & tax digitalization solutions, which include (1) implementation services charged based on a number of factors, including the number of technical specialists staffed on a given project and the duration of the project, (2) hardware equipment fees and (3) maintenance fees.

***Revenue Generated from Data-driven analytics Services***

In 2021, 2022 and 2023, we generated revenue from our data-driven analytics services of RMB178.6 million, RMB263.5 million and RMB352.4 million, respectively, accounting for 39.4%, 50.1% and 49.4% of our total revenue in the same periods, respectively. Our data-driven analytics services primarily comprise digital precision marketing services and risk management services.

*Digital precision marketing services*. In 2021, 2022 and 2023, we generated revenue from our digital precision marketing services of RMB94.6 million, RMB170.2 million and RMB210.2 million, respectively, accounting for 20.9%, 32.4% and 29.5% 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 management services*. Our risk management services primarily comprise enterprise operation reporting services, user analytics services, risk analytics services, and procurement optimization services. In 2021, 2022 and 2023, we generated revenue from our risk management services of RMB84.0 million, RMB93.3 million and RMB142.2 million, respectively, accounting for 18.5%, 17.7% and 19.9% of our total revenue in the same periods, respectively. We generated a substantial portion of the revenue from our risk management 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. 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 2021, 2022 and 2023, we generated revenue from our on-premises financial & tax digitalization solutions of RMB110.2 million, RMB93.5 million and RMB138.1 million, respectively, accounting for 24.3%, 17.8% and 19.4% 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.

***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 2021, 2022 and 2023, we generated revenue from our other services of RMB8.4 million, RMB10.8 million and RMB2.9 million, respectively, accounting for 1.8%, 2.0% and 0.4% 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 share economic rights in our share incentive platforms to our product and operations personnel, and (6) other costs. Our cost of sales was RMB237.6 million, RMB311.5 million and RMB431.0 million in 2021, 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | *(RMB in thousands except for percentages)* | | | | | |
| Referral fees | 64,204 | 27.0 | 153,605 | 49.3 | 193,423 | 44.9 |
| Staff costs | 86,349 | 36.3 | 84,607 | 27.2 | 125,160 | 29.0 |
| Cloud service fees | 43,080 | 18.1 | 47,040 | 15.1 | 69,250 | 16.1 |
| Share-based payment expenses | 18,719 | 7.9 | 2,031 | 0.6 | 13,297 | 3.1 |
| Hardware costs | 11,307 | 4.8 | 8,105 | 2.6 | 7,827 | 1.8 |
| Others(1) | 13,941 | 5.9 | 16,087 | 5.2 | 22,008 | 5.1 |
| **Total** | 237,600 | 100.0 | 311,475 | 100.0 | 430,965 | 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.

During the Track Record Period, we incurred significant referral fees of RMB64.2 million, RMB153.6 million and RMB193.4 million in 2021, 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 109.7 thousand, 160.9 thousand and 182.9 thousand in 2021, 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 RMB10.9 billion, RMB25.8 billion and RMB39.4 billion in 2021, 2022 and 2023, respectively, accounting for 74.3%, 87.3% and 94.8% 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 0.37%, 0.51% and 0.47% in 2021, 2022 and 2023, respectively. Our average referral fee ratio for loan products with marketing agents was 0.71%, 0.78% and 0.77% in 2021, 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,** | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | **2022** | | **2023** | |
| | **RMB** | **%** | **RMB** | **%** | **RMB** | **%** |
| | *(RMB in thousands except for percentages)* | | | | | |
| Cloud financial & tax digitalization solutions | 74,314 | 31.3 | 70,745 | 22.7 | 99,544 | 23.1 |
| Data-driven analytics services | 87,777 | 36.9 | 175,156 | 56.2 | 227,838 | 52.9 |
| On-premises financial & tax digitalization solutions | 74,430 | 31.3 | 62,898 | 20.2 | 100,999 | 23.4 |
| Others | 1,079 | 0.5 | 2,676 | 0.9 | 2,584 | 0.6 |
| **Total** | 237,600 | 100.0 | 311,475 | 100.0 | 430,965 | 100.0 |

**Gross Profit and Gross Profit Margin**

Our gross profit was RMB216.2 million, RMB214.3 million and RMB282.0 million in 2021, 2022 and 2023, respectively, representing a gross profit margin of 47.6%, 40.8% and 39.6% 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Gross profit | Gross Profit Margin (%) | Gross profit | Gross Profit Margin (%) | Gross profit | Gross Profit Margin (%) |
| | (RMB in thousands except for percentages) | | | | | |
| Cloud financial & tax digitalization solutions | 82,301 | 52.5 | 87,251 | 55.2 | 119,995 | 54.7 |
| Data-driven analytics services | 90,820 | 50.9 | 88,363 | 33.5 | 124,587 | 35.4 |
| — *Digital precision marketing services* | 29,073 | 30.7 | 14,377 | 8.4 | 14,742 | 7.0 |
| — *Risk management services* | 61,747 | 73.5 | 73,986 | 79.3 | 109,845 | 77.2 |
| On-premises financial & tax digitalization solutions | 35,738 | 32.4 | 30,593 | 32.7 | 37,133 | 26.9 |
| Others | 7,304 | 87.1 | 8,083 | 75.1 | 316 | 10.9 |
| **Total** | 216,163 | 47.6 | 214,290 | 40.8 | 282,031 | 39.6 |

The gross profit margin for digital precision marketing services decreased from 30.7% in 2021 to 8.4% in 2022 and further to 7.0% in 2023, primarily due to the increase in sales of credit facility products facilitated by us, which typically had a lower profit margin.

**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, RMB9.9 million and RMB4.0 million in 2021, 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | (RMB in thousands except for percentages) | | | | | |
| Tax refund | 1,688 | 62.5 | 5,365 | 54.3 | 2,091 | 51.8 |
| Government grants | 1,010 | 37.4 | 4,206 | 42.6 | 1,944 | 48.2 |
| Others | 2 | 0.1 | 304 | 3.1 | — | — |
| **Total** | 2,700 | 100.0 | 9,875 | 100.0 | 4,035 | 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 RMB1.8 million, RMB1.2 million and RMB5.8 million in 2021, 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, RMB2.3 million and RMB1.4 million in 2021, 2022 and 2023, respectively.

### 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 economic rights in our share incentive platforms 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 30.4%, 27.4% and 26.4% in 2021, 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | (RMB in thousands except for percentages) | | | | | |
| Staff costs | 113,171 | 82.1 | 126,956 | 88.0 | 145,112 | 77.2 |
| Share-based payment expenses | 14,428 | 10.5 | 4,775 | 3.3 | 30,322 | 16.1 |
| Depreciation and amortization | 5,512 | 4.0 | 5,272 | 3.7 | 5,106 | 2.7 |
| Others[1] | 4,666 | 3.4 | 7,278 | 5.0 | 7,416 | 3.9 |
| **Total** | 137,777 | 100.0 | 144,281 | 100.0 | 187,956 | 100.0 |

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

**Administrative Expenses**

Our administrative expenses primarily consisted of (1) share-based payment expenses, arising from the grants of share economic rights in our share incentive platforms to our administrative personnel, (2) staff costs, representing wages, salaries and other benefits for our administrative personnel, (3) traveling and promotion expenses incurred by our administrative personnel, (4) professional service fees for legal counsels and tax consultants, (5) rental expenses, (6) office expenses, (7) outsourcing expenses, 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 30.2%, 14.0% and 23.7% in 2021, 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | (RMB in thousands except for percentages) | | | | | |
| Share-based payment expenses | 82,744 | 60.4 | 2,288 | 3.1 | 80,234 | 47.5 |
| Staff costs | 35,362 | 25.8 | 42,873 | 58.3 | 59,182 | 35.0 |
| Traveling and promotion expenses | 4,746 | 3.5 | 7,942 | 10.8 | 9,263 | 5.6 |
| Professional service fees | 7,870 | 5.7 | 6,608 | 9.0 | 5,118 | 3.0 |
| Rental expenses | 1,859 | 1.4 | 3,965 | 5.4 | 5,154 | 3.0 |
| Office expenses | 1,938 | 1.4 | 2,899 | 3.9 | 3,600 | 2.1 |
| Outsourcing expenses | 201 | 0.1 | 4,475 | 6.1 | 3,100 | 1.8 |
| Depreciation and amortization | 1,701 | 1.2 | 1,729 | 2.4 | 2,448 | 1.4 |
| Others | 670 | 0.5 | 725 | 1.0 | 991 | 0.6 |
| **Total** | 137,091 | 100.0 | 73,504 | 100.0 | 169,090 | 100.0 |

