

The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.

Application Proof of



SATP Holding Inc. 慧算账控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Securities and Futures Commission (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with SATP Holding Inc. (慧算账控股有限公司) (the “**Company**”), its sole sponsor, overall coordinators, advisers and members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or any supplemental, revised or replacement pages on the Stock Exchange’s website does not give rise to any obligation of the Company, its sole sponsor, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with any offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) this Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, sole sponsor, overall coordinators, advisers or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the publication of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be published to the public during the offer period.

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this document, you should seek independent professional advice.



SATP Holding Inc. 慧算账控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value : [REDACTED] per Share
Stock Code : [REDACTED]

Sole Sponsor, [REDACTED]



[REDACTED]

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in “Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and on Display,” has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on the [REDACTED], which is expected to be on or before [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on or before [REDACTED], the [REDACTED] will not proceed and will lapse. Applicants for [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED] for each [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED] per [REDACTED].

The [REDACTED], on behalf of the [REDACTED], may, where considered appropriate and with the Company’s consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] range stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be available on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.satp.com.cn not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. See “Structure and Conditions of the [REDACTED]” and “How to Apply for [REDACTED]” for more details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in “Risk Factors.” The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to [8:00] a.m. on the [REDACTED]. Such grounds are set out in “[REDACTED].” It is important that you refer to that section for further details.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have issued this document solely in connection with the [REDACTED] and the [REDACTED], and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and [REDACTED] of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of our or their respective directors, advisers, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED].

	Page
Expected Timetable	[i]
Contents	[iv]
Summary	[1]
Definitions	[28]
Glossary of Technical Terms	[54]
Forward-Looking Statements	[60]
Risk Factors	[61]
Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance	[104]
Information about This Document and the [REDACTED]	[113]

CONTENTS

Directors and Parties Involved in the [REDACTED]	[118]
Corporate Information	[123]
Industry Overview	[125]
Regulatory Overview	[135]
History, Reorganization and Corporate Structure	[159]
Contractual Arrangements	[190]
Business	[202]
Directors and Senior Management	[298]
Relationship with Our Controlling Shareholders	[315]
Connected Transactions	[323]
Share Capital	[330]
Substantial Shareholders	[334]
Financial Information	[339]
Future Plans and Use of [REDACTED]	[395]
[REDACTED]	[400]
Structure and Conditions of the [REDACTED]	[413]
How to Apply for [REDACTED]	[425]
Appendix I — Accountant’s Report	[I-1]
Appendix II — Unaudited Pro Forma Financial Information	[II-1]
Appendix III — Summary of the Constitution of the Company and Cayman Companies Act	[III-1]
Appendix IV — Statutory and General Information	[IV-1]
Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and on Display	[V-1]

SUMMARY

This summary is an overview of the information contained in this document and does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED].

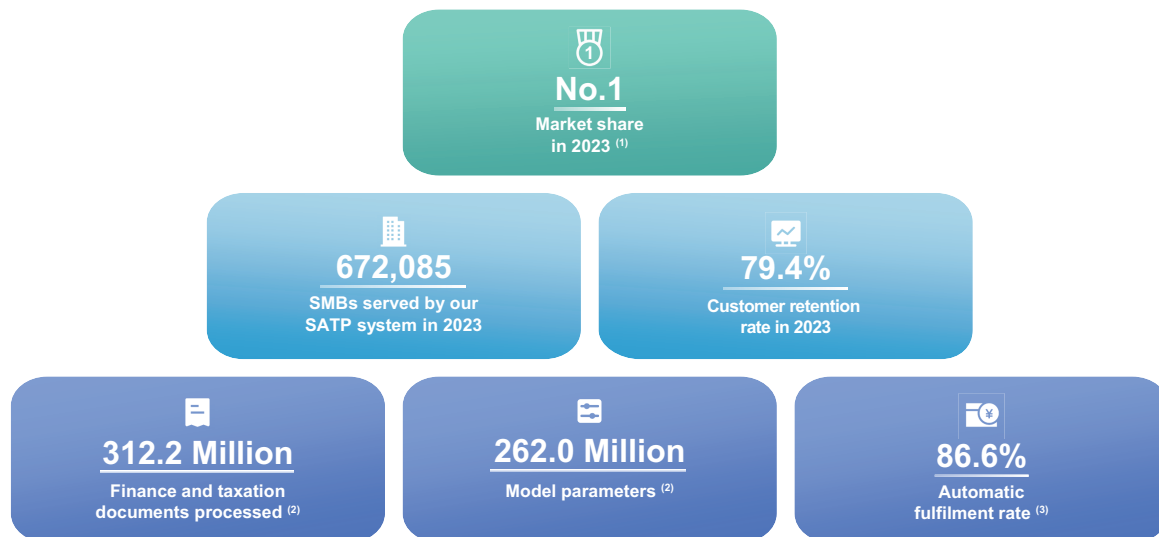
There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Who We Are

We are the largest SMB finance and taxation solution provider in China in terms of total revenue for each of the year from 2021 to 2023, according to Frost & Sullivan. We operate in a fragmented market undergoing the early stage of digitalization, holding a market share of 0.5% by revenue in 2023, which is nearly five times that of the second largest competitor. Understanding the distinctive growth challenges faced by SMBs, and their struggles to get access to cost-effective and high-quality advice for finance and compliance issues, we offer AI-augmented finance and taxation solutions that encompass accounting, invoicing, tax compliance and comprehensive financial management.

The following diagram illustrates our operational highlights:



Notes:

- (1) We ranked first in terms of total revenue in 2023 with a market share of 0.5% in the highly fragmented and competitive SMB finance and taxation solution industry in China, according to Frost & Sullivan.
- (2) We had processed more than 312.2 million finance and taxation documents and amassed approximately 262.0 million multi-dimensional model parameters related to SMBs’ business, finance and taxation process as of the Latest Practicable Date, representing the industry’s largest parameter sets, according to Frost & Sullivan.
- (3) Our automatic fulfilment rate reached 86.6% for our SMB customers that subscribed for our SaaS-based solutions during the latest tax period from January to March 2024.

SUMMARY

Our outstanding operational performance is built upon our exceptional proprietary technologies, preeminent brand, and extensive customer base.

- **Proprietary Technologies.** At Huisuanzhang (慧算賬), we are embracing the transformative power of AI to enhance the customer experience and achieve our mission. Our focus is capitalizing on this revolutionary opportunity to help SMBs succeed, while investing in our company’s reputation and sustainable growth in the future. As the trailblazer in China’s SMB finance and taxation solution industry, we are at the forefront of utilizing proprietary machine learning models (the “**ML models**”) to construct the backbone of our accounting engine, which is a critical component of our core finance and taxation SaaS system, namely Smart Accounting and Tax Program, i.e., the SATP[®] system. Through our direct engagement with SMBs, our SATP system has amassed an extensive and diverse set of model parameters, all pertinent to key facets of the finance and taxation domain. Had we not been in close contact with SMBs, listening to their needs and observing their challenges, we would not have been able to refine our system at such a rapid pace. Guided by our massive model parameter sets, this hands-on approach directly contributes to the continuous improvement in the efficiency and accuracy of our solutions. We are steadfast in our commitment to perpetually upgrade our technologies towards greater automation and intelligence. One recent example is that our automatic fulfilment rate reached 86.6% for our SMB customers that subscribed for our SaaS-based solutions during the latest tax period from January to March 2024.
- **Preeminent Brand.** Our strong brand presence and industry recognition have led to multiple accolades, reinforcing our position as a leader in China’s SMB finance and taxation solution market. For example, we were recognized as “WISE 2020 Enterprise Service Gold List — Best Finance and Taxation Management Solution (WISE2020企服金榜財稅管理最佳解決方案)” in 2020. We were awarded “2021–2022 Most Investment-worthy Enterprise Service Company (2021–2022年度企業服務最具投資價值公司)” in 2022. In 2024, our “Huisuanzhang” brand was accredited as “2023 Beijing Famous Trademark Brand (2023年度北京知名商標品牌)” by Beijing Trademark Association (北京商標協會), among the first batch of enterprises in Beijing to gain such accreditation. Please see “Business — Awards and Recognitions” for details of our major recognitions. Benefiting from customer satisfaction and preeminent brand recognition in the industry, we achieved a customer retention rate of 79.4% in 2023, which was higher than the industry average.
- **Extensive Scale.** We have established a nationwide service network, which underpins our ability to effectively acquire, retain and cultivate long-term customer relationships, fostering operational efficiency and customer success. Leveraging a combination of our sales and marketing initiatives, alongside our preeminent brand recognition, our SATP system served 672,085 SMBs in 2023. We were the largest provider of finance and taxation solutions for SMBs in China, in terms of the number of SMBs directly served by us in 2023, which amounted to 211,158. Our close proximity to customers and extensive industry experience of nearly a decade enabled us to amass approximately

SUMMARY

262.0 million multi-dimensional model parameters related to SMBs’ business, finance and taxation process from more than 312.2 million documents as of the Latest Practicable Date, representing the industry’s largest parameter sets.

Our commitment to innovation and excellence in the SMB finance and taxation solutions landscape has enabled us to maintain a competitive edge in the market, serving as a valuable partner for SMBs throughout China.

Whom We Serve

We primarily focus on serving SMBs across various growth stages and industry verticals throughout China. SMBs in China have experienced consistent growth over the past decades. According to Frost & Sullivan, the number of SMBs in China had been increasing and surged from 34.2 million in 2018 to 54.9 million in 2023, with a CAGR of 9.9%. This upward trend is expected to continue, reaching 74.7 million in 2028.

PRC laws and regulations require accurate record-keeping and tax filing for businesses. SMBs traditionally relied on in-house staff or third-party providers. We have identified several common struggles faced by SMBs under these traditional approaches:

- ***Cost and Quality Conundrum.*** According to Frost & Sullivan, nearly 20% of SMBs choose to hire accounting and tax professionals, but the annual cost, typically ranging from RMB100,000 to RMB150,000 in 2023, can be a burden for SMBs. Furthermore, the increasing complexity of industries and businesses strains the efficiency and quality of individual accounting and tax professionals. Consequently, most SMBs opt to outsource tax filing and financial management to third-party providers. While generally more cost-effective, these service providers often lack internal R&D capability and have to rely on basic and external financial software. Significant reliance on external financial software can hinder in-depth understanding of customer businesses, potentially leading to overlooked crucial details and ultimately impacting the quality of their solutions.
- ***Premium Service Demand Unsatisfied.*** Growing business complexity necessitates comprehensive financial management for SMBs. However, their reliance on multiple siloed software tools creates a critical need for seamless data integration. Real-time access to financial and operational data is momentous for SMBs’ performance analysis, resource allocation optimization and informed decision-making. Unfortunately, conventional solution providers lack the infrastructure to process and integrate data from disparate sources. This impedes insightful analysis, ultimately leading to operational inefficiencies and potential profit erosion for SMBs. Such fragmented landscape underscores the need for solutions that cater to SMBs’ evolving needs and provide a unified platform for SMBs’ strategic decision-making.

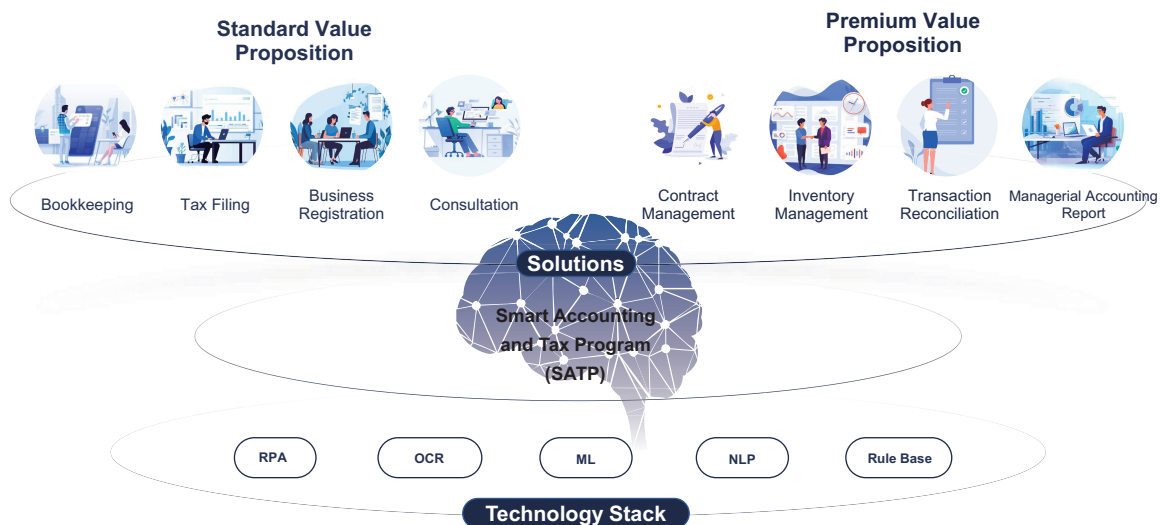
Please see “Industry Overview — Competitive Landscape of China’s SMB Finance and Taxation Solution Industry” for further discussion of solution providers.

SUMMARY

Our Value Proposition

Recognizing the common struggles faced by SMBs, we offer a suite of AI-augmented solutions tailored to help SMBs streamline their business operations, analyze performance and drive significant efficiency gains and cost savings, while facilitating SMBs’ compliance with applicable regulations.

Each offering grants access to our proprietary Smart Accounting and Tax Program (the “**SATP system**”), an AI-augmented system integrating machine learning capabilities, allowing it to conform to evolving regulations and specific business scenarios. Meanwhile, a dedicated team of accounting and tax professionals is available to deploy the SATP system adeptly. This cohesive blend of technology and human expertise replaces traditional finance and accounting functions, eliminates the need for additional staff or for the SMB owners to manipulate the software themselves. The following diagram illustrates SMBs’ diverse needs and our corresponding solutions:



Assuring Compliance

Our bookkeeping and tax filing services address SMBs’ essential accounting and tax demands while ensuring compliance with applicable tax laws and regulations.

- The SATP system automates data gathering, validation and generation of accounting records based on its pre-configured accounting rules.
- Robotic process automation (the “**RPA**”) bots are programmed to extract, organize and populate tax forms with data from various sources. Our automatic fulfilment rate, representing the number of SMB customers for which services are fulfilled using the automatic bookkeeping or automatic tax filing features during a tax period as a

SUMMARY

percentage of the total number of SMB customers subscribed for our SaaS-based solutions for the same tax period, rose to 86.6% during the latest tax period from January to March 2024.

- AI-augmented risk assessment algorithm checks tax filings for compliance with applicable tax laws and regulations, for the purpose of identifying red flags or anomalies.
- Upon completion and review of tax forms, RPA bots facilitate the submission to the government’s electronic tax filing systems, and also capture and store the confirmation of the submission.
- A dedicated fulfilment team of accounting and tax professionals stands ready to step in when manual intervention is required during the process and advises our customers on potential compliance risks.

This AI-augmented automation streamlines the bookkeeping and tax filing process, minimizes the risk of human errors, releasing SMB customers from handling the software themselves.

Enabling Advanced Business Management

Our SaaS-based solutions assist SMBs with necessary procurement and inventory management demands, and leverage comprehensive data within our SATP system to provide actionable insights, from high-level summaries to transaction-specific details.

- During the procurement process, we help SMBs forecast inventory needs, issue procurement orders, receive and inspect goods or services delivered, manage inventory levels, verify invoices and initiate payments. As for the sales process, we assist SMBs with contract signing, order entry and fulfilment, invoice issuance and payment collection.
- Our proprietary optical character recognition (the “OCR”) and RPA automate identification and validation of key information from original documents generated from multiple disparate systems. Natural language processing (the “NLP”) is utilized to decipher and interpret unstructured data, such as text messages and notes, stored within different software systems. As of the Latest Practicable Date, approximately 98% of the bank slips (銀行回單) and approximately 99% of the invoices could be accurately recognized by our OCR.
- Our SATP system utilizes AI models to automate data classification and tailor reports specifically for different roles, such as CEOs, sales managers and accountants, making the analysis process more precise and efficient. As of the Latest Practicable Date, over 94% of the bank slips and over 93% of the invoices could be accurately classified, analyzed, and accounted by our ML models, demonstrating recognition rates and accuracy rates higher than the industry average level, according to Frost & Sullivan.