### Distribution and Selling Expenses

Our distribution and selling expenses primarily consisted of (1) share-based payment expenses, arising from the grants of share economic rights in our share incentive platforms to our sales personnel, (2) staff costs, representing wages, salaries and other benefits for our distribution and selling personnel, (3) traveling and marketing expenses, representing expenses incurred by our sales personnel for distribution and selling activities, (4) commission fees paid to business collaborators for marketing and promoting our cloud financial & tax digitalization solutions, and (5) 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. Our distribution and selling expenses as a percentage of our total revenue, was 29.2%, 18.8% and 28.4% in 2021, 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | RMB | % | RMB | % | RMB | % |
| | (RMB in thousands except for percentages) | | | | | |
| Share-based payment expenses | 45,527 | 34.3 | 1,375 | 1.4 | 67,211 | 33.2 |
| Staff costs | 64,424 | 48.5 | 67,304 | 68.1 | 98,010 | 48.3 |
| Traveling and marketing expenses | 11,406 | 8.6 | 13,562 | 13.7 | 19,331 | 9.5 |
| Commission fees | 6,568 | 4.9 | 9,055 | 9.2 | 8,559 | 4.2 |
| Depreciation | 3,385 | 2.6 | 3,696 | 3.7 | 3,889 | 1.9 |
| Others(1) | 1,415 | 1.1 | 3,884 | 3.9 | 5,821 | 2.9 |
| **Total** | 132,725 | 100.0 | 98,876 | 100.0 | 202,821 | 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 2021, 2022 and 2023, we incurred RMB6.4 million, RMB16.3 million and RMB24.1 million in [**REDACTED**], respectively.

### Finance Income

Our finance income represented primarily interest income arising from bank deposits. We recorded finance income of RMB10.6 million, RMB10.3 million and RMB6.9 million in 2021, 2022 and 2023, respectively.

### Finance Costs

Our finance costs represented primarily interest expenses on lease liabilities. We recorded finance costs of RMB0.2 million, RMB1.6 million and RMB1.0 million in 2021, 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 RMB265.5 million, RMB53.5 million and RMB55.9 million in 2021, 2022 and 2023, respectively.

### Share of Results of Associates and Joint Ventures

We recorded share of results of associates and joint ventures of RMB5.0 million, RMB1.1 million and RMB4.0 million in 2021, 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.

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, RMB0.2 million and RMB0.1 million in 2021, 2022 and 2023, respectively. Our effective tax rate, representing income tax expense divided by loss before taxation, was nil, 0.1% and 0.0% in 2021, 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

As a result of the foregoing, we recorded net loss of RMB448.4 million, RMB156.2 million and RMB359.3 million in 2021, 2022 and 2023, respectively.

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

#### *Revenue*

Our revenue increased by 35.6% from RMB525.8 million in 2022 to RMB713.0 million in 2023.

*Cloud financial & tax digitalization solutions*. Revenue generated from cloud financial & tax digitalization solutions increased from RMB158.0 million in 2022 to RMB219.5 million in 2023, primarily due to the increase in the number of KA customers from 217 in 2022 to 366 in 2023 and the increase in the number of mid-market customers from 14,591 in 2022 to 20,734 in 2023, as a result of increasing market demand of our solutions.

*Data-driven analytics services*. Revenue generated from data-driven analytics services increased by 33.7% from RMB263.5 million in 2022 to RMB352.4 million in 2023, primarily because (1) revenue generated from digital precision marketing services increased by 23.5%, primarily due to the increase in the value of financial products we facilitated in selling from RMB29.6 billion in 2022 to RMB41.6 billion in 2023, and (2) revenue generated from risk management services increased by 52.5%, primarily as a result of the increase in the number of enterprises included in our enterprise operation reports from 1.6 million in 2022 to 2.6 million in 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 47.7% from RMB93.5 million in 2022 to RMB138.1 million in 2023, primarily due to the increase in the number of customers from 1,309 in 2022 to 2,051 in 2023 and the increase in solution deliveries.

*Others*. Our revenue generated from other services decreased by 73.0% from RMB10.8 million in 2022 to RMB2.9 million in 2023, primarily due to our strategic adjustment of business focus on our other solutions.

### *Cost of sales*

Our cost of sales increased by 38.4% from RMB311.5 million in 2022 to RMB431.0 million in 2023.

*Cloud financial & tax digitalization solutions*. Our cost of sales relating to cloud financial & tax digitalization solutions increased by 40.7% from RMB70.7 million in 2022 to RMB99.5 million in 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.

*Data-driven analytics services*. Our cost of sales relating to data-driven analytics services increased by 30.1% from RMB175.2 million in 2022 to RMB227.8 million in 2023, primarily due to the increase in our referral fees from RMB153.6 million in 2022 to RMB193.4 million in 2023, which was consistent with 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 60.6% from RMB62.9 million in 2022 to RMB101.0 million in 2023, primarily due to the increase in staff costs associated with on-premises solutions.

*Others*. Our cost of sales relating to other services remained relatively stable at RMB2.7 million in 2022 and RMB2.6 million in 2023.

### *Gross profit and gross profit margin*

Our gross profit increased by 31.6% from RMB214.3 million in 2022 to RMB282.0 million in 2023, and our gross profit margin slightly decreased from 40.8% in 2022 to 39.6% in 2023.

*Cloud financial & tax digitalization solutions*. Our gross profit margin for cloud financial & tax digitalization solutions remained relatively stable at 55.2% in 2022 and 54.7% in 2023.

*Data-driven analytics services*. Our gross profit margin for data-driven analytics services increased from 33.5% in 2022 to 35.4% in 2023, primarily due to the increase in revenue contribution of our risk management services, which had a higher profit margin than other data-driven analytics services. We also experienced a decrease in the gross profit margin of our digital precision marketing services from 8.4% in 2022 to 7.0% in 2023, primarily because the growth of referral fee outpaced that of revenue in the same period.

*On-premises financial & tax digitalization solutions*. Our gross profit margin for on-premises financial & tax digitalization solutions decreased from 32.7% in 2022 to 26.9% in 2023, primarily because the increase in costs of sales outpaced our revenue growth for on-premises solutions, due to the combined effects of (1) significant increases in staff costs and share-based payment expenses incurred in connection with the recruitment of product and operations personnel for the implementation of digital invoice reform, and (2) our downward adjustment of solution pricing to incentivize purchases from large and mid-sized enterprises. As a result, average revenue per customer decreased from RMB71.4 thousand in 2022 to RMB67.3 thousand in 2023, while the number of customers increased from 1,309 in 2022 to 2,051 in 2023. See "Business—Sustainability of Our Business—Leveraging Market Opportunities and Favorable Government Policies to Grow Our Financial & Tax Digitalization Solutions" for details.

*Others*. Our gross profit margin for other services decreased from 75.1% in 2022 to 10.9% in 2023, primarily due to the revenue decrease of our advertisement publishing services.

***Other income***

Our other income decreased from RMB9.9 million in 2022 to RMB4.0 million in 2023, primarily due to (1) a decrease of RMB3.3 million in tax refund, as a result of the change of the preferential VAT deduction policy in 2023, and (2) a decrease of RMB2.3 million in government grant, as the grants from Chongqing Fuling Comprehensive Free Trade in relation to our contribution to a local digital economy platform project were pending government review in 2023.