SUMMARY

- Prebuilt, industry-standard reports alongside no-code customization capabilities empower SMBs to access the information they need promptly. With a complete integration of financial and operational data, time needed to consolidate and reconcile information can be reduced.

Please see “Business — Our Solutions — Our SaaS-Based Solutions — Enabling Advanced Business Management” for details.

Our advanced technological capabilities, coupled with a sweeping set of customer parameters accumulated from our direct engagement with SMBs, allow us to:

- offer high-quality solutions to SMBs at a fraction of what it would cost to hire a full-time in-house accounting and tax employee, to complete the tasks as an alternative for an internal accounting and tax function;
- reduce potential risks caused by employee turnover or malpractices; and
- enhance the customer experience through prompt responses and timely reminders.

Combining advanced technologies and professionals’ knowledge, our integrated solutions outperform conventional solutions, offering superior efficiency and accuracy in the realm of finance and taxation. According to Frost & Sullivan, our SaaS-based solutions, enhanced by sophisticated AI capabilities, have achieved a material cost reduction of over 60% compared to the conventional solutions and over 99% compared to an in-house staff.

Our Revenue Source and Key Financial Performance

During the Track Record Period, we generated revenue primarily from (i) SaaS-based solutions empowered by our SATP system; and (ii) non-subscription-based professional services, primarily including consultation services and matchmaking services. We had achieved significant growth during the Track Record Period. Our revenue for the years ended December 31, 2021, 2022 and 2023 was RMB346.8 million, RMB516.0 million and RMB538.8 million, respectively, representing a CAGR of 24.6% from 2021 to 2023, which outpaced the industry average of 8.5%, according to Frost & Sullivan. In 2021, 2022 and 2023, our gross profit amounted to RMB171.3 million, RMB268.2 million and RMB315.5 million, respectively, representing a CAGR of 35.7% from 2021 to 2023.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths could enable us to achieve rapid and sustainable growth and maintain the leading position among finance and taxation solution providers in China:

- distinguished leadership in the broad and constantly growing SMB finance and taxation solution industry in China;

SUMMARY

- preeminent brand recognition and strong influence;
- proven research and development capabilities and continuous technological innovations, helping customers achieve better cost-efficiency; and
- a rich collection of customer parameters to continuously improve our SATP system.

OUR BUSINESS STRATEGIES

We are committed to harnessing the full potential of advanced technologies to empower SMBs to succeed. To achieve this, we plan to adopt the following strategies:

- continue to expand our operation, increase market penetration, and explore strategic partnerships with leading players across diverse industries;
- expand solution offerings to cater to various customer needs, optimize ARPU and enhance customer retention;
- increase investment in technological innovations and our SATP system upgrades to improve operational efficiency and cost-effectiveness; and
- broaden our service network through strategic acquisitions.

OUR SOLUTIONS

We are dedicated to empowering SMBs throughout China by delivering trustworthy and efficient finance and taxation solutions, powered by our exclusive advanced technology.

Our SaaS-Based Solutions: Harnessing the Power of Technology

Our core business is anchored in developing and offering innovative solutions, primarily through our proprietary SATP system. This system is designed to tackle the long-standing challenges that SMBs face in searching for cost-effective and quality finance and taxation solutions. We employ two strategic models, namely the Direct-to-Business Model and the Licensing Model, serving SMBs and regional partners, respectively.

The Direct-to-Business Model: Direct Delivery of Finance and Taxation Solutions

Under the Direct-to-Business Model, we provide SMBs with integrated solutions, underpinned by our SATP system and supplemented by our accounting team. Given the operational and financial limitations typically encountered by SMBs, striking a balance between service costs and quality is often a challenge. To address this, we have strategically developed our SATP system by incorporating automated workflows underpinned by sophisticated rule base. When any workflow is disrupted, our dedicated accounting team takes over to intervene and troubleshoot the issues. Customers enjoy the benefit of both an automated tool and a dedicated service team in a one-stop manner at reasonable prices, releasing themselves from the tedious finance and taxation

SUMMARY

work. This meticulously crafted approach ensures us to meet customer requirements effectively, thereby enhancing customer value and fostering enduring customer loyalty. This allows us to deliver a comprehensive range of solutions, addressing both standard and customized demands at the same time. Under this model, we generate revenue from the subscription fees paid by SMBs for our SaaS-based solutions.

The Licensing Model: Expanding Reach via Regional Partnerships

Simultaneously, we license our brand and SATP system to selected third-party bookkeeping agencies (the “**regional partner(s)**”) across China, who use our SATP system to serve their SMB customers, enabling more SMBs to benefit from our advanced SATP system and enjoy the high-quality, efficient, and affordable finance and taxation solutions. This Licensing Model benefits our regional partners by granting them access to our well-recognized brand, operational expertise, advanced SATP system, and rich knowledge base. In return, regional partners help magnify our brand awareness, extend the customer reach of our SATP system, and provide valuable insights into SMBs across diverse regions and industries. Under this model, regional partners are our licensees instead of distributors and we generate revenue from (i) initial service fees; and (ii) license fees calculated as a percentage of the contractual amount paid by customers served by regional partners utilizing our SATP system.

Our Professional Services: Meeting Diverse Business Needs

Beyond our SaaS-based solutions, we also offer a variety of professional services to support SMBs’ diversified demands throughout their growth journey. These professional services are not dependent upon our SATP system, and primarily include (i) consultation services, such as business registration and qualification-related services and (ii) matchmaking services. We generate revenue primarily from service fees paid by SMBs, which may vary depending on the type of services provided.

The following table sets forth a breakdown of our revenue by offering type for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
SaaS-based solutions						
SMBs	242,991	70.1	393,712	76.3	413,822	76.8
Regional partners	65,594	18.9	58,904	11.4	50,130	9.3
Sub-total	308,585	89.0	452,616	87.7	463,952	86.1
Professional services	38,234	11.0	63,346	12.3	74,802	13.9
Total	346,819	100.0	515,962	100.0	538,754	100.0

SUMMARY

OUR SUPPLIERS AND CUSTOMERS

Our Suppliers

Our suppliers primarily consist of (i) public cloud service providers of cloud-based infrastructure; (ii) software service providers or software distributors of ERP system, intelligent speech interaction system, short message service system, invoicing system and electronic agreement signing system, etc.; (iii) third-party human resource service providers; and (iv) online marketing solution providers. For each of the years ended December 31, 2021, 2022 and 2023, our purchases from the five largest suppliers accounted for 27.4%, 68.0% and 82.8% of our total purchases, respectively, and our purchases from the largest supplier accounted for 11.3%, 37.5% and 36.4% of our total purchases, respectively. We increased our procurement from third-party human resource service providers in 2022 and 2023, as part of our holistic strategy to optimize our operations and focus on important core demands with a more nimble and lean organization. Our early investment in automation and AI technologies allows us to build a powerful SATP system embedded with complex rules and workflows, enabling repetitive and standard tasks to be completed by outsourced staff from human resource service providers. Therefore, our purchase from HiJoy Enterprise Service Co., Ltd. (活悦企業服務有限公司) and Supplier A increased, resulting in a higher proportion of total purchase amount in 2022 and 2023. See “Business — Our Suppliers — Our Five Largest Suppliers.” We do not have substantial reliance on any single supplier. All of our five largest suppliers in each year during the Track Record Period were Independent Third Parties as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

Our Customers

Our customers primarily consist of SMBs operating in a wide array of industry verticals, primarily including retail and wholesale, construction, professional services, manufacturing, scientific and technical services, information, accommodation and food services. In addition, our customers also include regional partners as we license our SATP system and brand to them for initial service fees and license fees. For each of the years ended December 31, 2021, 2022 and 2023, revenue generated from the five largest customers accounted for 2.6%, 4.1% and 4.4% of our total revenue, respectively, and our revenue generated from the largest customer accounted for 1.0%, 2.1% and 1.7% of our total revenue, respectively. We do not have substantial reliance on any single customer. All of our five largest customers in each year during the Track Record Period were Independent Third Parties as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

SUMMARY

PRICING

There are no prescribed mandatory pricing mechanisms set by regulatory authorities on our solutions hence we are entitled to set the prices of our services at our own discretion. Our pricing is typically based on certain factors, including the type and range of services that the targeted customers require, the spending power of the targeted customers, our operating costs, the competitiveness of our services in the local market, local market condition and pricing of our industry peers. Leveraging our deep insights into SMBs in different growth stages with diverse service demands, we adopt differentiated pricing strategies for our SaaS-based solutions based on our value proposition to the SMBs.

	<u>Standard value proposition</u>	<u>Premium value proposition</u>
Target customers	SMBs that are in their initial growth stages with small operating scale and high price sensitivity	SMBs with relatively matured or complex business operations that have stringent compliance demands and wish to mitigate operational risks, or aim to enhance business efficiency and profitability through detailed insights
Service offerings	Fundamental bookkeeping services and taxation services by entity, tailored to assist SMBs in fulfilling their essential mandatory obligations	Operational management services and managerial accounting services by business segment or even by order for SMBs’ precise finance and taxation management and advanced customer experience
Pricing	Competitive prices in the most cost-effective manner. Our brand awareness, technological capabilities and customer experience enable us to price competitively	Reasonable prices that generally higher than those for standardized finance and taxation solutions
Major pricing basis	Customers’ tax filer status (small-scale or general taxpayers), the service complexity based on customers’ industry verticals and business models, subscription period, our operational costs and prevailing market conditions	Service intricacy, the degree of customization taking into account the customer’s industry vertical, business model and operating scale, along with subscription duration, our operational costs and market conditions

As to our consultation services, which are generally non-recurring, we typically charge SMBs an one-off fixed service fee, which is primarily determined based on our operational costs and market conditions. For matchmaking services, we utilize a performance-based pricing model. We

SUMMARY

reconcile our service fees with the online service providers on a monthly basis, primarily considering the contract value of the successful matches on the associated e-commerce marketplaces. Please see “Business — Pricing” for details.

RISK FACTORS

Our business faces risks including those set out in “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our [REDACTED]. Some of the major risks that we face include:

- Competition in the SMB finance and taxation solution industry in China is intense. Failure to effectively compete with our competitors may result in reduced sales, reduced margins, losses, or failure to maintain or expand customer bases, which could materially and adversely affect our business, results of operations and financial condition.
- Failure to keep up with the technological developments in the SMB finance and taxation solution industry in China, or failure to adapt to and allocate our resources among emerging technologies may materially and adversely affect our business, financial condition and results of operations.
- Our initiatives to introduce new and enhanced solutions may not succeed, exposing us to additional risks and limiting our future growth.
- If we are unable to attract new customers and expand sales to existing customers, our business growth could be slower than we expect and our business may be harmed.
- Our business and growth depend substantially on customers renewing their subscription agreements with us and any decline in our customer renewals could adversely affect our future operating results.
- We incurred net loss in the past, and we may not be able to achieve profitability in the future.
- We recorded net operating cash outflows, net current liabilities and net liabilities during the Track Record Period and we cannot assure you that we will not record the same in the future.

OUR CONTROLLING SHAREHOLDERS

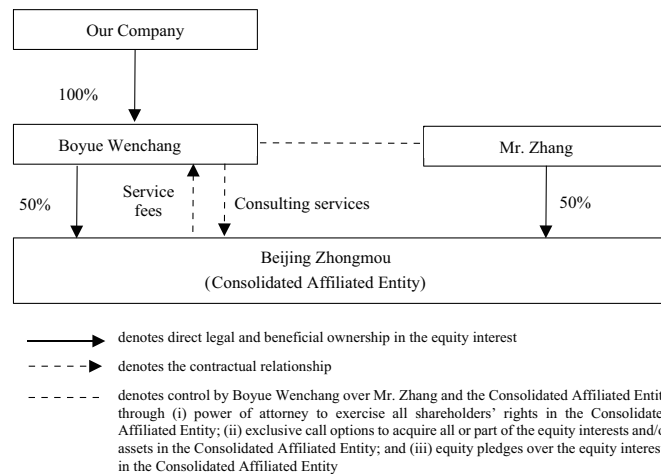
As of the date of this document, as Mr. Zhang and Sparking Sky were in a position to control the composition of a majority of the Board, Mr. Zhang and Sparking Sky shall be regarded as our Controlling Shareholders as defined under Rule 1.01 of the Listing Rules. Immediately upon completion of the [REDACTED], Mr. Zhang and Sparking Sky will no longer be entitled to appoint any member of our Board. As such, Mr. Zhang and Sparking Sky will cease to be our controlling shareholders.

SUMMARY

Each of the Voting Grantors entered into a Voting Agreement with Mr. Zhang and Sparking Sky (together with Mr. Zhang, the “**Entrustees**”), respectively on May 30, 2023 and May 7, 2024. By entrusting their voting powers to the Entrustees, each of the Voting Grantors believes that the consistent leadership of Mr. Zhang with a stronger control in the voting rights is beneficial to the overall strategic planning and decision-making process of our Group. Immediately upon completion of the [REDACTED], Sparking Sky will remain as our single largest shareholder, and will be entitled to control an aggregate of [REDACTED]% of the voting power of our Company immediately upon completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options) including (i) approximately [REDACTED]% of the voting rights in our Company directly held by Sparking Sky; and (ii) approximately [REDACTED]% of the voting rights in our Company pursuant to the entrustment under the Voting Agreements. For details, see “Relationship with Our Controlling Shareholders.”

CONTRACTUAL ARRANGEMENTS

As the operation of our Consolidated Affiliated Entity is subject to certain foreign ownership restriction under PRC laws and regulations, it was not viable for our Company to hold 100% equity ownership of our Consolidated Affiliated Entity. On February 3, 2023, we entered into the Contractual Arrangements with Beijing Zhongmou and its remaining registered shareholder, Mr. Zhang, pursuant to which, we are able to assert management control over the operation of the Consolidated Affiliated Entity and are entitled to all the economic benefits derived from its operation. The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



[REDACTED] INVESTORS

Since our establishment, we have received multiple series of financing from our [REDACTED] Investors to support the development and operation of our principal business and other general working capital of our Group. Their investments demonstrate their confidence in the operation of our Group and serve as an endorsement of our performance, strength and prospects.

SUMMARY

We believe that we could benefit from the investors’ commitment to our Group. See “History, Reorganization and Corporate Structure — [REDACTED] Investments” for details of our [REDACTED] Investments and the identity and background of our [REDACTED] Investors.

[REDACTED] SHARE OPTION PLAN

On November 1, 2021, our Company adopted the [REDACTED] Share Option Plan. As of the Latest Practicable Date, [REDACTED] Share Options to subscribe for a total of 5,445,237 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been conditionally granted to 214 grantees, including Directors, senior management members and employees of our Group and other grantees, among which [REDACTED] Share Options to subscribe for 2,562,904 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), representing approximately [REDACTED]% of the total issued share capital of our Company immediately after the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options) had not been exercised and remained outstanding. Assuming full exercise of all outstanding [REDACTED] Share Options, the shareholding of our Shareholders immediately following the [REDACTED] and the [REDACTED] will be diluted by approximately [REDACTED]%, if calculated on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and assuming that the [REDACTED] is not exercised. No further [REDACTED] Share Options may be granted after the [REDACTED]. See “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan” and “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to the [REDACTED] Share Option Plan” for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I to this document:

Summary of Consolidated Statements of Comprehensive Loss

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB’000)</i>	
Revenue	346,819	515,962	538,754
SaaS-based solutions	308,585	452,616	463,952
Professional services	38,234	63,346	74,802
Cost of revenue	(175,522)	(247,723)	(223,213)
Gross profit	171,297	268,239	315,541
Operating loss	(423,815)	(328,040)	(245,693)
Loss before income tax	(682,986)	(505,783)	(301,846)
Income tax expense	(1)	—	—
Loss for the year	(682,987)	(505,783)	(301,846)

SUMMARY

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>		
Non-IFRS measures			
Adjusted net loss.	(393,694)	(300,702)	(116,612)

Revenue

We had achieved significant growth during the Track Record Period. We recorded revenue of RMB346.8 million, RMB516.0 million and RMB538.8 million in 2021, 2022 and 2023, respectively, representing a CAGR of 24.6% from 2021 to 2023. In particular, our revenue generated from SaaS-based solutions amounted to RMB308.6 million, RMB452.6 million and RMB464.0 million in 2021, 2022 and 2023, respectively. Such continuous increase was mainly due to acquisition of new SMB customers and increased subscription of our SaaS-based solutions by existing SMB customers. Our revenue generated from professional services amounted to RMB38.2 million, RMB63.3 million and RMB74.8 million in 2021, 2022 and 2023, respectively, and the increase was primarily due to customers’ growing demand for our professional services and our commencement of matchmaking services. Please see “Financial Information — Consolidated Statements of Comprehensive Loss — Revenue” for details.