***Impairment losses under ECL model, net of reversal***

Our impairment losses under ECL model, net of reversal, increased from RMB1.2 million in 2022 to RMB5.8 million in 2023, primarily due to the increase in impairment losses related to our contract assets and trade receivables.

***Other gains and losses***

Our other losses decreased by 41.0% from RMB2.3 million in 2022 to RMB1.4 million in 2023, primarily because we made certain one-off provisions of litigations and one-time donation in 2022.

***Research and development expenses***

Our research and development expenses increased by 30.3% from RMB144.3 million in 2022 to RMB188.0 million in 2023, primarily due to (1) an increase of RMB25.5 million in share-based payment expenses for our R&D personnel, and (2) an increase of RMB18.2 million in staff costs, as a result of the increase in the headcount in our R&D department.

***Administrative expenses***

Our administrative expenses increased significantly from RMB73.5 million in 2022 to RMB169.1 million in 2023, primarily due to (1) an increase of RMB77.9 million in share-based payment expenses for our administrative and management personnel, and (2) an increase of RMB16.3 million in staff costs, as a result of the increase in the headcount in our administrative department.

***Distribution and selling expenses***

Our distribution and selling expenses increased significantly from RMB98.9 million in 2022 to RMB202.8 million in 2023, primarily due to (1) an increase of RMB65.8 million in share-based payment expenses for our sales personnel, (2) an increase of RMB30.7 million in staff costs, as a result of the increase in headcount in our sales and marketing department, and (3) an increase of RMB5.8 million in travelling and marketing fees, due to our enhanced marketing efforts to promote our solutions and services.

***Finance income***

Our finance income decreased from RMB10.3 million in 2022 to RMB6.9 million in 2023, primarily due to a decrease of RMB2.8 million in interest income from bank deposits.

***Finance costs***

Our finance costs decreased from RMB1.6 million in 2022 and RMB1.0 million in 2023, due to a decrease of RMB0.5 million in interest expenses on lease liabilities.

***Fair value changes of financial assets and liabilities at FVTPL***

Our fair value losses of financial assets and liabilities at FVTPL increased from RMB53.5 million in 2022, to RMB55.9 million in 2023, primarily due to (1) an increase of RMB1.5 million in fair value loss in relation to our shares with preferential rights from RMB59.2 million in 2022 to RMB60.7 million in 2023, and (2) a change from fair value gain of RMB0.6 million in 2022 to a fair value loss of RMB8.7 million in 2023, 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 profits of associates and joint ventures was RMB1.1 million in 2022, as compared to our share of loss of associates and joint ventures of RMB4.0 million in 2023, primarily due to the decrease in profit of our associates and joint ventures.

***Income tax expenses***

Our income tax expenses decreased from RMB0.2 million in 2022 to RMB0.1 million in 2023, primarily due to the decrease of deferred tax in relation to certain financial assets.

***Loss for the year***

As a result of the above, our net loss was RMB156.2 million and RMB359.3 million in 2022 and 2023, respectively, and our net loss margin increased from 29.7% in 2022 to 50.4% in 2023.

**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 financial & tax digitalization 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.

*Data-driven analytics services*. Revenue generated from data-driven analytics services 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 management services increased by 11.1%, primarily as a result of the increase in the number of enterprises included in our enterprise operation reports 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 financial & tax digitalization solutions*. 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 share economic rights in our share incentive platforms newly granted to our management overseeing our products and operations in 2021, which were vested in the same year.

*Data-driven analytics services*. Our cost of sales relating to data-driven analytics services increased significantly 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 financial & tax digitalization solutions*. 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.

*Data-driven analytics services*. Our gross profit margin for data-driven analytics services 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 gross 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 gross 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.

*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.

***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.

## 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, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8,042 | 8,703 | 9,949 |
| Right-of-use assets | 36,408 | 24,609 | 15,103 |
| Intangible assets | 7,644 | 6,961 | 6,502 |
| Investments in associates | 75,171 | 87,027 | 88,378 |
| Investments in joint ventures | 9,739 | 10,845 | 2,792 |
| Deposits paid for investment in an associate | 5,200 | — | — |
| Financial assets at FVTPL | 19,440 | 39,487 | 32,434 |
| Contract costs | 36,471 | 38,088 | 38,181 |
| Contract assets | 1,239 | 161 | 257 |
| Long-term bank deposits | 103,027 | 106,427 | — |
| Prepayments | 671 | — | — |
| | 303,052 | 322,308 | 193,596 |
| **Current assets** | | | |
| Inventories | 8,972 | 10,992 | 3,681 |
| Contract costs | 18,245 | 42,026 | 47,104 |
| Contract assets | 68,836 | 77,891 | 70,459 |
| Trade and other receivables, deposits and prepayments | 78,332 | 85,188 | 104,428 |
| Amounts due from related parties | 19,260 | 3,631 | 17,336 |
| Financial assets at FVTPL | 218,856 | 400,900 | 268,230 |
| Restricted bank deposits | 515 | 103 | 2,177 |
| Short-term bank deposits with maturity over three months | 104,785 | 80,472 | 109,827 |
| Cash and cash equivalents | 505,006 | 237,206 | 335,031 |
| | 1,022,807 | 938,409 | 958,273 |

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| **Current liabilities** | | | |
| Lease liabilities | 10,312 | 18,442 | 14,611 |
| Trade and other payables | 140,465 | 136,919 | 178,086 |
| Tax liabilities | — | 31 | 60 |
| Contract liabilities | 130,631 | 165,476 | 122,744 |
| Financial liabilities at FVTPL | 216,650 | 2,151,922 | 2,212,629 |
| Amounts due to related parties | 14,020 | 11,052 | 24,043 |
| | 512,078 | 2,483,842 | 2,552,173 |
| **Net current assets/(liabilities)** | 510,729 | (1,545,433) | (1,593,900) |
| **Total assets less current liabilities** | 813,781 | (1,223,125) | (1,400,304) |
| **Capital and reserves** | | | |
| Share capital | 140,000 | 140,000 | 140,000 |
| Reserves | (1,226,267) | (1,369,299) | (1,536,215) |
| Deficits attributable to owners of the Company | (1,086,267) | (1,229,299) | (1,396,215) |
| Non-controlling interests | (1,435) | (4,158) | (5,468) |
| **Total deficits** | (1,087,702) | (1,233,457) | (1,401,683) |
| **Non-current liabilities** | | | |
| Lease liabilities | 25,364 | 7,354 | 1,379 |
| Financial liabilities at FVTPL | 1,876,119 | 2,830 | — |
| Deferred tax liabilities | — | 148 | — |
| | 1,901,483 | 10,332 | 1,379 |
| **Total deficits and non-current liabilities** | 813,781 | (1,223,125) | (1,400,304) |

### 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 RMB8.0 million, RMB8.7 million and RMB9.9 million as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth the components of our property and equipment as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| Equipment | 7,789 | 7,326 | 8,453 |
| Leasehold improvement | 253 | 1,377 | 1,496 |
| **Total** | 8,042 | 8,703 | 9,949 |

Our property, plant and equipment increased from RMB8.0 million as of December 31, 2021 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 RMB9.9 million as of December 31, 2023, primarily due to our purchase of electronic and 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 decreased from RMB36.4 million as of December 31, 2021 to RMB24.6 million as of December 31, 2022, primarily due to depreciation. Our right-of-use assets then decreased to RMB15.1 million as of December 31, 2023, primarily due to depreciation.

### Intangible Assets

Our intangible assets primarily consisted of software and patents. Our intangible assets decreased from RMB7.6 million as of December 31, 2021 to RMB7.0 million as of December 31, 2022, and further decreased to RMB6.5 million primarily due to amortization.

### 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 increased from RMB75.2 million as of December 31, 2021 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 RMB88.4 million as of December 31, 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 RMB9.7 million as of December 31, 2021 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 decreased to RMB2.8 million as of December 31, 2023, primarily due to our disposal of the entire 40% interest in Baiwang Jinshui Technology Co., Ltd. in October 2023.

### 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 RMB0.7 million as of December 31, 2021 represented prepayments of [**REDACTED**] incurred in connection with this [**REDACTED**]. We did not incur such prepayments in 2022 and 2023.

### 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 RMB9.0 million, RMB11.0 million and RMB3.7 million as of December 31, 2021, 2022 and 2023, respectively. The decrease in inventories in 2023 was primarily due to a decrease of RMB6.0 million in goods in transit, as a result of delivery of inventories upon projection completion, and our reduced purchase of information security hardware due to the implementation of digital invoice reform.

The following table sets forth the aging analysis of our inventories for the periods indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | **(RMB in thousands)** | | |
| Within 12 months | 5,782 | 8,798 | 869 |
| Over 12 months | 3,190 | 2,194 | 2,812 |
| **Total** | 8,972 | 10,992 | 3,681 |

At the end of each reporting period, we assess the impairment of our inventories based on the lower of the inventory cost and the net realizable value of such inventory, which is determined with reference to market and policy factors. We also perform regular check on the quantity and physical conditions of inventories and assess possible write-down for any damaged inventories every six months. We consider our provision of impairment sufficient and we do not believe we have any material recoverability issue for our inventories, as our inventories are typically delivered together with the delivery of our on-premises financial & tax digitalization solutions and during the Track Record Period, we had not encountered any material impairment loss in relation to inventories. During the Track Record Period, we recorded impairment losses in relation to our inventory of RMB0.9 million, RMB0.7 million and RMB1.6 million, primarily due to implementation of digital invoice reform in 2023, which has rendered some of the inventories obsolete.

As of April 30, 2024, approximately RMB0.2 million, or 5.1%, of our inventories as of December 31, 2023 had been delivered. The relatively low inventory consumption rate was primarily because there was a decrease in hardware sales as a result of the implementation of digital invoice reform, and the relevant projects had not been completed as of April 30, 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 RMB28.4 million as of December 31, 2021 to RMB30.8 million as of December 31, 2022, generally in line with our business growth. Our trade receivables further increased to RMB49.0 million as of December 31, 2023, primarily due to our business growth and the recognition of contract assets in connection with certain customers of our data-driven analytics services before the end of 2023. We typically grant a credit period between three to six months from invoice date, which are agreed with each of our customers. The extension of credit period to customers may be granted based on the type of customers, current creditworthiness, financial condition and payment history of the relevant customers. The following table sets forth our trade receivables, net of allowance for credit losses, as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| Trade receivables – contracts with customers | 31,476 | 34,988 | 54,132 |
| Less: allowance for credit losses | (3,051) | (4,140) | (5,115) |
| | 28,425 | 30,848 | 49,017 |

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

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| Within 30 days | 8,206 | 8,103 | 12,011 |
| 31 to 180 days | 12,537 | 12,488 | 24,408 |
| 181 to 365 days | 5,645 | 6,977 | 5,783 |
| Over one year | 5,088 | 7,420 | 11,930 |
| **Total** | 31,476 | 34,988 | 54,132 |

The following table sets forth provision rates for each type and aging bucket of our trade receivables (including amounts due from related parties of trade nature) for the periods indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| **Trade receivables assessed on individual basis** | 0.87% | 0.66% | 6.77% |
| **Trade receivables assessed on collective basis for different aging buckets** | | | |
| Within 90 days | 1.31% | 1.26% | 1.13% |
| 91 to 180 days | 3.32% | 3.07% | 4.87% |
| 181 to 365 days | 5.78% | 5.54% | 6.40% |
| Over one year | 51.02% | 46.90% | 57.18% |

We believe the provision rates for our trade receivables are sufficient. The provision rates for trade receivables assessed on collective basis are determined by provision matrix model using historical loss rates adjusted for forward-looking estimates, based on days past due for groupings of customers' business segments. The provision rate for trade receivables assessed on individual basis increased significantly from 0.66% as of December 31, 2022 to 6.77% as of December 31, 2023, because we upwardly adjusted the provision rate for certain customer as the respective receivable is considered not recoverable as a result of the anticipated discontinuation of business relationship with that customer.

We determine the provision rates for trade receivables assessed on collective basis by referencing the historical loss rate of trade receivables of each aging bucket for the past three years, adjusted for forward-looking estimates. The provision rates for trade receivables assessed on collective basis aged within 90 days decreased during the Track Record Period, primarily due to an increase in the three-year historical collection rate of such receivables, resulting in downward adjustment. The provision rates for trade receivables assessed on collective basis for other aging buckets decreased in 2022, primarily due to the decrease in the actual loss rates of such receivables for the relevant aging buckets in the past three years, leading up to a downward adjustment of the relevant provision rates. The provision rates for trade receivables assessed on collective basis for other aging buckets increased in 2023, primarily due to the increase in the actual loss rates of such receivables for the relevant aging buckets in the past three years, leading to upward adjustment of the relevant provision rates.

During the Track Record Period, trade receivables that were aged over 180 days were RMB10.7 million, RMB14.4 million and RMB17.7 million as of December 31, 2021, 2022 and 2023, respectively, accounting for 34.1%, 41.1% and 32.7% 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 April 30, 2024, 87.1%, 73.1% and 23.3% of our trade receivables that were aged over 180 days as of December 31, 2021, 2022 and 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, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Trade receivables turnover days[(1)] | 22.0 | 23.1 | 22.8 |

(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, 2021, 2022 and 2023.

Our trade receivables turnover days remained relatively stable at 22.0 days, 23.1 days and 22.8 days in 2021, 2022 and 2023, respectively.

As of April 30, 2024, approximately RMB20.7 million, or 38.2%, of our trade receivables as of December 31, 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 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, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| Notes receivables | 301 | 589 | 102 |
| Prepayments | 4,488 | 7,351 | 14,122 |
| VAT recoverable | 21,880 | 17,840 | 17,655 |
| Deposits refundable within one year | 4,566 | 4,766 | 5,497 |
| Other receivables | | | |
| — bid security | 1,826 | 2,305 | 3,097 |
| — advance payment to other parties(1) | 15,090 | 19,909 | 11,794 |
| — others(2) | 1,998 | 1,755 | 3,360 |
| Less: allowance for credit losses | (242) | (175) | (216) |
| **Total** | 49,907 | 54,340 | 55,411 |

(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 RMB49.9 million as of December 31, 2021 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 remained relatively stable at RMB55.4 million as of December 31, 2023.

As of April 30, 2024, approximately RMB11.6 million, or 98.2%, of advance payment to other parties as of December 31, 2023 had been subsequently settled, and as of the same date, approximately RMB22.5 million, or 40.5% of our other receivables, deposits and prepayments as of December 31, 2023 had been 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 management services and on-premises solutions. For cloud financial & tax digitalization solutions charged by usage model, digital precision marketing services and risk management services, contract assets arise from services that have been provided but remain unbilled. Typically, we will record the amount of consumed services as contract assets at the end of each month based on the amount and unit price of services consumed. We will send the billing reports to the relevant customers at the end of each billing cycle for their confirmation on the amount of consumed services as well as the corresponding service fees, as stipulated in the service contracts with the relevant customers. Upon customer confirmation, we will issue and send invoices to relevant customers, and the corresponding portion of contract assets will be recognized as trade receivables. The billing cycle and average timeframe from recognition of contract assets to subsequent cash settlement for each type of our solutions and services are set forth below.