Gross Profit and Gross Margin

	Year ended December 31,					
	2021		2022		2023	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
SaaS-based solutions						
SMBs	113,636	46.8	210,898	53.6	242,394	58.6
Regional partners	53,844	82.1	43,347	73.6	38,172	76.1
Sub-total.	167,480	54.3	254,245	56.2	280,566	60.5
Professional services	3,817	10.0	13,994	22.1	34,975	46.8
Total.	171,297	49.4	268,239	52.0	315,541	58.6

Our gross margin steadily increased from 49.4% in 2021 to 52.0% in 2022, and further increased to 58.6% in 2023, evidencing our effective strategy to invest in the intellectual capability of our SATP system and to automate manual tasks and replace labor. During the Track Record Period, our SaaS-based solutions contributed substantially to all of our gross profit. As a result, our overall gross margin was heavily influenced by the gross margin of our SaaS-based solutions, which consistently demonstrated growth throughout the period. This can be attributed to the fact that our standard SaaS-based solutions generate recurring subscription revenue with minimal incremental costs. The gross margin of SaaS-based solutions offered to SMB customers was different as compared to that offered to regional partners, mainly due to fulfilment costs associated with our dedicated accounting and tax professionals who employ the SATP system to serve SMBs. The gross margin of professional services had been improved significantly from 10.0% in 2021 to

SUMMARY

22.1% in 2022, and further increased to 46.8% in 2023, primarily attributable to the matchmaking services we launched in April 2022, the revenue of which was recognized on net basis. Please see “Financial Information — Consolidated Statements of Comprehensive Loss — Gross Profit and Gross Margin” for details.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Total non-current assets	212,206	228,637	161,603
Total current assets	97,685	342,139	286,916
Total assets	309,891	570,776	448,519
Total non-current liabilities	2,129,733	2,477,962	2,642,462
Total current liabilities	611,422	661,154	678,894
Total liabilities	2,741,155	3,139,116	3,321,356
Total deficits	(2,431,264)	(2,568,340)	(2,872,837)
Total deficits and liabilities	309,891	570,776	448,519
Net current liabilities	513,737	319,015	391,978

We had net current liabilities of RMB513.7 million, RMB319.0 million and RMB392.0 million as of December 31, 2021, 2022 and 2023, respectively. We also recorded net liabilities throughout the Track Record Period, attributable primarily to the redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. The redeemable convertible preferred shares will be automatically converted into our Shares and re-designated from financial liabilities to equity upon the [REDACTED]. The fluctuations of our net current liabilities during the Track Record Period were mainly due to fluctuations of our cash and cash equivalents. The increase of our net current liabilities from 2022 to 2023 was also attributable to an increase in bank borrowings of RMB50.0 million. Please see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Net Current Liabilities” and “Risk Factors — Risks Relating to Our Business and Industry — We recorded net operating cash outflows, net current liabilities and net liabilities during the Track Record Period and we cannot assure you that we will not record the same in the future” for details.

Non-current Assets

Our non-current assets increased moderately from RMB212.2 million in 2021 to RMB228.6 million in 2022, but decreased by 29.3% to RMB161.6 million in 2023, mainly attributable to a decrease in intangible assets of RMB42.8 million due to the amortization of customer relationships, details of which is set out in “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Intangible Assets.”

SUMMARY

Non-current Liabilities

Our non-current liabilities increased from RMB2,129.7 million in 2021 to RMB2,478.0 million in 2022, and further increased to RMB2,642.5 million in 2023, mainly due to the increases in redeemable convertible preferred shares during the Track Record Period.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Net cash outflow from operating activities .	(216,456)	(218,061)	(53,699)
Net cash inflow/(outflow) from investing activities	(46,148)	(16,597)	19,461
Net cash inflow/(outflow) from financing activities	249,615	469,585	(28,199)
Net increase/(decrease) in cash and cash equivalents.	(12,989)	234,927	(62,437)
Cash and cash equivalents at the beginning of the year.	26,156	13,167	249,091
Effects of exchange rate changes on cash and cash equivalents	—	997	790
Cash and cash equivalents at the end of the year	13,167	249,091	187,444

In 2021, 2022 and 2023, we incurred net cash outflow from operating activities of RMB216.5 million, RMB218.1 million and RMB53.7 million, respectively. Please see “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis — Net Cash Outflow from Operating Activities” and “Risk Factors — Risks Relating to Our Business and Industry — We recorded net operating cash outflows, net current liabilities and net liabilities during the Track Record Period and we cannot assure you that we will not record the same in the future” for details.

Key Financial Ratios

	Year ended/As of December 31,		
	2021	2022	2023
Gross margin (%)	49.4	52.0	58.6
Revenue growth (%)	25.9	48.8	4.4
Adjusted net loss margin (<i>non-IFRS measures</i>) (%)	(113.5)	(58.3)	(21.6)

Please see “Financial Information — Key Financial Ratios” for details.

SUMMARY

OUR BUSINESS SUSTAINABILITY

We operate in the highly competitive and fast-growing SMB finance and taxation solution industry in China. We focus on the sustainable and long-term growth instead of short-term financial returns or non-persistent net operating cash inflow.

SaaS-based solution providers in China’s SMB finance and taxation solution industry are still at their early stage of development, especially compared to those in developed countries such as the United States. Such solution providers need substantial initial investment in system development and customer acquisition before generating stable revenue and becoming profitable. According to Frost & Sullivan, it is common for the scalable integrated SaaS-based solution providers in SMB finance and taxation solution industry in China to remain loss-making for a relatively long term before becoming profitable.

In the nascent stage of China’s SMB finance and taxation solution industry, many SaaS-based solution providers have not yet achieved net profit. Initially, these providers invest heavily in developing their SaaS systems. They then pivot to sales and marketing to establish brand recognition and market presence. Since the revenue from these SaaS solutions is recurring, maintaining and growing a loyal customer base through consistent investment in marketing is essential. The competitiveness of these solutions hinges on system performance, necessitating continuous technological advancements and system upgrades. Consequently, the initial investment costs can surpass early revenue, often leading to initial losses. Although a couple of industry leaders are on the trajectory to reach the break-even point in the near future, there had been hardly any scalable SaaS-based solution providers achieved a profit-making position as of the Latest Practicable Date. In the long term, along with economies of scale and synergies between the improvement in the accuracy and efficiency of SaaS systems and enlarged customer base, SaaS-based solution providers can gradually improve their profit margin as the recurring subscription revenue grows without substantial incremental costs.

SMB finance and taxation solution industry in China has been growing vividly with promising future. Market participants in China’s SMB finance and taxation solution industry are driven by (i) the growing number of SMBs along with the economic growth in China. The number of SMBs in China had been increasing and surged from 34.2 million in 2018 to 54.9 million in 2023, with a CAGR of 9.9%. This upward trend is expected to continue, reaching 74.7 million in 2028; (ii) SMBs’ essential demands for high-quality external services to help them meet their finance and taxation compliance obligations; (iii) growing demands in comprehensive managerial accounting analysis and operational management with the implementation of the “Golden Tax System (Phase IV);” and (iv) rising demands among SMBs for digitalization, automation and efficiency are expected to drive the adoption of SaaS-based solutions for finance and taxation management.

As the leading player in the industry, we are well positioned to capture the technological innovations and deepen nationwide market penetration, thereby holding the preeminent competitive advantages in the rapidly growing SMB finance and taxation solution industry in China.

SUMMARY

Historical Performance

We recorded continuous increase in our revenue and gross profit during the Track Record Period, despite the negative impact brought by the COVID-19 pandemic. Our SATP system with advanced automation features and build-in standard processes improved the efficiency of our SaaS-based solutions and enabled us to generate recurring subscription revenue with minimal incremental costs. As a result of our efforts in optimizing profitability, our total gross margin and the gross margin of our SaaS-based solutions, especially SaaS-based solutions to SMBs experienced continuous growth throughout the Track Record Period.

Along with the development of our business scale, our solution fulfilment team and our purchase from suppliers increased, which drove the growth of our labor costs and service costs. To promote the market acceptance of our solutions, we devoted great efforts in selling and marketing activities through both online and offline channels during the Track Record Period. In addition, we have been investing in upgrading our SATP system and strengthening the technological capabilities.

Despite the growth in revenue and gross profit on an annual basis, we recorded net loss of RMB683.0 million, RMB505.8 million and RMB301.8 million in 2021, 2022 and 2023, respectively. Our net loss during the Track Record Period was primarily caused by (i) fair value losses of redeemable convertible preferred shares; (ii) our continuous investment in marketing and promotion and research and development; and (iii) dampened increase in revenue caused by the dampened growth in the subscription intention and renewal of subscriptions by SMB customers during and immediately after the COVID-19 pandemic. By adding back share-based payments, fair value changes of redeemable convertible preferred shares, fair value changes of warrant liability and [REDACTED] expenses, our adjusted net loss under non-IFRS measure had been narrowed from RMB393.7 million, in 2021, to RMB300.7 million in 2022, and further to RMB116.6 million in 2023. For details of our net loss during the Track Record Period, please see “Financial Information — Year to Year Comparison of Results of Operations.” Our service agreements with SMBs generally include the prepayment arrangement. SMB customers are typically required to settle payment after signing the service agreements and prior to our service delivery. Such arrangement contributes to the turning around of our operating cash flow position, which further paves the way for our future net profit. Meanwhile, we recorded net current liabilities during the Track Record Period, primarily caused by (i) the large amount of contract liabilities, mainly due to payments received from our customers in advance of revenue recognition; and (ii) other payables and accruals in relation to salary and welfare payables and the payable [REDACTED] expenses relating to the [REDACTED]. Although we expect our contract liabilities will further increase with the expansion of our business, we are committed to enhancing our financial position by improving our operating efficiency through enhanced cost control measures and our two-tiered fulfilment approach, seeking to realize sustainable growth at reasonable costs. See “Business — Employees — Labor Outsourcing Arrangement” for details of two-tiered fulfilment approach. We also recorded net liabilities during the Track Record Period due to the redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. We had net cash outflow from operating activities during the Track Record Period, which was primarily caused by our loss before tax, mainly due to our significant investment in (i) selling and marketing activities

SUMMARY

to expand our customer base; (ii) the expansion of our administrative staff team to support our business expansion and the adoption of our [REDACTED] Share Option Plan; and (iii) research and development activities to upgrade our SATP system.

Although solution providers in the industry have witnessed dampened growth in SMBs’ subscription and renewal intention during the post-pandemic economic recovery period, our financial performance has shown noteworthy improvement in 2023, demonstrating our prospective growth potential. From 2022 to 2023, we witnessed decrease in net loss, adjusted net loss and operating loss, together with the persistent growth in revenue and gross profit. Our operating cash flow position also optimized in 2023 as compared to the previous year, taking advantage of (i) our continuous revenue growth fueled by broad customer base and optimized ARPU; and (ii) changes in fair value of redeemable convertible preferred shares resulting from our Company’s rising valuation in 2023, attributable to our solid growth and promising business prospects.

Our Path to Profitability and Sustainable Growth

Continuous revenue growth and cost-efficiency improvement pave our way to profitability. To boost our revenue growth, we have proactively adopted a series of measures.

We retain existing customers by continuously refining our solutions to cater to SMBs’ ever-evolving needs, enhance customer service experience and improve customer satisfaction and loyalty. To attract new customers, we have implemented our long-term customer acquisition strategies, transitioning from traditional telemarketing and offline ad campaigns to efficient and effective customer referral programs, leveraging our well-established brand awareness and benefiting from the word-of-mouth referrals. Our efforts have been proven to be successful, as evidenced by our broad customer base during the Track Record Period.

We have been committed to monetizing our solution offerings, customizing our solutions in response to SMBs’ growing demands in managerial accounting and risk management, and strengthening our revenue streams. We expect our up-selling efforts in refining solution offerings will improve the customer stickiness while continuously optimizing our ARPU.

We highly value enhancing our technological capabilities to reach higher service quality and efficiency. Our technology stack integrates multiple technologies and system functions, such as the first robotic process automation tailored to tax filing in the industry, optical character recognition with recognition rate far ahead of the industry average level, accounting engine, reconciliation engine, and machine learning models with accuracy rate surpassing the industry average level, constituting our strong competitive edge to compete with industry peers and keep pace with the rapid technological innovations. With the promulgation of “Golden Tax System (Phase IV)” nationwide, we expect our improved technological capabilities would bring us competitive advantages over those solution providers that lack technological strengths or advanced operating systems.

SUMMARY

In addition to our efforts to diversify and strengthen the revenue streams, we plan to continuously improve our operational efficiency and profitability. We expect higher standardization and automation level would lead to higher efficiency while saving labor costs during solution delivery. We also seek to further improve the efficiency and cost-effectiveness of our selling and marketing activities, research and development activities and general and administrative activities.

Please see “Business — Our Business Sustainability — Our Path to Profitability and Sustainable Growth” for details of our measures.

Our measures for better profitability and future prospects have been well received by the market, as evidenced by the fact that we have successfully received nine rounds of investments from our [REDACTED] Investors since our establishment.

We believe our growth strategy will further pave the way for our long-term sustainable market leadership. Leveraging our first-mover advantage in the industry in capturing the technological innovations and deepening nationwide market penetration, we are on the way to turning around the loss-making position and realizing a sustainable and profitable business growth. Our Directors believe that we could turn around the loss-making position and realize a sustainable business growth, taking into account (i) the prospect of the SMB finance and taxation solution industry in China with continuous growth in the number of SMBs and stimulated service demands under the “Golden Tax System (Phase IV);” (ii) our future business strategies for sustainable long-term growth and the abovementioned measures for revenue growth and operational efficiency enhancement; (iii) our proven track record and efficiency improvement; and (iv) the industry norm that SaaS-based solutions typically require upfront investment for customer acquisition and retention and system development to accumulate brand awareness and market acceptance, and the relevant costs and expenses often exceed the profit generated from SaaS-based solutions at the initial stage.

Operational Cash Position and Working Capital Sufficiency

We operate in a healthy operational cashflow position, primarily as (i) we typically require our SMB customers to settle payment after signing the service agreements and prior to our service delivery; and (ii) we require our regional partners to prepay license fees to us before providing solutions to their SMB customers through our SATP system. Furthermore, we are committed to implementing our business strategies, in particular, (i) expanding our operation and increasing market penetration; (ii) developing differentiated solutions to cater to various customer needs, optimizing ARPU and enhancing customer retention; and (iii) enhancing the standardization capability of our SATP system to tackle tasks under complex and diversified scenarios, all of which are expected to improve our operational performance and drive our operating cash inflow.

Taking into account (i) our cash sources of RMB137.4 million as of December 31, 2023, calculated by cash and cash equivalents minus the amount of due borrowings; and (ii) our cash burn of RMB55.4 million for the year ended December 31, 2023, calculated by combining operating cash outflow and payment of [REDACTED] expenses, our Directors are of the view that the cash sources as of December 31, 2023 will be able to support our operations for over 29 months from December 31, 2023. By excluding the non-recurring item (i.e. payment of

SUMMARY

[REDACTED] expenses) from our cash burn, our cash sources as of December 31, 2023 will be able to support our operations for over 59 months. 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, taking into account (i) our cash and cash equivalents as of April 30, 2024 according to our unaudited management accounts; (ii) the operating cash inflow we expect to receive from December 31, 2023 to the date of this document; and (iii) the estimated [REDACTED] from the [REDACTED]. However, the above forward-looking working capital forecast are prepared based on information currently available to us. Our future financial position and results of operations may be affected by complicated factors and may be subject to risks and uncertainties, many of which may beyond our control. Please see “Risk Factors.”

During the Track Record Period and up to the Latest Practicable Date, we did not default in repayment of borrowings. Considering our good credit history and our current credit status, we do not expect we will encounter material difficulties in obtaining additional borrowings to fund our business growth and improve our working capital sufficiency in the future.

Please see “Business — Our Business Sustainability” for details.

COMPETITION

According to Frost & Sullivan, we operate in the highly fragmented and rapidly evolving SMB finance and taxation solution industry in China. In 2023, the top five solution providers in China’s SMB finance and taxation solution industry accounted for approximately 0.84% of the total market size, with an aggregated revenue of RMB0.99 billion. We primarily compete with our competitors on the following key aspects: (i) the price of solutions; (ii) the recognition of the brand name; (iii) the quality and efficiency of solutions; (iv) the capabilities of cost management and cost control; and (v) the capabilities of providing tailored solutions to enterprises of different sizes in different industry verticals. However, we believe we are well positioned to capitalize on the future industry growth, leveraging our preeminent market position and extensive market knowledge accumulated over years of operations. See “Industry Overview” for a more detailed discussion regarding the industry where we operate and the competitive landscape of such industry.

COMPLIANCE AND LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we were not aware of any claims or proceedings contemplated by the PRC government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material or systemic non-compliance incidents, which, taken as a whole, are likely to have a material and adverse effect on our business, financial condition or results of operations.

SUMMARY

OUTBREAK AND SPREAD OF COVID-19

The outbreak of COVID-19 and continuous spread of the infectious disease had materially and adversely affected the domestic and global economy since late 2019. The COVID-19 pandemic had the following impacts on our business, results of operations and financial condition:

- *Industry and market.* During the pandemic, people generally reduced their outdoor activities as the government discouraged the unnecessary outdoor gatherings. SMBs that primarily deliver their products or services through offline channels, such as SMBs in catering industry, wholesale and retail industry and construction industry, experienced downturn in their sales performance and tight budgets for daily operations. Correspondingly, the total amount of taxes contributed by SMBs in China declined during the COVID-19 pandemic. As a result, certain SMBs became more price-sensitive than before considering the economic conditions during the pandemic. Their subscription intention or the scope of their subscription for finance and taxation solutions reduced during the pandemic. Moreover, according to Frost & Sullivan, the number of SMBs in China that deregistered business during and immediately after the COVID-19 pandemic was more than that prior to the pandemic.
- *Business operations and financial performance.* During the Track Record Period, our front offices in 33 cities experienced temporary business suspension, ranging from a few weeks to months, due to the spread of COVID-19. Subscription for our solutions was also affected due to SMB customers’ budget control, higher business deregistration rate, and their postponed business activities during the pandemic. Our solution fulfilment was also temporarily disrupted as some of our customers were unable to send us documents such as original receipts, invoices and bank slips, containing information necessary for bookkeeping or tax filing. We strived to maintain stable relationships with our customers through proactive communication and timely response through online channels. Notwithstanding the temporary interruptions to business operations caused by the COVID-19 pandemic, our Directors are of the view that the outbreak and spread of COVID-19 had no material adverse impact on our business operations and financial condition during the Track Record Period and up to the Latest Practicable Date, on the basis that (i) we had achieved revenue growth throughout the Track Record Period, despite the temporary impact from the COVID-19 pandemic; (ii) our gross profit grew from 2022 to 2023; and (iii) as of the Latest Practicable Date, our business operations had fully resumed as the post-pandemic economic recovery situation continued to improve in China.
- *Employees and offices.* In response to the COVID-19 pandemic, we had promptly taken precautionary measures, including providing technical support for employees to work from home, providing protective masks and alcohol-soaked tissue paper or alcohol-based hand wash to our onsite employees, temperature screening at entry of office buildings, desk sanitizing and disinfection of common areas, as well as avoiding unnecessary business travel to areas with high infection risks. We incurred over RMB77,000 in respect of precautionary measures in order to prevent the transmission of COVID-19 within our Group during the Track Record Period.

SUMMARY

Most of the travel restrictions and quarantine requirements to contain the COVID-19 pandemic were lifted in December 2022. However, according to Frost & Sullivan, the economic recovery in 2023, in particular the second half of 2023, was slower than expected. As such, although we recorded a noteworthy increase of approximately 15% in our revenue in the first four months of 2023 as compared with the same period of 2022 according to our unaudited management accounts, our revenue growth in the remaining year of 2023 was hampered by the slowed economic recovery thus our revenue increase in the whole year of 2023 as compared with that of 2022 narrowed to 4.4%. Further, SMB finance and taxation solution providers have witnessed a dampened growth trend in SMBs’ subscription demands and renewal intention. Moreover, increasing SMBs have become more price-sensitive and motivated to subscribe for cheaper solutions. As our revenue generated from SaaS-based solutions for SMBs is normally recognized at the time when deliverables are provided to SMBs by month, which is normally on a deferred basis during the contract term, the improvement of our future financial results may be postponed with gradual economic recovery.

The extent to which the pandemic impacts our results of operations going forward will depend on the uncertain and unpredictable future developments, including the pace of domestic and global post-pandemic economic recovery, the appearance of new variants of COVID-19 with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — Our business operations had been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.”

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Recent Development

We are still at the stage of rapid business expansion and committed to ramping up our customer base and improving customer retention to realize long-term growth. We have been in a loss-making position during the Track Record Period and we expect to continue to record adjusted net loss and net operating cash outflow for the year ending December 31, 2024, and we may not be able to become profitable in the short term. See “Business — Our Business Sustainability” for a detailed discussion of our historical loss-making position and our path to profitability.

Subsequent to December 31, 2023 and up to April 30, 2024, our business experienced growth on a continual basis. For the four months ended April 30, 2024, according to our unaudited management accounts, we still managed an increase of 3% in the total revenue, compared to that of the same period in 2023, despite the noteworthy growth we had achieved during the same period last year. In addition, our operating loss narrowed substantially by nearly 80.5% compared to that of the same period in 2023 according to the same source, primarily as our continuous efforts in improving cost-effectiveness and upgrading our SaaS-based solutions had achieved satisfactory performance.

Benefitting from our continuous efforts in driving revenue growth by expanding customer base and optimizing ARPU, we are able to continuously improve our cost-efficiency and profitability, leading to sustainable business development.

SUMMARY

Regulatory Development and Our Compliance Performance

We are subject to a variety of laws and regulations relevant to our business and the industry where we operate, including but not limited to agency bookkeeping, tax filing, value-added telecommunications, cybersecurity, data privacy and protection, etc. According to our PRC Legal Advisors and our PRC Legal Advisors relating to Data Compliance, there is no material discrepancy between the relevant applicable regulatory requirements on our SaaS-based solutions under both the Direct-to-Business Model and the Licensing Model and professional services, and our practice in all material aspects as of the Latest Practicable Date. Our Directors are of the view that we had taken appropriate measures to follow such regulatory requirements and complied with such regulatory requirements during the Track Record Period and up to the Latest Practicable Date. Please see “Business — Compliance and Legal Proceedings — Material Regulatory Requirements on Our Business” for details.

Recent Regulatory Development on Overseas Listing

On February 17, 2023, the CSRC promulgated the *Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to [REDACTED] securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

We are required to complete the filing procedures with the CSRC in connection with the [REDACTED]. We have prepared and submitted all the necessary documents for the CSRC filing on July 4, 2023. We had submitted the responses to CSRC’s enquires, and we will follow the relevant requirements of the Overseas Listing Trail Measures in order to obtain filing notification from CSRC before the [REDACTED].

Recent Regulatory Development on Cybersecurity and Data Privacy and Protection

There have been several regulatory changes and development in relation to cybersecurity and data privacy and protection in recent years. On June 10, 2021, the *PRC Data Security Law* (《中華人民共和國數據安全法》) was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) and became effective on September 1, 2021. On August 20, 2021, the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》) (the “**PIPL**”) was adopted by the Standing Committee of the National People’s Congress and became effective on November 1, 2021. On December 28, 2021, the CAC, together with certain other PRC government authorities, promulgated the revised *Measures for Cybersecurity Review* (《網絡安全審查辦法》), which became effective on February 15, 2022. See “Regulatory Overview — Regulations on Cybersecurity and Data Protection” for further details of these laws and regulations.

SUMMARY

Recent U.S. Outbound Investment Restrictions

On August 9, 2023, the U.S. government released an executive order in relation to imposing restrictions on outbound investment in national security technologies and products, including sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and artificial intelligence sectors that are critical for the military, intelligence, surveillance, or cyber-enabled capabilities, in country of concern. The PRC, along with Hong Kong and Macau are identified as the country of concern in the executive order. As of the Latest Practicable Date, the relevant implementation rule had not been released yet. Our Directors are of the view that such outbound investment restrictions, if implemented, would not adversely affect our business operation, financial performance and our ability to obtain investment in our Company, considering our business does not fall within the scope of “artificial intelligence sectors that are critical for the military, intelligence, surveillance, or cyber-enabled capabilities” as our business nature, customers and the way that we apply AI technologies are different in essence. We will pay close attention to the promulgation of relevant implementation rules by the U.S. government. See “Risk Factors — Risks Relating to Our Business and Industry — Recent U.S. outbound investment restrictions may cause uncertainty to the U.S. outbound investment activities and our funding activities.”

No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the date of the latest audited consolidated financial position of our Group as set out in the Accountant’s Report in Appendix I to this document. We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

[REDACTED] STATISTICS

[REDACTED] size: Initially approximately [REDACTED]% of our enlarged share capital

[REDACTED]: Up to [REDACTED]% of our initial [REDACTED]

[REDACTED] per [REDACTED]: HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]

[REDACTED] Structure: [REDACTED]% [REDACTED] and [REDACTED]% [REDACTED] (subject to [REDACTED] and the [REDACTED])

SUMMARY

Audited consolidated net tangible liabilities of our Group attributable to owners of our Company as of December 31, 2023 <i>(RMB'000)</i>	Estimated [REDACTED] from the [REDACTED] <i>(RMB'000)</i>	Estimated impact on the conversion of the redeemable convertible preferred shares upon the completion of the [REDACTED] <i>(RMB'000)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2023 <i>(RMB'000)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share <i>(RMB)</i>	<i>(HK\$)</i>
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	(2,905,118)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	(2,905,118)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

- (1) Please see “Appendix II — Unaudited Pro Forma Financial Information” for further details regarding the assumptions used and the calculations method.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], our Shares in issue prior to the [REDACTED] and those to be issued pursuant to the [REDACTED] (including the Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options). Our [REDACTED] application is made on the basis that, among other things, we satisfying the [REDACTED]/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2023, being approximately RMB538.8 million (equivalent to HK\$591.7 million), which is over HK\$500 million; and (ii) our expected [REDACTED] at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] range, exceeds HK\$4 billion.

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] and professional fees paid to legal advisers and the reporting accountant for their services rendered in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of our indicative [REDACTED] range for the [REDACTED] and assuming that the [REDACTED] is not exercised, excluding any [REDACTED] which may be payable by us) for the [REDACTED] are approximately RMB[REDACTED], among which (i) [REDACTED]-related expenses, including [REDACTED] and other expenses, are expected to be

SUMMARY

approximately RMB[REDACTED], and (ii) non-[REDACTED]-related expenses are expected to be approximately RMB[REDACTED], comprising (x) fees and expenses of legal advisers and the reporting accountant of approximately RMB[REDACTED], and (y) other fees and expenses of approximately RMB[REDACTED]. We incurred [REDACTED] expenses of RMB[REDACTED] in 2023, of which (i) RMB[REDACTED] was recognized as administrative expenses; and (ii) RMB[REDACTED] was directly attributable to the issuance of shares and will be recognized as a deduction in equity directly upon the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED], among which approximately RMB[REDACTED] to be recognized as administrative expenses and approximately RMB[REDACTED] to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2024. Our estimated [REDACTED] expenses represent approximately [REDACTED]% of the gross [REDACTED] based on the same assumption.

DIVIDENDS

No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-end of the [REDACTED] range stated in this document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

Approximately HK\$ [REDACTED]	Percentage of [REDACTED]	Future Plans
[REDACTED]	[REDACTED]%	Expanding our operation, increase market penetration, and explore strategic partnerships with leading players across diverse industries
[REDACTED]	[REDACTED]%	Enhancing our finance and taxation solutions
[REDACTED]	[REDACTED]%	For research and development to enhance our technological capabilities
[REDACTED]	[REDACTED]%	For strategic investments and acquisitions
[REDACTED]	[REDACTED]%	For working capital and other general corporate purposes

For details, please see “Future Plans and Use of [REDACTED].”

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

“51CC Investment”	51CC Investment (HSZ) BVI Limited, a business company incorporated in the BVI on February 25, 2022 and one of our Series B-2 Investors
“51 Credit Card HK”	51 Credit Card Investment (HK) Limited (51信用卡投資(香港)有限公司), a private limited company incorporated in Hong Kong on September 12, 2018 and an affiliate of 51CC Investment, one of our Series B-2 Investors
“Accountant’s Report”	the audited consolidated financial statements of our Company for the Track Record Period, as included in the accountant’s report in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council
“Almanack Holding”	Almanack Holding Limited, a business company incorporated in the BVI on August 10, 2022 and one of our Shareholders
“Articles” or “Articles of Association”	the fourth amended and restated articles of association of our Company conditionally adopted on [•] which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Demou”	Beijing Demou Technology Company Limited (北京德謀科技有限公司), a limited liability company established in the PRC on July 20, 2021 and our indirectly wholly-owned subsidiary

DEFINITIONS

“Beijing Gongjin Consulting”	Beijing Gongjin Enterprise Management Consulting Company Limited (北京公瑾企業管理諮詢有限公司), a limited liability company established in the PRC on October 22, 2015 and our indirectly non-wholly-owned subsidiary
“Beijing Gongjin Education”	Beijing Gongjin Education Technology Company Limited (北京公瑾教育科技有限公司), a limited liability company established in the PRC on November 19, 2018 and our indirectly wholly-owned subsidiary
“Beijing Gongjin IP Service”	Beijing Gongjin Intellectual Property Service Company Limited (北京公瑾知識產權服務有限公司), a limited liability company established in the PRC on April 23, 2021 and our indirectly wholly-owned subsidiary
“Beijing Gongjin Technology”	Beijing Gongjin Technology Company Limited (北京公瑾科技有限公司), a limited liability company established in the PRC on April 7, 2015 and a close associate of Mr. Zhang
“Beijing HSZ”	Huisuanzhang (Beijing) Technology Company Limited (慧算賬(北京)科技有限公司), a limited liability company established in the PRC on October 24, 2019 and a close associate of Mr. Zhang
“Beijing Huichuang”	Beijing Huichuang Xinsheng Enterprise Management Company Limited (北京慧創鑫晟企業管理有限公司), a limited liability company established in the PRC on August 14, 2020 and our indirectly wholly-owned subsidiary
“Beijing Xiaoqiao”	Beijing Xiaoqiao Enterprise Management Center (Limited Partnership) (北京小橋企業管理中心(有限合夥)), a limited partnership established in the PRC on December 1, 2016 and deregistered on March 28, 2023, and a former shareholder of Beijing Gongjin Technology
“Beijing Zhongmou”	Beijing Zhongmou Zongheng Technology Co., Ltd. (北京仲謀縱橫科技有限公司), a limited liability company established in the PRC on August 7, 2020 and accounted for as our indirectly wholly-owned subsidiary through the Contractual Arrangements
“Beijing Zijing”	Beijing Zijing Technology Company Limited (北京子敬科技有限公司), a limited liability company established in the PRC on July 20, 2021 and our indirectly wholly-owned subsidiary

DEFINITIONS

“Board” or “Board of Directors”	our board of Directors
“Boyan Ziming”	Beijing Boyan Ziming Technology Company Limited (北京伯言子明科技有限公司), a limited liability company established in the PRC on July 21, 2021 and our indirectly wholly-owned subsidiary
“Boyue Wenchang”	Beijing Boyue Wenchang Technology Company Limited (北京伯約文長科技有限公司), a limited liability company established in the PRC on July 21, 2021 and our indirectly wholly-owned subsidiary
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday, or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate

[REDACTED]

“Cayman Companies Act” or “Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
---	---

[REDACTED]

DEFINITIONS

[REDACTED]

“CCRC”	China Cybersecurity Review, Certification and Market Regulation Big Data Center (中國網絡安全審查認證和市場監管大數據中心)
“CE Fintech”	CE Fintech Capital Limited Partnership, an exempted limited partnership incorporated in Cayman Islands on December 11, 2018 and one of our Shareholders
“Changzhou Xiaoqiao”	Changzhou Xiaoqiao Finance Consulting Company Limited (常州小喬財務諮詢有限公司), a limited liability company established in the PRC on May 17, 2018 and our indirectly wholly-owned subsidiary