- *Cloud financial & tax digitalization solutions*. The billing cycle for customers of our cloud financial & tax digitalization solutions charged by usage model is usually 12 months, and such customers typically maintain lengthy internal procedures for verification and confirmation of billing reports and fee payments after receiving the invoices. As a result, the timeframe from recognition of contract assets to subsequent cash settlement is usually one to 18 months.

- *Digital precision marketing services*. The billing cycle is typically one month, and the timeframe from recognition of contract assets to subsequent cash settlement is usually one to three months, after taking into consideration of time required for preparing billing reports, obtaining customer confirmation, issuing invoices and receiving actual payment.

- *Risk management services (especially the enterprise operation reporting services)*. The billing cycle is typically one month, and therefore, the timeframe from recognition of contract assets to subsequent cash settlement is usually one to three months, after taking into consideration of time required for preparing billing reports, obtaining customer confirmation, issuing invoices and receiving actual payment.

For on-premises solutions, contract assets primarily consisted of amount due from customers, and such amount is retained by the relevant customers until the lapse of warranty period. The warranty period ranges from one year to three years. The timeframe from recognition of contract assets to subsequent cash settlement for on-premises solutions is 12 to 42 months, primarily depending on the length of the warranty period.

Our contract assets increased from RMB70.1 million as of December 31, 2021 to RMB78.1 million as of December 31, 2022, generally in line with our business growth. Our contract assets then decreased to RMB70.7 million as of December 31, 2023, primarily due to recognition of contract assets in connection with certain customers of our data-driven analytics services as trade receivables before the end of 2023. The following table sets forth our contract assets and allowance for credit losses as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | **(RMB in thousands)** | | |
| Contract assets | 70,419 | 78,591 | 74,764 |
| Less: Allowance for credit losses | (344) | (539) | (4,048) |
| | 70,075 | 78,052 | 70,716 |

The following table sets forth an aging analysis of our contract assets for the periods indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | **(RMB in thousands)** | | |
| Within 30 days | 24,794 | 26,305 | 34,465 |
| 31 to 180 days | 27,433 | 25,047 | 21,956 |
| 181 to 365 days | 9,163 | 13,863 | 6,597 |
| Over one year | 9,029 | 13,376 | 11,746 |
| **Total** | 70,419 | 78,591 | 74,764 |

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

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Contract assets turnover days(1) | 54.7 | 51.7 | 39.3 |

(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, 2021, 2022 and 2023.

As of April 30, 2024, approximately RMB36.4 million, or 48.6%, of our contract assets as of December 31, 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, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Trade receivables and contract assets turnover days[(1)] | 76.7 | 74.8 | 62.1 |

(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, 2021, 2022 and 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.

- We estimate and assess the estimated credit loss ("ECL") rates on trade receivables with significant balances and contract assets with significant balances or credit impairment individually, based on the probability of default and loss given default, adjusted for forward-looking factors. The ECL rates for trade receivables assessed on collective basis are determined by provision matrix model using historical loss rates adjusted for forward-looking estimates, based on days past due for groupings of customers' business segments. The ECL rates for contract assets assessed on collective basis are estimated by taking into account of probabilities of default and loss given default sourced from public market information adjusted for forward-looking estimates for groupings of various customers based on their business segments.

  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 losses, the historical loss rates of trade receivables and probabilities of default of contract assets 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. The provision rates for our contract assets (including amounts due from related parties) assessed on individual basis were 0.56%, 0.38% and 8.28% in 2021, 2022 and 2023, respectively, which decreased in 2022 due to the probability of default and loss rate relevant to customers' business segments, and increased in 2023, because we upwardly adjusted the provision rate for certain customers as the respective contract assets are considered not recoverable as a result of (1) the impairment with respect to such customers' financial and operational conditions and (2) anticipated discontinuation of business relationship with certain mid-market customers, as we understood such customers switched their service providers in 2023. The provision rates for our contract assets (including amounts due from related parties) on collective basis were 0.45%, 0.79% and 0.99% in 2021, 2022 and 2023, respectively, which continued to increase during the Track Record Period, primarily due to the increases in probabilities of default and historical loss rates of our contract assets. We applied the provision rates uniformly to each aging bucket of our contract assets during the Track Record Period.

For our trade receivables, as of December 31, 2021, 2022 and 2023, we recorded allowance for credit losses of RMB3.1 million, RMB4.1 million and RMB6.2 million, respectively, of which 88.4%, 92.1%, and 91.6% related to trade receivables, including amounts due from related parties, aged 181 days or above as of the same dates, respectively.

- In preparing the financial statements, we have engaged an independent valuer to evaluate the provision for both our trade receivables and contract assets. The independent valuer adopted simplified approach and used provision matrix model and probability of default and loss, adjusted for forward-looking factors, to assess the provision rates of our trade receivables and contract assets, which is in accordance with HKFRS 9 and International Valuation Standards. Therefore, we believe that the credit loss allowances with respect to our trade receivables and contract assets are adequately provisioned, and we do not foresee material recoverability issue with respect to our trade receivables and contract assets, including those 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 services and on-premises solutions, we will 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. Our finance department will regularly verify the contract assets recognized as well as the corresponding revenue amount and provide feedback to the relevant sales and operation personnel if any issues are identified. During the Track Record, there were no material discrepancies between our recognized contract assets and the amounts confirmed by 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 RMB54.7 million as of December 31, 2021 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 the end of 2022 due to the impact of the COVID-19 pandemic. Our contract costs then increased to RMB85.3 million as of December 31, 2023, primarily due to the increase in staff costs incurred for project delivery, driven by the increase in headcount of our project delivery personnel.

**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 mainly short-term investments with expected rates of return ranging from nil to 20.00%, depending on the market price of underlying financial instruments, and are redeemable upon maturity with no other restrictions. 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 RMB238.3 million, RMB440.4 million and RMB300.7 million as of December 31, 2021, 2022 and 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 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**].

**Cash and Cash Equivalents**

Our cash and cash equivalents decreased from RMB505.0 million as of December 31, 2021 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 increased to RMB335.0 million as of December 31, 2023, primarily due to the redemption of certain wealth management products and bank deposits.

**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 decreased from RMB35.1 million as of December 31, 2021 to RMB30.9 million as of December 31, 2022, as a result of our shortened payment settlement cycle with suppliers. Our trade payables then increased to RMB40.9 million as of December 31, 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, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | (RMB in thousands) | | |
| Within three months | 27,506 | 26,082 | 29,480 |
| Three to six months | 3,675 | 2,111 | 3,710 |
| Six months to one year | 350 | 1,957 | 2,611 |
| One to two years | 3,593 | 340 | 4,621 |
| Over two years | 23 | 379 | 460 |
| **Total** | 35,147 | 30,869 | 40,882 |

Our trade payables turnover days decreased from 48.3 days in 2021 to 38.7 days in 2022 and further to 30.4 days in 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, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| Trade payables turnover days[1] | 48.3 | 38.7 | 30.4 |

(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, 2021, 2022 and 2023.

As of April 30, 2024, approximately RMB30.4 million, or 74.3%, of our trade payables as of December 31, 2023 had been settled.

**Other Payables**

Our other payables consisted of accrued staff costs, other tax payables, and others.

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| Accrued staff costs | 53,448 | 53,276 | 70,237 |
| Other tax payables | 25,724 | 15,278 | 23,141 |
| Others | 26,146 | 37,496 | 43,826 |
| **Total** | 105,318 | 106,050 | 137,204 |

Our other payables remained relatively stable at RMB105.3 million as of December 31, 2021 and RMB106.1 million as of December 31, 2022. Our other payables increased to RMB137.2 million as of December 31, 2023, primarily due to an increase of RMB17.0 million in accrued staff costs as a result of the increase in staff headcount and an increase of RMB7.9 million in other tax payables as a result of the increase in our VAT payable along with our revenue growth. As of April 30, 2024, approximately RMB47.2 million, or 34.4% of our other payables as of December 31, 2023 had been settled.