DEFINITIONS

“China” or “PRC”	the People’s Republic of China, but for the purpose of this document and for geographical reference only, except where the context requires, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Chongqing Gongjin”	Chongqing Gongjin Enterprise Management Consulting Company Limited (重慶公瑾企業管理諮詢有限公司), a limited liability company established in the PRC on April 14, 2016 and our indirectly wholly-owned subsidiary
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company” or “our Company”	SATP Holding Inc. (慧算账控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 14, 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entity”	the entity we control, the financial results of which has been consolidated and accounted for as a subsidiary of our Company, through the Contractual Arrangements, namely Beijing Zhongmou
“Contractual Arrangements”	the series of contractual arrangements, as the case may be, entered into by, among others, Mr. Zhang, Boyue Wenchang and Beijing Zhongmou, details of which are described in “Contractual Arrangements”
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, as at the date of this document, refers to Mr. Zhang and Sparking Sky
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules

DEFINITIONS

“COVID-19”	the coronavirus pandemic, an ongoing global pandemic of coronavirus disease (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dalian HSZ”	Huisuanzhang Shenghua (Dalian) Finance Taxation Consulting Company Limited (慧算賬勝華(大連)財稅諮詢有限公司), a limited liability company established in the PRC on January 7, 2016 and our indirectly wholly-owned subsidiary
“Dalian KSZ”	Dalian Kuaisuanzhang Finance Taxation Consulting Company Limited (大連快算賬財稅諮詢有限公司), a limited liability company established in the PRC on April 2, 2022 and our indirectly wholly-owned subsidiary
“Dalian WFOE”	Huisuanzhang Technology Development (Dalian) Company Limited (慧算賬科技發展(大連)有限公司), a limited liability company established in the PRC on September 1, 2022 and our indirectly wholly-owned subsidiary
“Deed of Non-competition”	a deed of non-competition undertakings dated [•], 2024 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are summarized in “Relationship with Our Controlling Shareholders”
“Director(s)”	director(s) of our Company
“EIT”	enterprise income tax in the PRC
“Evergreen Oliver”	Evergreen Oliver Limited, a business company incorporated in the BVI on September 13, 2021 and one of our Shareholders
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

DEFINITIONS

“Foreign Investment Law” or “FIL”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), promulgated by the National People’s Congress on March 15, 2019, effective since January 1, 2020
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company and an Independent Third Party
“Frost & Sullivan Report”	an independent industry report commissioned by us and prepared by Frost & Sullivan for the purpose of this document
“Gaocheng Entities”	GCHSZ Holdings, GHSZ Holdings and Shanghai Hongyan
“Gaocheng Hongyi”	Ningbo Gaocheng Hongyi Investment Partnership (Limited Partnership) (寧波高成泓億投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 16, 2018 and an affiliate of (i) Shanghai Hongyan, one of our Series C Investors; (ii) GHSZ Holdings, one of our Series C-1 Investors and Series C-2 Investors; and (iii) GCHSZ Holdings, one of our Series C Investors and Series D Investors
“GCHSZ Holdings”	GCHSZ Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on November 15, 2018 and one of our Series C Investors and Series D Investors
“GFA”	gross floor area
“GHSZ Holdings”	GHSZ Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on April 2, 2019 and one of our Series C-1 Investors and Series C-2 Investors
	[REDACTED]
“Gongyi Shanghai”	Gongyi (Shanghai) Technology Company Limited (公儀(上海)科技有限公司), a limited liability company established in the PRC on September 27, 2020 and a close associate of Mr. Zhang
“Grand Future”	Grand Future Holding Limited, a business company incorporated in the BVI on September 13, 2021 and one of our Shareholders

DEFINITIONS

“Group,” “our Group,” “we,” or “us”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangxi HSZ”	Huisuanzhang (Guangxi) Finance Consulting Company Limited (慧算賬(廣西)財務諮詢有限公司), a limited liability company established in the PRC on November 9, 2021 and our indirectly wholly-owned subsidiary
“Guangzhou Gongjin”	Guangzhou Gongjin Finance Consulting Company Limited (廣州公瑾財務諮詢有限公司), a limited liability company established in the PRC on April 6, 2016 and our indirectly wholly-owned subsidiary
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange effective from January 1, 2024
“Guotong Entities”	Guotong Huizhi and Guotong Lianzhi
“Guotong Huizhi”	Guotong Huizhi Venture Capital (Beijing) Co., Ltd. (國同匯智創業投資(北京)有限公司), a limited liability company established in the PRC on December 11, 2015 and one of our Series A+ Investors and Series B Investors
“Guotong Lianzhi”	Xiamen Guotong Lianzhi Venture Capital Partnership (Limited Partnership) (廈門國同聯智創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 28, 2016 and one of our Series A+ Investors and Series B Investors
“Hangzhou Gongjin Finance”	Hangzhou Gongjin Finance Consulting Company Limited (杭州公瑾財務諮詢有限公司), a limited liability company established in the PRC on May 25, 2017 and our indirectly wholly-owned subsidiary
“Hangzhou HSZ”	Hangzhou Huisuanzhang Internet Technology Company Limited (杭州慧算賬網絡科技有限公司), a limited liability company established in the PRC on September 6, 2021 and deregistered on March 28, 2024, and our indirectly wholly-owned subsidiary before its deregistration

DEFINITIONS

“Hangzhou Xingniu”	Hangzhou Xingniu Information Technology Company Limited (杭州興牛信息科技有限公司), a limited liability company established in the PRC on October 20, 2017 and an affiliate of 51CC Investment, one of our Series B-2 Investors
“Harvest Enrichment”	Harvest Enrichment Holdings Limited, a business company incorporated in the BVI on October 15, 2019 and one of our Series B-2 Investors
“Hebei HSZ”	Huisuanzhang (Hebei) Enterprise Management Company Limited (慧算賬(河北)企業管理有限公司), a limited liability company established in the PRC on December 14, 2021 and our indirectly wholly-owned subsidiary
“Hefei Gongjin”	Hefei Gongjin Enterprise Government Consulting Company Limited (合肥公瑾企業管理諮詢有限公司) (formerly known as Hefei Gongjin Finance Service Company Limited (合肥公瑾財務服務有限公司)), a limited liability company established in the PRC on January 19, 2018 and our indirectly wholly-owned subsidiary
“Hexie Jinfeng”	Hexie Jinfeng Holdings Limited (和諧錦鋒控股有限公司), a business company incorporated in the BVI on November 11, 2019, our Series Pre-A Investor and one of our Series Angel Investors, Series A+ Investors and Series B Investors

[REDACTED]

“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
--	--

[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
---------------------	--

DEFINITIONS

[REDACTED]

“HSZ Alliance”	HSZ Alliance Holding Limited, a business company incorporated in the BVI on September 27, 2022 and one of our Shareholders
“HSZ Management”	HSZ Management Holding Limited, a business company incorporated in the BVI on September 14, 2022 and one of our Shareholders
“HSZ Qingdao”	Huisuanzhang (Qingdao) Investment Company limited (慧算賬(青島)投資有限公司), a limited liability company established in the PRC on August 11, 2021 and a close associate of Mr. Zhang
“Huimeng Platform”	Huimeng Platform (慧盟平台), an e-commerce marketplace through which we provide matchmaking services
“Huisuanzhang Holding”	Huisuanzhang Cayman Holding Inc., an exempted company with limited liability incorporated under the laws of Cayman Islands on July 19, 2019 and a close associate of Mr. Zhang

DEFINITIONS

“IASB”	the International Accounting Standards Board
“IFRS Accounting Standards”	International Financial Reporting Standards as issued by the IASB, which include IFRS Accounting standards, IAS Standards and Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations)
“IIT”	individual income tax in the PRC
“Image Flag”	Image Flag Investment (HK) Limited (意像之旗投資(香港)有限公司), a private limited company incorporated in Hong Kong on January 5, 2016 and one of our Series D Investors
“Independent Third Party(ies)”	an individual or a company which, to the best of our Director’s knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

- “Jiaying Gongjin” Jiaying Gongjin Finance Consulting Company Limited (嘉興公瑾財務諮詢有限公司), a limited liability company established in the PRC on May 14, 2018 and our indirectly wholly-owned subsidiary
- “Jiaying Yilang” Jiaying Yilang Kunrui Investment Management Partnership (Limited Partnership) (嘉興宜朗坤瑞投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 18, 2016 and an affiliate of Shanghai Yilang, one of our Series B Investors
- “Jinan Xiaoqiao” Jinan Xiaoqiao Finance Consulting Company Limited (濟南小喬財務諮詢有限公司), a limited liability company established in the PRC on June 7, 2018 and our indirectly wholly-owned subsidiary

[REDACTED]

- “Lasa Kenrui” Xizang Kenrui Information Technology Company Limited (西藏肯瑞信息技術有限公司) (formerly known as Lasa Kenrui Enterprise Investment Consulting Company Limited (拉薩肯瑞企業投資諮詢有限公司)), a limited liability company established in the PRC on December 26, 2012 and a former investor of our Group which has divested its investment
- “LAT” land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)

DEFINITIONS

“Latest Practicable Date”	June 9, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
	[REDACTED]
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
	[REDACTED]
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented, or otherwise modified from time to time
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC, and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the fourth amended and restated memorandum of association of our Company adopted by a special resolution passed on [•] which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this document
“Metawit Capital”	METAWIT Capital L.P. (元慧資本有限合夥), an exempted limited partnership incorporated in Cayman Islands on November 3, 2015 and one of our Series C-1 Investors, Series C-2 Investors and Series D Investors
“MIIT”	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Zhang”	Mr. Zhang Shugang (張述剛), our founder, chief executive officer, chairman of the Board, an executive Director and one of the Controlling Shareholders
“Nanjing Xiaoqiao”	Nanjing Xiaoqiao Finance Consulting Company Limited (南京小喬財務諮詢有限公司), a limited liability company established in the PRC on January 25, 2018 and our indirectly wholly-owned subsidiary
“Nantong Fund”	Qingkong Yinxing Nantong Venture Investment Fund Partnership (Limited Partnership) (清控銀杏南通創業投資基金合夥企業(有限合夥)) (formerly known as Small and Medium-Sized Enterprises Development Fund (Jiangsu Nantong Limited Partnership) (中小企業發展基金(江蘇南通有限合夥))), a limited partnership established in the PRC on December 21, 2016 and an affiliate of Yinxing Zhiyuan, one of our Series A+ Investors and Series B Investors
“Nantong Gongjin”	Nantong Gongjin Finance Consulting Company Limited (南通市公瑾財務諮詢有限公司), a limited liability company established in the PRC on May 17, 2018 and our indirectly non-wholly-owned subsidiary
“Nantong Xiaoqiao”	Nantong Xiaoqiao Finance Consulting Company Limited (南通小喬財務諮詢有限公司) (formerly known as Nantong Jinzhang Finance Consulting Company Limited (南通瑾賬財務諮詢有限公司)), a limited liability company established in the PRC on October 18, 2022 and our indirectly wholly-owned subsidiary
“National Services”	National (BVI) Services Ltd., a business company incorporated in the BVI on September 15, 2021 and one of our Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Ningbo Gongjin”	Ningbo Gongjin Finance Consulting Company Limited (寧波公瑾財務諮詢有限公司), a limited liability company established in the PRC on February 5, 2018 and our indirectly wholly-owned subsidiary
“Ningbo HSZ”	Ningbo Huisuanzhang Finance Consulting Company Limited (寧波慧算賬財務諮詢有限公司), a limited liability company established in the PRC on November 2, 2022 and our indirectly wholly-owned subsidiary

DEFINITIONS

“Ningbo Xiaoqiao”	Ningbo Xiaoqiao Finance Consulting Company Limited (寧波小喬財務諮詢有限公司), a limited liability company established in the PRC on January 22, 2024 and our indirectly wholly-owned subsidiary
“Nomination Committee”	the nomination committee of the Board

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行)
“People’s Congress”	the PRC’s legislative apparatus, including the National People’s Congress and all the local people’s congresses (including provincial, municipal, and other regional or local people’s congresses) as the context may require, or any of them

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of National People’s Congress on October 26, 2018 and effective on the same date
“PRC Legal Advisors”	Haiwen & Partners, our legal advisors as to PRC laws
“PRC Legal Advisors relating to Data Compliance”	Global Law Office, our legal advisor as to PRC laws in respect of data compliance
“[REDACTED] Investments”	the [REDACTED] investments in our Company undertaken by the [REDACTED] Investors, details of which are set out in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“[REDACTED] Investors”	the Series Angel Investors, the Series Pre-A Investor, the Series A+ Investors, the Series B Investors, the Series B-2 Investor, the Series C Investors, the Series C-1 Investors, the Series C-2 Investors and the Series D Investors
“[REDACTED] Share Option(s)”	the share options granted under the [REDACTED] Share Option Plan
“[REDACTED] Share Option Plan”	the [REDACTED] share option plan approved and adopted by our Company on November 1, 2021, the principal terms of which are set out in “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan”
“Preferred Shares”	collectively the Series Angel Preferred Shares, the Series Pre-A Preferred Shares, the Series A+ Preferred Shares, the Series B Preferred Shares, the Series B-2 Preferred Shares, the Series C Preferred Shares, the Series C-1 Preferred Shares, the Series C-2 Preferred Shares and the Series D Preferred Shares

[REDACTED]

DEFINITIONS

“Qidi Yinxing”	Qidi Yinxing Venture Investment Management (Beijing) Company Limited (啓迪銀杏創業投資管理(北京)有限公司) (formerly known as Qidi Yinxing Investment Management (Beijing) Company Limited (啓迪銀杏投資管理(北京)有限公司)), a limited liability company established in the PRC on May 24, 2012 and an affiliate of Liu Qian, one of our Series A+ Investors
“Qingdao Gongjin”	Qingdao Gongjin Finance Consulting Company Limited (青島公瑾財務諮詢有限公司), a limited liability company established in the PRC on April 17, 2018 and our indirectly wholly-owned subsidiary
“Qingdao HSZ”	Qingdao Huisuanzhang Intelligence Finance Taxation Technology Company Limited (青島慧算賬智能財稅科技有限公司), a limited liability company established in the PRC on November 4, 2021 and our indirectly wholly-owned subsidiary
“Qingdao WFOE”	Gongjin (Qingdao) Investment Holding Company Limited (公瑾(青島)投資控股有限公司), a limited liability company established in the PRC on August 4, 2022 and our indirectly wholly-owned subsidiary
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the [REDACTED] as described in “History, Reorganization and Corporate Structure — Reorganization”
“RJH Investment”	RJH Investment Limited, a business company incorporated in the BVI on July 7, 2022 and one of our Series Angel Investors
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAFE Circular 13”	Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE in February 2015

DEFINITIONS

“SAFE Circular 37”	Notice on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE in July 2014
“SAIC”	State Administration of Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局), now known as State Administration of Market Regulation (國家市場監督管理總局)
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SATP Management”	SATP Management Holding Limited, a business company incorporated in the BVI on September 14, 2022 and the shareholder of HSZ Management
“Series A Investment”	the series A investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series A+ Investment”	the series A+ investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series A+ Investors”	Guotong Lianzhi, Guotong Huizhi, Yinxing Zhiyuan, Liu Qian and Hexie Jinfeng
“Series A+ Preferred Share(s)”	the series A+ preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series A+ preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series Angel Investment”	the series angel investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series Angel Investors”	Hexie Jinfeng and RJH Investment

DEFINITIONS

“Series Angel Preferred Share(s)”	the series angel preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series angel preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series B Investment”	the series B investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series B Investors”	Guotong Lianzhi, Guotong Huizhi, Tongdu Xincheng, Yinxing Zhiyuan, Shanghai Yilang and Hexie Jinfeng
“Series B Preferred Share(s)”	the series B preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series B preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series B-2 Investment”	the series B-2 investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series B-2 Investors”	Harvest Enrichment, Shanghai Jiaozeng and 51CC Investment
“Series B-2 Preferred Share(s)”	the series B-2 preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series B-2 preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series C Investment”	the series C investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series C Investors”	GCHSZ Holdings, Shanghai Hongyan and Shanghai Jiaozeng
“Series C Preferred Share(s)”	the series C preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series C preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]