**Contract Liabilities**

Our contract liabilities consisted primarily of non-refundable advance payments made by customers of our financial and tax digitalization solutions and risk management services, while the underlying services are yet to be provided. Our contract liabilities increased from RMB130.6 million as of December 31, 2021 to RMB165.5 million as of December 31, 2022, primarily due to our business growth, especially with respect to our risk management services, and also the delay in contract delivery due to the COVID-19 pandemic. Our contract liabilities then decreased to RMB122.7 million as of December 31, 2023, primarily due to the recognition of such contract liabilities as revenue as we delivered customer projects.

As of April 30, 2024, approximately RMB49.9 million, or 40.6%, of our contract liabilities as of December 31, 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 RMB2,092.8 million, RMB2,154.8 million and RMB2,212.6 million as of December 31, 2021, 2022 and 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.

***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, 2021** | | | | |
| Assets: | | | | |
| Financial assets at FVTPL | — | 218,856 | 19,440 | 238,296 |
| Liabilities: | | | | |
| Financial liabilities at FVTPL | — | — | 2,092,769 | 2,092,769 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (RMB in thousands) | | |
| **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 December 31, 2023** | | | | |
| Assets: | | | | |
| Financial assets at FVTPL | — | 268,230 | 32,434 | 300,664 |
| Liabilities: | | | | |
| Financial liabilities at FVTPL | — | — | 2,212,629 | 2,212,629 |

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 liquidity that meets our working capital requirement. Our net current liabilities positions as of April 30, 2024, were primarily attributable to financial liabilities at FVTPL in relation to our shares with preferential rights, partially offset by financial assets at FVTPL and cash and cash equivalents. 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, 2021, 2022 and 2023, we had cash and cash equivalents of RMB505.0 million, RMB237.2 million and RMB335.0 million, respectively. We believe that we have sufficient working capital for the next 12 months from the date of this document after considering (1) our cash and cash equivalents of RMB335.0 million as of December 31, 2023, and our wealth management products of RMB268.2 million as of the same date, which may be redeemed upon maturity with no other restriction to support our operations; (2) our good track record in being able to raise money from reputable and influential institutional or corporate investors to finance our business, as evidenced by several rounds of [**REDACTED**] Investments; (3) the re-designation of our shares with preferential rights from liabilities to equity upon the [**REDACTED**], resulting in a net current asset position; (4) the credit line of RMB100 million granted to us by a reputable bank in China; and (5) our operating requirements including, among others, distribution and selling expenses, administrative expenses, research and development expenses, capital expenditures, and taking into account of our efforts to control budgets and optimize our operating expenses and refine our management of working capital, as discussed in the section headed "Business—Sustainability of our Business—Optimizing Operations and Increasing Economies of Scale and Cost-Efficiency" and "Business—Sustainability of our Business—Improving Operating Cash Flow Position." We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Despite that we recorded net cash outflow in operating activities during the Track Record Period, taking into account the financial resources available to us, including cash and cash equivalents, bank deposits, current portion of wealth management products and the credit line facility available to us, 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. Based on the review of the Group's financial information, financial documents and the relevant due diligence documents, discussion with the Directors as well as the Reporting Accountants, and the Directors' confirmation above, the Sole Sponsor concurs with the Directors' view above.

**Cash Flows**

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

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | **(RMB in thousands)** | | |
| Net cash used in operating activities | (13,989) | (64,276) | (99,330) |
| Net cash (used in)/from investing activities | (189,776) | (189,804) | 216,810 |
| Net cash from/(used in) financing activities | 435,669 | (13,720) | (19,655) |
| Net increase/(decrease) in cash and cash equivalents | 231,904 | (267,800) | 97,825 |
| Cash and cash equivalents at the beginning of the year | 273,102 | 505,006 | 237,206 |
| Cash and cash equivalents at the end of the year | 505,006 | 237,206 | 335,031 |

***Net cash used in operating activities***

Net cash used in operating activities was RMB99.3 million in 2023, primarily due to our loss before tax of RMB359.2 million, adjusted for (1) certain non-cash and non-operating items, primarily including share-based payment expenses of RMB191.1 million, fair value changes of financial assets and liabilities at FVTPL of RMB55.9 million, and depreciation of right-of-use assets of RMB13.2 million, (2) changes in working capital that negatively affected the cash flows, primarily including a decrease in contract liabilities of RMB42.7 million, an increase in trade and other receivables, deposits and prepayments of RMB15.1 million, an increase in amounts due from related parties of RMB15.0 million, and an increase in contract costs of RMB5.2 million, partially offset by (3) changes in working capital that positively affected the cashflows, primarily including an increase in trade and other payables of RMB41.2 million, an increase in amount due to related parties of RMB13.0 million, and a decrease in inventories of RMB7.3 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)/from investing activities***

Net cash from investing activities was RMB216.8 million in 2023, primarily attributable to redemption of wealth management products of RMB830.0 million, withdrawal of term deposits of RMB80.0 million, interest from of term deposits and wealth management products of RMB59.2 million, and proceeds on disposal of a joint venture of RMB10.8 million, partially offset by purchases of wealth management products of RMB747.0 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 from/(used in) financing activities***

Net cash used in financing activities was RMB19.7 million in 2023, representing repayments of lease liabilities of RMB14.5 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.

### 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 April 30, |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| | | | | (unaudited) |
| **Current assets** | | | | |
| Inventories | 8,972 | 10,992 | 3,681 | 4,085 |
| Contract costs | 18,245 | 42,026 | 47,104 | 56,247 |
| Contract assets | 68,836 | 77,891 | 70,459 | 70,027 |
| Trade and other receivables, deposits and prepayments | 78,332 | 85,188 | 104,428 | 104,420 |
| Amounts due from related parties | 19,260 | 3,631 | 17,336 | 20,586 |
| Financial assets at FVTPL | 218,856 | 400,900 | 268,230 | 417,776 |
| Restricted bank deposits | 515 | 103 | 2,177 | 3,406 |
| Short-term bank deposits with maturity over three months | 104,785 | 80,472 | 109,827 | — |
| Cash and cash equivalents | 505,006 | 237,206 | 335,031 | 147,168 |
| | 1,022,807 | 938,409 | 958,273 | 823,715 |
| **Current liabilities** | | | | |
| Lease liabilities | 10,312 | 18,442 | 14,611 | 8,554 |
| Trade and other payables | 140,465 | 136,919 | 178,086 | 162,926 |
| Tax liabilities | — | 31 | 60 | 9 |
| Contract liabilities | 130,631 | 165,476 | 122,744 | 114,279 |
| Financial liabilities at FVTPL | 216,650 | 2,151,922 | 2,212,629 | 2,384,559 |
| Amounts due to related parties | 14,020 | 11,052 | 24,043 | 25,182 |
| | 512,078 | 2,483,842 | 2,552,173 | 2,695,509 |
| **Net current assets/(liabilities)** | 510,729 | (1,545,433) | (1,593,900) | (1,871,794) |

We had net current assets of RMB510.7 million as of December 31, 2021. Our net current assets position as of December 31, 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.

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.

We had net current liabilities of RMB1,545.4 million and RMB1,593.9 million as of December 31, 2022 and 2023, respectively. Our net current liabilities position as of December 31, 2022 and 2023 was primarily attributable to financial liabilities at FVTPL in relation to our shares with preferential rights, partially offset by financial assets at FVTPL.

Our net current liabilities increased from RMB1,593.9 million as of December 31, 2023 to RMB1,871.8 million as of April 30, 2024, primarily due to (1) an increase of RMB171.9 million in financial liabilities at FVTPL and (2) a decrease of RMB187.9 million in cash and cash equivalents, as a result of the combined effect of cash expenditures for our operations and subscription for certain equity interest in Xinfengwei.

We expect our net current liability position to be significantly improved, as our net current liabilities position as of April 30, 2024 was primarily attributable to financial liabilities at FVTPL in relation to our shares with preferential rights, which we do not expect to recognize following the completion of the [**REDACTED**]. See Note 33 to the Accountants' Report in Appendix I to this document for details.