DEFINITIONS

“Series C-1 Investment”	the series C-1 investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series C-1 Investors”	Metawit Capital, GHSZ Holdings, Sunshine Life and Shanghai Jiaozeng
“Series C-1 Preferred Share(s)”	the series C-1 preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series C-1 preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series C-2 Investment”	the series C-2 investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series C-2 Investors”	Metawit Capital, GHSZ Holdings, Sunshine Life and Shanghai Jiaozeng
“Series C-2 Preferred Share(s)”	the series C-2 preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series C-2 preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series D Investment”	the series D investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series D Investors”	Image Flag, GCHSZ Holdings, Metawit Capital and Starr Investments
“Series D Preferred Share(s)”	the series D preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series D preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“Series Pre-A Investment”	the series Pre-A investment in our Group as described in “History, Reorganization and Corporate Structure — [REDACTED] Investments”
“Series Pre-A Investor”	Hexie Jinfeng

DEFINITIONS

“Series Pre-A Preferred Share(s)”	the series Pre-A preferred share(s) with a par value of US\$0.0001 per Share in the authorized share capital of our Company as of the Latest Practicable Date, or the series Pre-A preferred share(s) with a par value of US\$[REDACTED] per share in the authorized share capital of our Company following the [REDACTED]
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Shandong Gongjin”	Shandong Gongjin Enterprise Consulting Company Limited (山東公瑾企業諮詢有限公司), a limited liability company established in the PRC on September 28, 2022 and our indirectly wholly-owned subsidiary
“Shanghai Gongjin”	Shanghai Gongjin Network Technology Company Limited (上海公瑾網絡科技有限公司), a limited liability company established in the PRC on July 4, 2016 and our indirectly wholly-owned subsidiary
“Shanghai Hongyan”	Shanghai Hongyan Enterprise Management Consulting Partnership (Limited Partnership) (上海泓筵企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on September 23, 2021 and one of our Series C Investors
“Shanghai Huizhi”	Shanghai Huizhi Technology Company Limited (上海慧職科技有限公司), a limited liability company established in the PRC on August 4, 2022 and our indirectly wholly-owned subsidiary
“Shanghai Jiaozeng”	Shanghai Jiaozeng Enterprise Management Consulting Partnership (Limited Partnership) (上海驕鋁企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on November 27, 2019 and one of our Series B-2 Investors, Series C Investors, Series C-1 Investors and Series C-2 Investors
“Shanghai Yilang”	Shanghai Yilang Kunrui Enterprise Management Consulting Partnership (Limited Partnership) (上海宜朗坤瑞企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on June 29, 2021 and one of our Series B Investors

DEFINITIONS

“Shanghai Zhengyao”	Shanghai Zhengyao Enterprise Management Consulting Partnership (Limited Partnership) (上海征遙企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on July 3, 2019 and deregistered on March 7, 2023, and a former shareholder of Beijing Gongjin Technology
“Share(s)”	ordinary share(s) in the share capital of our Company with par value of US\$0.0001 each before [REDACTED] and US\$[REDACTED] each following the [REDACTED]
“Shareholder(s)”	holder(s) of the Shares
	[REDACTED]
“Shijiazhuang Gongjin”	Shijiazhuang Gongjin Finance Consulting Company Limited (石家莊公瑾財務諮詢有限公司), a limited liability company established in the PRC on March 14, 2018 and our indirectly non-wholly-owned subsidiary
“Shijiazhuang HSZ”	Shijiazhuang Huisuanzhang Accounting Service Company Limited (石家莊慧算賬會計服務有限公司), a limited liability company established in the PRC on September 23, 2022 and our indirectly wholly-owned subsidiary
“Shining Universe”	Shining Universe Limited, a business company incorporated in the BVI on September 13, 2021 and one of our Shareholders
“Sole Sponsor”	CITIC Securities (Hong Kong) Limited
“Sparking Sky”	Sparking Sky Holding Limited, a business company incorporated in the BVI on September 13, 2021 and one of the Controlling Shareholders
“Sponsor-OC”	CLSA Limited
“Spring Future”	Spring Future Capital Ltd., a business company incorporated in the BVI on September 15, 2021 and one of our Shareholders
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

[REDACTED]

DEFINITIONS

“Starr International”	Starr International Investments HK V, Limited, a limited company incorporated in Hong Kong on November 20, 2015 and an affiliate of Starr Investments, one of our Series D Investors
“Starr Investments”	Starr Investments Cayman V, Inc., an exempted company with limited liability incorporated in the Cayman Islands on September 4, 2014 and one of our Series D Investors
“State Council”	State Council of the PRC (中華人民共和國國務院)
[REDACTED]	
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Sunshine Life”	Sunshine Life Insurance Corporation Limited (陽光人壽保險股份有限公司), a limited liability company established in the PRC on December 17, 2007 and one of our Series C-1 Investors and Series C-2 Investors
“Suzhou Jiamu”	Suzhou Jiamu Wuyao Venture Capital Investment Partnership (Limited Partnership) (蘇州嘉沐吾麼創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 28, 2017 and a former investor of our Group which has divested its investment
“Suzhou Xiaoqiao”	Suzhou Xiaoqiao Finance Consulting Company Limited (蘇州小喬財務諮詢有限公司), a limited liability company established in the PRC on April 3, 2018 and our indirectly wholly-owned subsidiary
“Tailwind Holding”	Tailwind Holding Limited, a business company incorporated in the BVI on October 4, 2023 and the shareholder of Tailwind Management
“Tailwind Management”	Tailwind Management Limited, a business company incorporated in the BVI on October 4, 2023 and one of our Shareholders

DEFINITIONS

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tianjin Gongjin Business”	Tianjin Gongjin Business Secretary Company Limited (天津公瑾商務秘書有限公司), a limited liability company established in the PRC on July 26, 2019 and our indirectly wholly-owned subsidiary
“Tianjin Gongjin Finance”	Tianjin Gongjin Finance Consulting Company Limited (天津公瑾財務諮詢有限公司), a limited liability company established in the PRC on February 16, 2017 and our indirectly wholly-owned subsidiary
“Tianjin Jinmi”	Tianjin Jinmi Investment Partnership (Limited Partnership) (天津金米投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 16, 2014 and an affiliate of Shanghai Jiaozeng, one of our Series B-2 Investors, Series C Investors, Series C-1 Investors and Series C-2 Investors
“Tongdu Xincheng”	Beijing Tongdu Xincheng Venture Capital Partnership (Limited Partnership) (北京同渡信成創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 10, 2014 and one of our Series B Investors
“Track Record Period”	the three financial years ended December 31, 2021, 2022 and 2023

[REDACTED]

“Universe Shining”	Universe Shining Management Co. Limited, a business company incorporated in the BVI on September 27, 2022 and one of our Shareholders
“U.S.” or “United States”	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
“US\$,” “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

DEFINITIONS

“VAT”	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
“Voting Agreements”	the voting rights entrustment agreement(s) entered into between, among others, Mr. Zhang, Sparking Sky and each of the Voting Grantors, further details of which are described in “History, Reorganization and Corporate Structure — Voting Agreements”
“Voting Grantor(s)”	the Shareholder(s) who entered into the Voting Agreement(s) with Mr. Zhang and Sparking Sky, further details of whom are described in “History, Reorganization and Corporate Structure — Voting Agreements”
“Wuxi Gongjin”	Wuxi Gongjin Accounting Service Company Limited (無錫公瑾會計服務有限公司), a limited liability company established in the PRC on September 13, 2018 and our indirectly wholly-owned subsidiary
“Xizang Jinchuan”	Xizang Jinchuan Enterprise Management Co, Ltd. (西藏錦川企業管理有限公司) (formerly known as Xizang Jinchuan Venture Investment Government Company Limited (西藏錦川創業投資管理有限公司)), a limited liability company established in the PRC on May 12, 2017, and an affiliate of Hexie Jinfeng, our Series Pre-A Investor and one of our Series Agnel Investors, Series A+ Investors and Series B Investors
“Xuzhou HSZ”	Xuzhou Huisuanzhang Accounting Service Company Limited (徐州慧算賬會計服務有限公司), a limited liability company established in the PRC on June 16, 2016 and our indirectly wholly-owned subsidiary
“YAA Holding”	YAA Holding Limited, a business company incorporated in the BVI on August 10, 2022 and one of our Shareholders
“Yantai HSZ”	Yantai Huisuanzhang Accounting Consulting Company Limited (煙台慧算賬會計諮詢有限公司), a limited liability company established in the PRC on May 31, 2018 and our indirectly non-wholly-owned subsidiary
“Yinxing Zhiyuan”	Shanghai Yinxing Zhiyuan Enterprise Management Partnership (Limited Partnership) (上海銀杏致遠企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 28, 2021 and one of our Series A+ Investors and Series B Investors

DEFINITIONS

“Zhongmou Jinan”	Zhongmou (Jinan) Finance Management Consulting Company Limited (仲謀(濟南)財務管理諮詢有限公司), a limited liability company established in the PRC on February 16, 2022 and our indirectly wholly-owned subsidiary
“Zhoushan Chuanrong”	Zhoushan Chuanrong Equity Investment Partnership (Limited Partnership) (舟山川融股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 14, 2016 and a former investor of our Group which has divested its investment
“Zhuhai Gongjin”	Zhuhai Gongjin Enterprise Management Consulting Center (Limited Partnership) (珠海市公瑾企業管理諮詢中心(有限合夥)) (formerly known as Ji’an Jingkai District Gongjin Enterprise Management Consulting Center (Limited Partnership) (吉安市井開區公瑾企業管理諮詢中心(有限合夥))), a limited partnership established in the PRC on January 26, 2016 and deregistered on March 1, 2023, and a former shareholder of Beijing Gongjin Technology
“Zibo Gongjin”	Zibo Gongjin Finance Consulting Company Limited (淄博公瑾財務諮詢有限公司), a limited liability company established in the PRC on June 1, 2018 and our indirectly wholly-owned subsidiary

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“accuracy rate”	calculated based on the number of documents (e.g. bank documents or invoices) accurately matched with the corresponding chart of accounts by our AI models as a percentage of the total number of the relevant documents processed by the relevant AI models for accounting classification
“AI”	artificial intelligence
“API”	application programming interface, a set of routines, protocols and tools for building software applications, which enables applications to communicate mutually
“App”	application software designed to run on smartphones and other mobile devices
“ARPU”	average revenue per user, calculated based on dividing the revenue generated from services for the relevant period by the number of SMB customers subscribed for our services for the same period
“automatic fulfilment rate”	the number of SMB customers for which services are fulfilled using the automatic bookkeeping or automatic tax filing features during a tax period (e.g. from January 2024 to March 2024) as a percentage of the total number of SMB customers subscribed for our SaaS-based solutions for the same tax period
“big data analytics”	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
“CBS”	cloud block storage, a persistent block storage service
“Central China”	for the purpose of this document only, including Henan province, Hunan province and Hubei province

GLOSSARY OF TECHNICAL TERMS

“cloud-based”	applications, services or resources made available to users on demand via the internet from the cloud computing provider’s servers with access to shared pools of configurable resources
“containerization”	a software deployment process that bundles an application’s code with all the files and libraries it needs to run on any infrastructure, which can provide rapid resource expansion capacities
“CPA”	certified public accountants
“CRM”	customer relationship management, an integrated, data-driven system that help manage, track, and store information related to current and potential customers
“CRM system”	the Huisuanzhang Operating System (慧算賬運營平台) launched by us in April 2017
“CRNN”	convolutional recurrent neural network, a type of deep learning model that combines convolutional neural networks and recurrent neural networks
“customer referral rate”	calculated by using the number of our new SMB customers gained through customer referral during the year as the numerator, and using the number of our SMB customers at the end of the relevant year as the denominator, expressed as a percentage
“customer retention rate”	calculated by using the number of SMB customers who subscribed for our SaaS-based solutions during both the current 12-month-period and the previous 12-month-period as the numerator, and using the total number of SMB customers subscribed for our SaaS-based solutions during the previous 12-month-period as the denominator, expressed as a percentage
“CVM”	cloud virtual machine, a scalable cloud computing service
“CWPP”	Cloud Workload Protection Platform, a platform that leverages machine learning to provide a wide variety of security protection services

GLOSSARY OF TECHNICAL TERMS

“DevOps”	a software development methodology that combines development and operations to accelerate the delivery of high-quality software while minimizing errors, downtime, and costs. With DevOps, development and operations teams work collaboratively to streamline the entire software delivery process, from development to production
“East China”	for the purpose of this document only, including Shanghai, Zhejiang province, Jiangsu province, Anhui province, Fujian province, Jiangxi province and Shandong province
“EKS”	elastic Kubernetes service, a Kubernetes engine service mode that allows users to deploy workloads without purchasing nodes
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“fulfilment labor cost per SMB customer”	calculated by using labor cost in cost of revenue associated with SMB customers subscribed for our SaaS-based solution for the relevant 12-month period as the numerator, and using the number of SMB customers subscribed for our SaaS-based solution during the same 12-month period as the denominator
“general taxpayers”	general VAT taxpayers, refer to VAT taxpayers other than small-scale VAT taxpayers. Such taxpayers’ annual taxable sales revenue generally exceeds RMB5 million and have a sound accounting system. General taxpayers are subject to a comprehensive set of tax regulations and obligations in China
“HTTPS”	hypertext transfer protocol secure, the secure version of hypertext transfer protocol, which is a primary application layer protocol designed to transfer information between networked devices and run on top of other layers of the network protocol stack
“IP”	intellectual property
“IT”	information technology

GLOSSARY OF TECHNICAL TERMS

“key information extraction”	a technology that extracts structured information from form-style documents, such as invoices, making an important step towards intelligent document understanding
“knowledge graph”	a knowledge base that uses a graph-structured data model to store and organize information
“LED”	light-emitting diode, a semiconductor diode that emits light when conducting current and is used in electronic displays
“ML”	machine learning, a branch of artificial intelligence and computer science focusing on the use of data and algorithms to imitate the way that humans learn, gradually improving its accuracy
“NLP”	natural language processing, a technology for computers to analyze, understand and derive meaning from human language in a smart and useful way
“North China”	for the purpose of this document only, including Beijing, Tianjin, Hebei province and Inner Mongolia autonomous region
“Northeast China”	for the purpose of this document only, including Heilongjiang province, Jilin province, Liaoning province
“Northwest China”	for the purpose of this document only, including Shaanxi province, Gansu province, Qinghai province, Ningxia Huizu autonomous region and Xinjiang Uygur autonomous region
“NPS”	net promoter score, a market research metric used to measure customer satisfaction and loyalty. It is based on a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or service to a friend or colleague on a scale of 0-10. Our net promoter rate under the NPS survey is calculated by subtracting the percentage of detractors of our solutions among all customers under survey from the percentage of customers recommended our solutions
“OCR”	optical character recognition, a technology examining the text of a document and translating the characters into code that can be used for data processing

GLOSSARY OF TECHNICAL TERMS

“recognition rate”	calculated based on the number of documents (e.g. bank slips or invoices) from which our OCR recognized key information (e.g. amount of money, dates and transaction parties in the bank slips or invoice numbers, invoice codes, amount of money and dates in the invoices) as a percentage of the total number of the relevant documents processed by our OCR for automatic information collection
“RPA”	robotic process automation, an application of technology that allows IT engineers to configure computer software or a robot to capture and interpret existing applications and data for processing a transaction, manipulating data, triggering responses and communicating with other systems
“rule base”	a set of conditional statements that used in rule-based systems to automate information processing, such as classification and matching. It consists of rules defining specific actions or outcomes based on given conditions or inputs
“R&D”	research and development
“SaaS”	Software as a Service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted and accessed online via a subscription
“SATP system”	smart accounting and tax program system, our core finance and taxation SaaS system augmented by AI technologies. SATP system mainly comprises the accounting and tax compliance, operational management and managerial accounting modules
“small-scale taxpayers”	small-scale VAT taxpayers, refer to businesses or individuals whose annual taxable sales revenue falls below RMB5 million and choose not to be registered as general taxpayers. Small-scale taxpayers generally lack a sound accounting system and they can enjoy simplified bookkeeping and reporting requirements, and lower tax rates in China
“SMB(s)”	micro-, small- and medium-sized businesses mostly with a number of employees under 300 and an annual revenue of less than RMB400 million
“SOP”	standard operating procedure

GLOSSARY OF TECHNICAL TERMS

“South China”	for the purpose of this document only, including Guangdong province, Guangxi zhuang autonomous region and Hainan province
“Southwest China”	for the purpose of this document only, including Chongqing, Sichuan province, Guizhou province, Yunan province and Xizang autonomous region
“sq.m.”	square meters
“TAM”	total addressable market
“tax control disk”	an electronic encryption device designed and released by the tax authorities to help businesses report taxes quickly and securely
“traffic”	the flow of internet users

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, expectation and views of future events, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as “will,” “expect,” “anticipate,” “plan,” “believe,” “may,” “intend,” “ought to,” “continue,” “project,” “should,” “seek,” “potential” and other similar terms. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially.

These forward-looking statements include, but are not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industry which we operate in;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- future developments in the industry which we operate in; and
- general economic trends in the PRC where we operate our business.

The words “will,” “expect,” “anticipate,” “plan,” “believe,” “may,” “intend,” “ought to,” “continue,” “project,” “should,” “seek,” “potential” and other similar expressions, as they relate to us (other than in relation to our profits, results of operations and earnings), are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. See “Risk Factors,” “Business” and “Financial Information” for more details.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Except as required by applicable laws and regulations, including the Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information. In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this document and in particular the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the [REDACTED] of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Competition in the SMB finance and taxation solution industry in China is intense. Failure to effectively compete with our competitors may result in reduced sales, reduced margins, losses, or failure to maintain or expand customer bases, which could materially and adversely affect our business, results of operations and financial condition.

We operate in the fragmented, competitive and rapidly evolving SMB finance and taxation solution industry in China. We face intense competition across our businesses, and we expect the competitive landscape to intensify in the future. Our competitors and potential competitors vary in size and in the breadth and scope of the products and/or services they offer, ranging from well-established corporations to emerging start-ups. Our competitors may bring to market superior products and/or services, lower prices, deploy more extensive technical, marketing and other resources, have broader brand recognition, maintain larger customer bases, foster stronger relationships with our existing and potential customers, promote aggressively or launch new products and/or services ahead of us. In addition, we face competition from companies with large operating scale, established customer bases and comprehensive platforms, which could potentially shift or broaden their business and marketing strategies to appeal to our customers, including small and medium businesses.

We are also confronted with competition from companies with different business models, which includes a growing challenge from providers of free or anti-competitive low-price service offerings, or providers of features that we do not offer and customers who have formerly paid for our services may elect to use our competitors' free offerings instead. These competitive elements could decrease our revenue and profitability, as well as undermine our customer acquisition and retention efforts, which could materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

Failure to keep up with the technological developments in the SMB finance and taxation solution industry in China, or failure to adapt to and allocate our resources among emerging technologies may materially and adversely affect our business, financial condition and results of operations.

We operate in industries that are characterized by rapidly changing technology and evolving industry standards. The ability to keep innovating and integrating the latest technology into our SATP system is essential to our competitiveness to provide cost-effective solution to our customers, and to ultimately become profitable. Our SATP system is supported by multiple emerging technologies, such as AI and automation technologies. For instance, to further enhance the internal working efficiency of our customer services, we have used AI technology for internal semantic analysis of customers’ feedbacks and enquires. We may further explore more application scenarios of AI technologies in the future. There can be no assurance that our attempts in AI and automation technologies will be fulfilled cost-effectively and widely accepted by our customers, and that the upfront investment and other allocated resources can be recovered in a timely manner. Moreover, the rapid evolution of the regulatory environment regarding emerging technologies, including generative AI, may result in higher standards and requirements for technology application and commercialization, which may divert our management’s attention or cause increased upfront investments in our system upgrades or solution diversification.

We face risks when applying new technologies primarily due to the following factors: (i) delays or difficulties in developing the new functions and integrating the new functions into our existing operating systems; (ii) difficulties in allocating proper human resources and budget to the new technological development and proceeding with the development in a cost-saving manner; (iii) failure to function as designed or have unintended consequences; (iv) failure to anticipate changes in the demands and preferences of SMBs; (v) failure to identify and take adequate measures to mitigate the legal risks in integrating our SATP system with the latest technologies, such as data privacy and intellectual property protection; and (vi) failure to attract and retain sufficient research and development professionals with the expertise in the latest technology and understanding in finance and taxation business.

Our competitors may keep up with the new technologies in a more cost-saving and timely manner, which makes their solutions more attractive to SMBs. There can be no assurance that we will be able to keep up with the technological developments of the SMB finance and taxation solution industry in China or adapt to and appropriately allocate resources among emerging technologies and business models.

Our initiatives to introduce new and enhanced solutions may not succeed, exposing us to additional risks and limiting our future growth.

We currently derive and expect to continue to derive the majority of our revenue from our finance and taxation solutions. As such, the continued growth in market demand for such solutions is critical to our continued success. Accordingly, our business and financial results will be substantially dependent on a limited number of solutions. We believe our future success will largely depend on our ability to enhance existing solutions and to develop and introduce new solutions to our customers.

RISK FACTORS

The success of introduction and enhancements of solutions depends on several factors, including timely completion, introduction and market acceptance. Initial timetables for upgrading the existing solutions and releasing new solutions may not be achieved. We will need to continuously modify and enhance our solutions to keep pace with our customers' changing expectations and requirements, which will require significant time and resources. External factors, such as compliance with applicable laws and regulations, competitive alternatives and shifting market preferences, may also impact our upgrades and development of our solutions. There can be no assurance that the positive research results can be commercially applied to our bundle of offerings and obtain wide market acceptance. The new features of our existing solutions or our new solutions may not be commercially viable and may not reach the industry standards or meet customer demands. We cannot assure you that our efforts in upgrading existing solutions and developing new solutions will guarantee a commercial success.

If we are unable to attract new customers and expand sales to existing customers, our business growth could be slower than we expect and our business may be harmed.

Our future growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenue in the future will depend, in large part, upon the effectiveness of our sales and marketing efforts. In particular, as the average life cycle of SMBs is generally short, we may continuously spend efforts in customer identification and customer acquisition to maintain and grow our customer base. We may have difficulties in attracting potential customers that have already invested substantial personnel and financial resources in an existing solution provider, as such customers may be reluctant or unwilling to engage in a new solution. If we fail to attract new customers or maintain and expand those customer relationships, our revenue will grow slowly than expected and our business will be harmed.

Our future growth also depends upon our ability to attract new customers and sell additional services to our existing customers. It is important for the future growth of our business that our existing customers make additional purchases of our solutions and attract additional customers to subscribe for our solutions. If we are unable to retain existing customers, our customers do not purchase additional solutions or we do not attract new customers, our revenue may grow more slowly than expected, may not grow at all or may decline. Additionally, increasing incremental sales to our customer base may require additional sales efforts and customer acquisition costs, but there can be no assurance that our efforts would result in increased sales to existing customers or additional revenue.

Our business and growth depend substantially on customers renewing their subscription agreements with us and any decline in our customer renewals could adversely affect our future operating results.

Our initial subscription period for the majority of our customers is one to two years. To increase our revenue on a continual basis, it is important that our existing customers renew their subscription agreements when the initial contract term expires. Our customers may renew for shorter contract terms or renew for fewer solutions, or may even cancel their agreements at the expiration of the initial term or terminate early. Our customers' renewal rates may decline or fluctuate as a result of a variety of factors, including their satisfaction with our SATP system or

RISK FACTORS

professional services, our pricing or pricing structure, the pricing or capabilities of products or services offered by our competitors, the effects of economic conditions, or reductions in our customers’ spending levels. As the markets for our existing solutions mature, or as current and future competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are profitable to us. If this were to occur, it is possible that we would have to change our pricing model, offer price incentives, or reduce our prices. If our customers do not renew their agreements with us or renew on terms less favorable to us, our revenue may decline.

Moreover, with the full launch of the “Golden Tax System (Phase IV)” in China, new competitors have been entering the market continuously, and existing competitors are increasing their investments. Please see “Business — Overview — Our Industry Opportunities” for details of “Golden Tax System (Phase IV).” We expect competition in the SMB finance and taxation solution industry in China to intensify in the future. There can be no assurance that we will be able to compete successfully against our current and future competitors and retain our customers, which may adversely affect our future operating results.

The development of finance and taxation solutions presents a unique challenge due to rigid development timetable. Failure or delay to address the changes in laws and regulations relevant to finance and taxation business in the upgrades of our SATP system could subject us to penalties.

We are subject to a variety of laws and regulations relevant to our finance and taxation business and the general internet industry, including but not limited to agency bookkeeping, tax filing, value-added telecommunications, cybersecurity, data privacy and protection, intellectual property, competition, consumer protection, taxation, employment and social security. These laws and regulations are constantly evolving, and the interpretation and implementations of such laws and regulations may vary from different cities, provinces, municipalities and autonomous regions in China.

Our system development cycle for tax preparation and filing module is challenging due to the need to incorporate the latest amendments to tax regulations and modify or enhance integration with local government’s electronic tax filing systems as these systems often change how information could be fetched over time. Our customers expect high levels of accuracy and a timely launch is critical to prepare and file their taxes by the tax filing deadline. We cannot predict how complex the regulatory changes will be or the frequency of such changes. When we encounter problems, we may be required to upgrade our system, communicate with affected customers, assist customers with amendments, and clarify with local tax authorities. Any misinterpretation in the regulatory changes by us or delayed release of the upgraded system enhancements reflecting the latest regulatory and industrial policy development may lead to loss of customers and revenue, negative publicity, customer dissatisfaction, and increased operating expenses. Further, as we develop our solutions to connect customers with accounting professionals, we face the risk that these professionals may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these professionals may cause harm to our customers, a loss of customer confidence in our services or harm to our reputation or financial results.

RISK FACTORS

Our brand and brand names are integral to our success. Our continued success depends on our ability to maintain and enhance our brand awareness and reputation.

The brand awareness and trust that we have established among SMBs across our nationwide service network have significantly contributed to our historical achievements. We believe that maintaining and enhancing our reputation is critical to our relationships with our existing customers and our ability to attract new customers. The successful promotion of our brand attributes will depend on a number of factors, including our marketing efforts, our ability to continue to deliver high-quality solutions and our ability to successfully differentiate our services from competitive products and/or services. The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets and as more sales are generated. To the extent that these activities yield increased revenue, our revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have weaker pricing power than competitors, and we could lose customers or fail to attract potential customers, all of which would adversely affect our business, results of operations and financial condition.

If we fail to operate our front offices under the Direct-to-Business Model effectively and competitively, our business, prospects, results of operations and financial condition could be materially and adversely affected.

As of the Latest Practicable Date, we had 90 front offices covering 46 cities in China. In 2021, 2022 and 2023, the revenue generated from our Direct-to-Business Model amounted to RMB243.0 million, RMB393.7 million and RMB413.8 million, respectively, accounted for 70.1%, 76.3% and 76.8% of our total revenue for the same years, respectively. We benefit from our front offices to precisely observe customer demands and develop close and tight relationships with our customers. With years of solution offerings in proximity to our customers, we have deep insights into customers’ preferences and local social and economic environment. We have also established wide acceptance of our solutions and accumulated local customer base. Nevertheless, we cannot assure you that we will always operate such front offices effectively and competitively. If our front offices fail to provide satisfactory customer services to our customers, our business, prospects, results of operations and financial condition may be materially and adversely affected.

Furthermore, we may face multiple risks in expanding the coverage of our front offices and optimizing the synergies among our service network, including, among others: (i) difficulties in managing operations in new regions in a cost-efficient manner; (ii) difficulties in meeting the approval or licensing requirements; (iii) difficulties in recruiting sufficient qualified employees; (iv) challenges in maintaining brand image in local market and remaining competitive; and (v) limited protection for intellectual property rights. If we cannot effectively avoid or mitigate these risks, we may not be able to expand our front offices into new regions or maintain such front offices in new regions. As a result, our business, prospects, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

We face risks under the Licensing Model. If our regional partners fail to perform their contractual obligations pursuant to our licensing agreements or fail to meet the demands of their customers by virtue of our SATP system and our services, our reputation, results of operations and financial condition could be adversely affected.

Under the Licensing Model, we license our brand and SATP system to qualified third-party bookkeeping agencies across China. As of December 31, 2023, we had 395 regional partners with revenue contribution. In 2021, 2022 and 2023, the revenue contribution from the Licensing Model amounted to RMB65.6 million, RMB58.9 million and RMB50.1 million, respectively, representing 18.9%, 11.4% and 9.3% of our total revenue for the same years, respectively. For more details, please see “Business — Our Regional Partners.” Our license to regional partners subjects us to several risks, each of which may impact our ability to collect fees from them, may harm the goodwill associated with our brand, and may adversely impact our business and results of operations.

Pursuant to our licensing agreements with regional partners, we are responsible for claims related to the inaccuracies directly caused by the malfunctions of our SATP system. We are generally not liable for other claims against our regional partners which are not directly or indirectly attributed to defects of our SATP system or defaults of our contractual obligations to regional partners, as pursuant to our licensing agreements with them. Our regional partners may have disputes with us directly. Such direct or indirect litigation risks could in turn adversely affect our business and results of operations and may have a negative impact on our brand image and distract our management attention. Furthermore, our regional partners may be subject to claims with their customers, labor disputes with their employees, environmental claims and other litigation risks. We are not responsible for such claims or disputes between our regional partners and their employees and/or their customers. However, each of such claims or disputes may increase the costs and expenses of our regional partners and adversely affect their profitability, and may therefore limit the funds available for them to pay us and further develop their business operations, or may limit their willingness or ability to renew their licensing agreements with us.

In addition, we cannot control the actions of regional partners. If our regional partners do not perform their contractual obligations, including but not limited to obtaining the relevant operating permits or complying with the applicable laws and regulations, or become inconsistent with our brand images and values, our reputation among existing and prospective customers could be harmed, which in turn could adversely affect our business and results of operations. Moreover, we prohibit our regional partners from using our trade name in any unauthorized manner. There can be no assurance that they will comply with such restrictions. Any unauthorized use of our trade name by our regional partners may result in legal disputes and liabilities and cause damages to our brand name and market reputation. Any fraud or other misconducts by our regional partners or any material disputes between them and their customers may severely damage our reputation, thereby adversely affecting our business and results of operations.

RISK FACTORS

In order to prevent malignant price competition and protect our brand image, we generally provide price guidance for regional partners’ solutions based on our SATP system. As such guidance is not mandatory and has not been included in our licensing agreements with such regional partners, they may fail to comply with such price guidance and our brand image and reputation may be adversely affected.

Our revenue generated under the Licensing Model is partly dependent on regional partners’ customer acquisition capabilities. Pursuant to our licensing agreements, the revenue contribution of our regional partners mainly consists of initial service fees and license fees based on a percentage of the contractual amount paid by the customers served by regional partners utilizing our SATP system. The business expansion of regional partners also depends on their willingness to recruit enough sales employees and invest in marketing and promotional activities, which may be capital-intensive and generally beneficial in the long term. There is no assurance that they will take necessary actions on promotional activities. If our regional partners do not effectively conduct marketing and promotional activities, or fail to grow their customer base, we may face reductions in the license fees we are entitled to receive from such regional partners. As a result, our revenue could be adversely affected. Unpredictable variations in the mix between our revenue attributable to Licensing Model and revenue attributable to our Direct-to-Business Model may result in fluctuations in our operating results. In case the financial performance of such regional partners is severely deteriorated due to lack of customers, our regional partners may experience closures or bankruptcy, which in turn may cause negative impacts on our brand image.

If the SMB finance and taxation solution industry in China does not continue to develop as we anticipate, our revenue, profitability and prospects may be adversely affected.