## 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 RMB4.8 million, RMB4.5 million and RMB6.1 million, respectively, in 2021, 2022 and 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.

### 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, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | |
| Contracted but not provided for: | | | |
| Capital expenditure in respect of acquisition of equity interests in associates | 22,250 | 22,250 | 13,930 |

## INDEBTEDNESS

Our indebtedness during the Track Record Period consisted primarily of financial liabilities at FVTPL and lease liabilities. During the Track Record Period, we did not maintain banking facilities, and we did not have unutilized banking facilities. Our financial liabilities at FVTPL and lease liabilities as of December 31, 2021, 2022, and 2023 and April 30, 2024, being the latest practicable date for the purpose of indebtedness statement, were as follows.

| | As of December 31, | | | As of April 30, 2024 |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | |
| | (RMB in thousands) | | | |
| | | | | (unaudited) |
| Financial liabilities at FVTPL, current | 216,650 | 2,151,922 | 2,212,629 | 2,384,559 |
| Financial liabilities at FVTPL, non-current | 1,876,119 | 2,830 | — | — |
| **Subtotal** | 2,092,769 | 2,154,752 | 2,212,629 | 2,384,559 |
| Lease liabilities, current | 10,312 | 18,442 | 14,611 | 8,554 |
| Lease liabilities, non-current | 25,364 | 7,354 | 1,379 | 883 |
| **Subtotal** | 35,676 | 25,796 | 15,990 | 9,437 |
| **Total** | 2,128,445 | 2,180,548 | 2,228,619 | 2,393,996 |

As of April 30, 2024, the financial liabilities at FVTPL were unsecured and unguaranteed, and the lease liabilities were secured by rental deposits and unguaranteed. 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 April 30, 2024. Our Directors confirm that we had not guaranteed the indebtedness of any independent third parties as of the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since April 30, 2024.

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

## 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**] ([**REDACTED**]) 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 code donation fee, Stock Exchange trading fees, [**REDACTED**] fee and AFRC transaction levy for all [**REDACTED**] of approximately [**REDACTED**] ([**REDACTED**]), and (2) non-[**REDACTED**] expenses of approximately [**REDACTED**] ([**REDACTED**]), which consist of (i) fees and expenses of legal advisors and accountants of approximately [**REDACTED**] ([**REDACTED**]), and (ii) other fees and expenses of approximately [**REDACTED**] ([**REDACTED**]). Approximately [**REDACTED**] of the [**REDACTED**] were charged to our consolidated statements of profit or loss during the Track Record Period. Out of our remaining [**REDACTED**], approximately [**REDACTED**] is expected to be charged to our consolidated statements of profit or loss, and approximately [**REDACTED**] 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 December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| **Profitability ratios** | | | |
| Gross profit margin(1) | 47.6% | 40.8% | 39.6% |
| Net loss margin(2) | 98.8% | 29.7% | 50.4% |
| Revenue growth rate(3) | — | 15.9% | 35.6% |
| **Liquidity ratios** | | | |
| Current ratio(4) | 2.0 | 0.4 | 0.4 |
| Trade receivable turnover days(5) | 22.0 days | 23.1 days | 22.8 days |
| Trade payable turnover days(6) | 48.3 days | 38.7 days | 30.4 days |

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

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

(3) The calculation of revenue growth rate is based on revenue for the year divided by revenue for the previous year minus one.

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

(5) The calculation of trade receivables turnover days is based on the average of opening and closing balance of trade receivables for the relevant year, divided by the revenue for the same year, and multiplied by 365 days.

(6) The calculation of trade payables turnover days is 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.

## Analysis of Key Financial Ratios

### *Gross Profit Margin, Net Loss Margin and Revenue Growth Rate*

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin, net loss margin and revenue growth rate during the Track Record Period.

### *Current Ratio*

Our current ratio decreased from 2.0 as of December 31, 2021 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 December 31, 2023.

### *Trade Receivable Turnover Days and Trade Payable Turnover Days*

See "Discussion of Major Items of Consolidated Statements of Financial Position—Trade Receivables" and "—Trade Payables" for a discussion of the factors affecting our trade receivable turnover days and trade payable turnover days during the Track Record Period.

## 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, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | (RMB in thousands) | | |
| **Amounts due from related parties** | | | |
| Trade related | 3,529 | 3,568 | 17,333 |
| Non-trade related | 15,731 | 63 | 3 |
| **Amounts due to related parties** | | | |
| Trade related | 13,905 | 10,937 | 23,839 |
| Non-trade related | 115 | 115 | 204 |

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"), primarily representing certain reimbursement expenses, service compensation and employee remuneration expenses incurred by Zhongshui Yitong during the period from 2018 to 2020.

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, based on reasonable inquiry and publicly available information, to the best knowledge of the Company, 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 RMB63,000 and RMB3,000 as of December 31, 2022 and 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 due to and due from 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.

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.

### Our Transactions and Fund Flows with Watertek Group

Our transactions with Watertek Group primarily consist of (1) our procurement of information security hardware and relevant technical support and after-sales client services from Watertek Group, and (2) our sales of cloud and on-premises financial & tax digitalization solutions to Watertek Group.

The following table sets forth the transaction amounts (which refer to the revenue or the cost of sales (as the case may be) from the relevant transactions recognized on the accrual basis, and for avoidance of doubt, without including any value-added taxes) between us and Watertek Group during the Track Record Period:

| | **For the years ended December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | |
| Procurement of information security hardware and technical support and after-sales client services | 4,658.8 | 5,535.0 | 1,160.9 |
| Sales of cloud and on-premises financial & tax digitalization solutions | 60.9 | 63.0 | 113.7 |

The information security hardware we procured from Watertek Group primarily consists of Tax Control Disks, tax chips, tax server assemblies and other ancillary devices. Tax Control Disks shall be offered by providers such as Watertek Group at a price equal to or lower than the guiding price published by the PRC authority. Tax server assemblies and tax chips are typically adapted and developed by Watertek Group and acknowledged by the SAT for use by enterprise in China for invoice issuance purpose. See "Industry Overview—China's Financial and Tax-related Transaction Digitalization Market—Background of China's Financial and Tax-related Transaction Digitalization" for more details of the functions of Tax Control Disks, tax chips and tax server assemblies. The information security hardware was provided to our clients as part of the one-stop offering package of our financial & tax digitalization solutions comprising software products, hardware devices and services, in particular for our on-premises solutions. For the years ended December 31, 2021, 2022 and 2023, we procured 323, 28 and nine Tax Control Disks, 8,319, 7,423 and 3,733 tax chips, and 82, 124 and 14 tax server assemblies from Watertek Group, respectively. Our purchase price of Tax Control Disks provided by Watertek Group is comparable to the price of Tax Control Disks offered by other providers other than Watertek Group as well as the price of Tax Control Disks offered by Watertek Group to its other similar clients. Furthermore, our purchase price for tax server assemblies and tax chips is comparable to the price offered by Watertek Group to its other similar clients. To support our customers' uses of such information security hardware, Watertek Group directly provides our customers with the technical support and after-sales client services. Watertek Group uses our cloud and on-premises financial & tax digitalization solutions in its daily operation to digitalize, centralize and automate its e-invoice compliance and tax management. Such cloud financial & tax solutions provided to the Watertek Group included, for each of 2021, 2022 and 2023, tax invoice compliance management solutions, financial and tax management solutions, and also the solution delivery services in connection with the offering of tax invoice compliance management solutions and financial and tax management solutions for 2023. The on-premises financial & tax solutions which perform financial and tax management functions on local devices were provided to Watertek Group in 2021 and 2023. The prices we offer to Watertek Group for such cloud and on-premises financial & tax digitalization solutions are within the range of our usual prices offered to other customers and comparable to the general market level. See "Business—Our Business" and "Business—Pricing" for more details of our pricing.

Notwithstanding our long-standing cooperation with Watertek Group and that we consider it as a valuable collaborator and investor, we do not consider our transactions with Watertek Group to have a significant influence on our business operations or financial condition, as (1) the transaction amounts with Watertek Group only account to an insignificant portion of our total revenue and cost of sales, respectively, (2) no intellectual property that is material or necessary to our business operations or R&D is procured or licensed from Watertek Group, and (3) our demand for Tax Control Disks, tax chips and tax server assemblies is declining in light of the government's promotion of digital invoice along with the implementation of the Golden Tax initiatives. For the years ended December 31, 2021, 2022 and 2023, the revenue from our sales of cloud and on-premises financial & tax digitalization solutions to Watertek Group accounted for 0.01%, 0.01% and 0.02% of our total revenue, respectively, and the cost of our procurement of information security hardware and technical support and after-sales client services from Watertek Group accounted for 1.96%, 1.78% and 0.27% of our total cost of sales, respectively.

The following table sets forth our fund flows with Watertek Group during the Track Record Period:

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | |
| Fund outflows as a result of the payment for the fees for procurement information security hardware and technical | 5,076.1 | 6,060.4 | 1,636.1 |
| Fund inflows as a result of the receipt of the sales proceeds of cloud and on-premises financial & tax digitalization solutions | 11.5 | 150.0 | 7.7 |

We do not have any relationship, side arrangements or projects with Watertek Group, other than those disclosed above and in the section headed "History and Corporate Structure."

## 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.

### 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 December 31, 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.

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. 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. As a result, in view of our accumulated losses, we are not able to declare or pay dividends under PRC laws, as advised by the PRC Legal Advisor.

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. As of the Latest Practicable Date, we did not set any pre-determined dividend payout ratio after the [**REDACTED**]. The payment and amounts of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by us, future prospects and other factors which we consider relevant. The declaration, payment and amount of dividends will be subject to the discretion of the Board in accordance with our Articles of Association, pursuant to which an annual profit distribution proposal shall be proposed and approved by the Board and then 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 December 31, 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 after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above.

## 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.

## RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no material adverse change with respect to our business operations in all material respects. The number of invoices issued with our cloud financial & tax digitalization solutions was 522.8 million in the four months ended April 30, 2024, as compared to 913.0 million in the four months ended April 30, 2023. The number of viewing requests fulfilled for enterprise operation reports was 7.3 million for the four months ended April 30, 2024, as compared to 4.7 million in the four months ended April 30, 2023. The number of enterprises included in the enterprise operation reports was 2.3 million in the four months ended April 30, 2024, as compared to 1.1 million in the four months ended April 30, 2023. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save as disclosed in "Summary—Recent Developments and Material Adverse Change—Operational and Financial Performance," as of the date of this document, there has been no material adverse change in our financial and [**REDACTED**] positions or prospects since December 31, 2023, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2023 which would materially affect the information 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.

However, the COVID-19 outbreak also temporarily affected our operations and financial condition. 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. In response to the deteriorated financial conditions of our customers as a result of the COVID-19 pandemic, we downwardly adjusted the price of certain solutions in 2022, and have strengthened marketing efforts for our basic and standardized cloud 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. The COVID-19 pandemic did not adversely affect our solution pricing in 2023.

In 2022, we experienced temporary delays in delivering our on-premises financial & tax digitalization solutions primarily due to the impact of COVID-19. In addition, 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 demand from KA customers for digital invoice-related services as a result of the adverse impact of the COVID-19 pandemic. Our contract liabilities increased from RMB130.6 million as of December 31, 2021 to RMB165.5 million as of December 31, 2022, partially as a result of delay in contract delivery. As our operations returned to normal since early 2023, we picked up our solutions delivery pace and did not experience material delays in solution delivery, and our contract liabilities decreased to RMB122.7 million as of December 31, 2023. Our contract costs increased from RMB54.7 million as of December 31, 2021 to RMB80.1 million as of December 31, 2022, partially due to the increase in costs associated with our service contracts that were not completed as of the end of 2022 due to the impact of the COVID-19 pandemic.

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. Based on the above, our Directors are of the view that the COVID-19 outbreak had not had any material adverse impact on our operations and financial performance during the Track Record Period and up to the Latest Practicable Date. 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 Pro Forma 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 December 31, 2023 as if it had taken place on that date.

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 December 31, 2023 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 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 December 31, 2023(1) | Estimated [REDACTED] from the [REDACTED](2) | [REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of December 31, 2023 | [REDACTED] adjusted consolidated total tangible assets less liabilities of our Group attributable to owners of our Company as of December 31, 2023 per Share(3) | |
|---|---|---|---|---|---|
| | | (RMB in thousands) | | RMB | HK$(4) |
| Based on the [**REDACTED**] of [**REDACTED**] per Share | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on the [**REDACTED**] of [**REDACTED**] per Share | [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 December 31, 2023 is based on the consolidated net liabilities attributable to owners of our Company amounted to [**REDACTED**], with adjustments for intangible assets of our Group as of December 31, 2023 of [**REDACTED**] extracted from the Accountants' Report set forth in Appendix I to the document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] new Shares to be issued at the [**REDACTED**] of [**REDACTED**] and [**REDACTED**] per [**REDACTED**], being the low end and high end of the indicated [**REDACTED**] range and excluding [**REDACTED**] already charged to the consolidated statements of profit or loss during the Track Record Period, respectively, after deduction of the estimated [**REDACTED**] and other related expenses expected to be incurred by us. The calculation of such estimated [**REDACTED**] does not take into account (i) any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] or (ii) any Shares which may be issued or repurchased by the Company pursuant to the general mandates. For the purpose of the estimated [**REDACTED**] from the [**REDACTED**], the amount denominated in Hong Kong dollars has been converted into Renminbi at an exchange rate of HK$1.0000 to RMB0.9114, which was the exchange rate prevailing on June 19, 2024 with reference to the rate published by the People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The number of shares used for the calculation of our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners per Share is based on [**REDACTED**] Shares outstanding immediately following completion of the [**REDACTED**]. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the [**REDACTED**]; (ii) any Shares which may be issued or repurchased by us pursuant to the general mandates or (iii) cessation of the preferential rights of shares with preferential rights.

(4) Our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners per Share is converted from Renminbi to Hong Kong dollars at the rate of HK$1.0000 to RMB0.9114, which was the exchange rate prevailing on June 19, 2024 with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners as of December 31, 2023 to reflect any operating result or our other transactions entered into subsequent to December 31, 2023. In particular, our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners have not been adjusted to illustrate the effect of the following:

Upon completion of the [**REDACTED**], the cessation of the preferential rights of shares with preferential rights would have resulted in a reclassification of such financial liabilities at carrying amount of RMB2,212,629,000 as of December 31, 2023 (the "Shares Reclassification") assuming no further changes in fair values of shares with preferential rights existing on December 31, 2023 upon [**REDACTED**], to ordinary shares under equity.

The effect of Shares Reclassification would have increased the total number of Shares in issue assumption stated in Note 3 by [**REDACTED**] Shares to a total of [**REDACTED**] Shares and would have adjusted our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners as of December 31, 2023 by [**REDACTED**] to [**REDACTED**] based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] and [**REDACTED**] based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**]. Had the Shares Reclassification been taken into account, our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners as of December 31, 2023 per Share would be [**REDACTED**] (equivalent to [**REDACTED**]) based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] and [**REDACTED**] (equivalent to [**REDACTED**]) based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], respectively.

For the purpose of our [**REDACTED**] adjusted consolidated total tangible assets less liabilities attributable to our owners per Share, the amount denominated in Renminbi has been converted into Hong Kong dollars at the rate of HK$1.0000 to RMB0.9114, which was the exchange rate prevailing on June 19, 2024 with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi-denominated amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.