We operate in a rapidly evolving industry focused on modernizing financial and taxation operations for SMBs in China. Our solutions are relatively new and have been developed to respond to an increasingly complex business environment with more rigorous regulatory standards. If SMBs do not increasingly allocate their budgets to finance and taxation solutions as we expect or if we do not succeed in convincing potential customers that our solutions should be an integral part of their overall approach to their business operations, our sales may not grow as quickly as anticipated, or at all. Our business is substantially dependent on SMBs recognizing that accounting errors and inefficiencies are pervasive and are not effectively addressed by conventional approach of solution offering. Future deterioration in general economic conditions may also cause our customers to cut their overall information technology spending, and such cuts may disproportionately affect SaaS-based solutions like ours to the extent customers view our solutions as discretionary. If our revenue does not increase for any of these reasons, or any other reason, our business, financial condition and results of operations may be materially adversely affected.

Moreover, development of the SMB finance and taxation solution industry in China may be affected by certain factors that are beyond our control, including: (i) increasing and changing government regulations and oversight related to the finance and taxation solution industry; (ii) developing regulations related to the provision of online services to address data privacy, cybersecurity, the collection, processing, storage, transfer and use of data, and the application of AI; and (iii) modernization of the national tax system and the implementation of “Golden Tax System (Phase IV)” in China.

RISK FACTORS

In our efforts to meet the various changes, we have made and continue to make operational changes to our business practices. However, there can be no assurance that we will be able to deal with the development regarding the SMB finance and taxation solution industry in China successfully, and failure to address the challenges may have an adverse effect on our business, financial condition and results of operations.

We incurred net loss in the past, and we may not be able to achieve profitability in the future.

In 2021, 2022 and 2023, we incurred net loss of RMB683.0 million, RMB505.8 million and RMB301.8 million, respectively. See “Financial Information — Year to Year Comparison of Results of Operations” for details of our net loss during the Track Record Period. We may continue to incur net loss in the future.

We expect our costs and expenses may continue to increase in the following major aspects: (i) expanding or upgrading our research and development team; (ii) investing in the development and application of technologies, to improve our SATP system and innovate our service offerings; (iii) investing in expanding our national service network; (iv) retaining experienced accounting and tax professionals as well as necessary spending on legal and accounting; (v) marketing and promotional activities for our solutions; (vi) covering expenses relating to cybersecurity and data privacy; and (vii) strategic acquisitions in the future. Our revenue may not grow at the rate we expect, and it may not increase sufficiently to offset the increase in costs and expenses. We may continue to incur net loss in the future and we cannot assure you that we will eventually achieve our intended profitability. If we are unable to achieve and sustain profitability, the value of our business and Shares may decrease in the future.

We recorded net operating cash outflows, net current liabilities and net liabilities during the Track Record Period and we cannot assure you that we will not record the same in the future.

In 2021, 2022 and 2023, we recorded net operating cash outflow of RMB216.5 million, RMB218.1 million and RMB53.7 million, respectively. See “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis — Net Cash Outflow from Operating Activities” for details of our net cash outflow from operating activities. We cannot assure you that our prospective business activities and/or other matters beyond our control, such as evolving regulatory environment for the application of big data analytics and AI technologies, will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to meet capital demands of daily operations, the implementation of our business strategies may be interrupted. As a result, our business prospects, financial position and results of operations may be materially and adversely affected.

As of December 31, 2021, 2022 and 2023, we recorded net current liabilities of RMB513.7 million, RMB319.0 million and RMB392.0 million respectively, and net liabilities of RMB2,431.3 million, RMB2,568.3 million and RMB2,872.8 million, respectively. See “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position” for details of

RISK FACTORS

our net current liabilities and net liabilities during the Track Record Period. The net current liabilities and/or net liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditures or develop business opportunities, and our business, results of operations and financial condition could be materially and adversely affected.

There can be no assurance that we will not have net current liabilities or net liabilities in the future. We cannot assure you that we will always be able to raise necessary funding to finance our current liabilities and other debt obligations. Our ability to arrange financing and the cost of such financing is dependent on the macroeconomic conditions, capital and debt market conditions, lending policies of banks, and other factors. In the event we are unable to obtain adequate financing to meet our working capital requirements, we may be forced to delay, adjust, reduce or abandon our business strategies. Our business, prospects and financial condition may be materially and adversely affected if our cash flow and capital resources are insufficient to finance our debt obligations.

We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such transactions. Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.

We expect to evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets in the future. We also may enter into relationships with other businesses to expand our services, including but not limited to solution delivery cooperation or discount pricing.

For the acquired businesses, we are subject to risks and uncertainties, including but not limited to: (i) inability to successfully assimilate or integrate the acquired businesses, contracts, technologies, talents and personnel, customer relations and operations into our service network and maintain uniform standards, policies and procedures; (ii) failure to retain the key employees, customers and other business partners of the acquired businesses; (iii) failure to effectively operate in new geographic regions and manage the operating efficiency of the newly acquired businesses; and (iv) inability to realize synergies or anticipated benefits expected to result from the acquired businesses within the expected time frame or at all; (v) disruption of our ongoing business and distraction of management; (vi) failure to align the inconsistencies between the internal control system of the acquired businesses and our standards; and (vii) failure to successfully further develop the acquired businesses and any resulting amortization and impairment of acquired technologies and other acquired intangible assets.

Negotiating these transactions can be time-consuming, difficult and costly, and our ability to complete these transactions may often be subject to approvals or conditions that are beyond our control. Consequently, these transactions, even if announced, may not be completed. For one or more of those transactions, we may (i) issue additional equity securities that would dilute our existing shareholders; (ii) use cash that we may need in the future to operate our business; (iii) incur large charges or substantial liabilities; (iv) incur debt on terms unfavorable to us or that we are unable to repay; and (v) become subject to adverse tax consequences, substantial depreciation and amortization or deferred compensation charges.

RISK FACTORS

Our failure to address these uncertainties and risks may have a material adverse effect on our business, results of operations and financial condition. If we fail to achieve our expected returns or effects on such acquisitions in the future, our business, results of operations and financial condition may be materially and adversely affected.

Our contract acquisition costs may be subject to impairment losses.

We recorded contract acquisition costs of RMB81.8 million, RMB97.4 million and RMB104.4 million as of December 31, 2021, 2022 and 2023, respectively. Our contract acquisition costs relate to the sales commissions payable by us to our sales personnel for sales of our SaaS-based solutions to customers, which may be subject to impairment loss under the applicable accounting policies. There is no assurance that all the costs incurred in connection with sales of our SaaS-based solutions to customers under a particular service agreement with our customers will not exceed the proceeds received from the relevant customer, which may subject our contract acquisition costs to impairment losses in the future. We sometimes attract new SMB customers through time-limited promotional offerings at discount prices. Please see “Business — Marketing and Promotion — Customer Outreach and Acquisition” for details of our promotional offerings. We cannot assure you that the costs incurred in connection with sales of our SaaS-based solutions to customers under the relevant service agreements will not exceed the proceeds received from the relevant customers. Under such circumstances, our contract acquisition costs may be subject to impairment losses.

We collect a large amount of customer data and have access to certain accounts of customers during our operations. Any breach of our security measures or any unauthorized access to our customers’ data could significantly affect our reputation, our business and results of operations.

During our daily operations, we have access primarily to the following categories of data from our customers: (i) customers’ basic incorporation information, such as enterprise name, major business scope, contact person and contact information; (ii) depending on the type of solutions that customers purchase from us, documents necessary for bookkeeping and accounting, tax filing records in government’s electronic tax filing systems, customers’ business registration materials or license application materials; and (iii) customers’ account information, such as tax filing account, social insurance account and housing provident fund account, etc. In addition, we also have access to the personal information of our customers’ employees, such as employees’ salaries, identification numbers, names and contact information, to the extent necessary for us to provide tax filing services. We process the abovementioned proprietary information solely for the purpose of providing services to our customers. Unauthorized access or use of these data could expose us to negative publicity and legal proceedings, which could result in indemnity obligations and severe damage to our brand image. We may face loss of customers and market share. Our customers may no longer regard our solutions as secure and reliable.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss. We cannot assure you that the measures taken by us to maintain data security and identify potential risks of data leakage or misuse are always effective as we expected. Our security measures may be breached due to intentional misconduct by computer

RISK FACTORS

hackers, employee error, malfeasance or force majeure, etc. We are aware of and acknowledge that, if in that way, customers may lose trust in our operating capabilities and elect to terminate or not renew their subscriptions, and our reputation could be severely affected. The customers may require us to refund the prepaid but unused subscription services or compensate our customers for certain losses. We may even face lawsuits, regulatory fines, or other action or liabilities, which could materially and adversely affect our business operations and financial performance.

In addition, third parties may challenge our right on the processing of the proprietary information of our customers and even bring lawsuits against us. Lawsuits or administrative inquiries could be costly and divert management attention, and the outcome of such lawsuits or inquiries may bring uncertainty or even harm our business.

If our SATP system contains material errors, defects or security issues, we may fail to honor our obligations regarding our contract liabilities and regulatory liabilities, which may incur significant remedial costs and materially and adversely affect our financial condition and reputation.

Due to the nature of software development and operations, our SATP system is generally vulnerable to technological errors, defects and security issues that are difficult to detect and rectify, particularly when the system is first introduced or when new versions or upgrades are implemented. Despite repeated internal testing and data validation, our SATP system may contain errors, defects and security issues, which we may not be able to rectify in a timely manner or at all. We may incur significant expenses in rectifying any material system error or defect and compensating our customers who are affected by such error or defect. In addition, if we fail to provide the prescribed solutions to our customers in time or at all due to such material system errors, defects and security issues, we may not be able to honor our obligations in respect of our contract liabilities, which totaled RMB438.0 million, RMB519.7 million and RMB541.1 million as of December 31, 2021, 2022 and 2023, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system malfunction. Any malfunction or service interruption in our SATP system in the future could result in delay or errors in our SaaS-based solutions, which could cause significant losses to our customers. Our customers may seek damages from us for any losses they incur due to such system errors or refuse to renew their subscriptions. Our reputation and brand image may also be subject to material adverse impacts if we cannot timely rectify the system errors or defects and solve customers’ complaints or claims relevant to such errors or defects. As a result, our business and results of operations could be materially and adversely affected.

We use third-party cloud-based infrastructure to support our business operations. Any disruption in the operations of these third-party suppliers, limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.

Our SATP system is operated and maintained by the cloud servers in custody with third-party cloud infrastructure to support certain aspects of our business operations, such as information system security protection and data backup. For more details, please see “Business — Information

RISK FACTORS

Technology Infrastructure.” We do not control, or in some cases have limited control over, the operation of the facilities or technologies from the third-party suppliers. Due to the nature of our business, our customers expect to access our services at any time, without interruption or degradation of performance. Any limitation on the capacity of the cloud infrastructure we use from third-party suppliers could impede our ability to serve existing customers or attract new customers, which could adversely affect our business, financial condition and results of operations.

In addition, any unpredictable incident beyond our control, such as cyberattacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events, could materially and adversely affect the cloud infrastructure and in turn could severely interrupt our business operations. A prolonged service disruption for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation among existing and potential customers, harm our business and expose us to liability.

We may incur significant costs and expenses for deploying alternative cloud-based infrastructure. In the event that our service agreements relating to our third-party cloud infrastructure are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our systems. We may also experience significant delays and additional expenses in arranging and transferring to new facilities or re-architecting our system for deploying an alternative cloud-based infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

The use of open-source frameworks could subject us to possible litigation.

We utilize open-source frameworks during our daily operations. Companies that incorporated open-source framework into their systems may, from time to time, face claims challenging the ownership of open-source framework and compliance with open-source license terms. As a result, we could be subject to suits by parties claiming the ownership of what we believe to be open-source framework or non-compliance with open-source licensing terms. Some open-source framework licenses require users who incorporate open-source frameworks into their systems to publicly disclose all or part of the source code they incorporated and make available any derivative works of the open-source code on unfavorable terms or at no cost. Any requirement to disclose our source code or indemnification for breach of contract could be harmful to our business, financial condition and results of operations.

We use third-party online payment platforms for online payment processing, which may subject us to payment processing-related risks.

Our customers generally settle their payments in cash, electronic transfer using bank cards or online payments via third-party online payment platforms, such as UnionPay (銀聯), WeChat Pay (微信支付) or Alipay (支付寶). Any decline in the quality, usability, convenience or attractiveness of these online payment platforms, or any change to the pattern of using relevant payment services for any reason could cause inconvenience to our customers or delay in our customers’ payment to us. Moreover, we are susceptible to fraud, user data leakage and other illegal activities in

RISK FACTORS

connection with online payment. We do not have control over the data security measures of such third-party online payment platforms. Any security breaches of such online payment platforms could expose us to complaints, litigation, and potential liability for failing to secure confidential customer information, which could damage our reputation.

In addition, we pay interchange and other fees for certain payment channels, which may increase our operating costs and thus reduce our profitability. We are also subject to other general regulatory requirements governing electronic fund transfer, which may be subject to changes in the future. Failure to comply with these regulatory requirements could subject us to fines, higher transaction fees, or even restrictions to process electronic fund transfers, any of which could materially and adversely affect our business, financial condition and results of operations. Moreover, we cannot predict whether the third-party online payment platforms that our customers choose to use may be subject to the supervision of the PBOC. PBOC may publish rules, guidelines and interpretations regulating the operations of financial institutions and online payment platforms, which may in turn affect how they provide payment services. If required by PBOC or other relevant government authorities in the future, we may need to adjust or suspend our cooperation model with such third-party online payment platforms, and may be subject to additional fees.

We may have limited control over the outsourced staff assigned by third-party human resource service providers and may be subject to potential liabilities associated with our outsourcing arrangement.

In line with the industry practice, we outsourced certain of our repetitive and non-technical-intensive activities in our operations to third-party human resource service providers during the Track Record Period. Please see "Business — Employees — Labor Outsourcing Arrangement." Pursuant to our agreements with third-party human resource service providers, such human resource service providers designate qualified staff with necessary working skills to complete the outsourced works. We do not have any employment relationships with the outsourced staff designated by third-party human resource service providers. Therefore, our control over such outsourced staff is limited as compared to that over our own employees. If any third-party human resource service providers fail to make the outsourced staff to perform their duties in accordance with our specifications and standards, our business, brand image, reputation and results of operations could be materially and adversely affected. In addition, even we do not have any employment relationship with these outsourced staff, if the third-party human resource service providers violate any relevant requirements under the applicable laws, regulations or their agreements with the outsourced staff, such outsourced staff may file a claim against us as they provide services to us. As a result, we may assume legal liability, and our market reputation, brand image and our business and financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

We are exposed to fair value changes in our redeemable convertible preferred shares and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

Fair value loss of redeemable convertible preferred shares represents the changes in fair value of the various rights associated with our redeemable convertible preferred shares. Our fair value loss of redeemable convertible preferred shares amounted to RMB252.3 million, RMB169.3 million and RMB51.9 million, respectively, in 2021, 2022 and 2023. Fair value loss of our redeemable convertible preferred shares affected our financial position. We applied discounted cash flow method to determine the underlying equity value of our Company and adopted option pricing method and equity allocation model to determine the fair value of the redeemable convertible preferred shares. Such approach is subject to uncertainty and might materially differ from the actual results. Although our redeemable convertible preferred shares will be automatically converted into ordinary shares of our Company and no fair value change will be recorded upon completion of the [REDACTED], to the extent we need to revalue the redeemable convertible preferred shares prior to the completion of the [REDACTED], any change in fair value of these redeemable convertible preferred shares could materially affect our financial position and results of operations.

Fluctuation in exchange rates could adversely affect our results of operations and financial condition.

Exchange rates fluctuate from time to time due to multiple factors, most of which are beyond our control. We recorded net other losses of RMB15.9 million in 2022 and RMB1.9 million in 2023, primarily due to fair value losses on foreign exchange forward contracts of RMB17.5 million and RMB1.1 million in 2022 and 2023, respectively, resulting from the fluctuated foreign exchange rates. Please see “Financial Information — Consolidated Statements of Comprehensive Loss — Net Other Gains or Losses” for details. There are limited instruments available for us to hedge against our foreign currency risk exposure at reasonable costs. There can be no assurance that our business, financial condition and results of operations would not be adversely affected by the fluctuation in exchange rates in the future.

Failure to comply with laws and regulations on cybersecurity and data protection could result in claims and penalties imposed by relevant government authorities, which could harm our brand and reputation, and materially and adversely affect our business operations and financial performance.

There have been several regulatory changes and development in relation to cybersecurity and data privacy and protection in recent years. On June 10, 2021, the *PRC Data Security Law* (《中華人民共和國數據安全法》) was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) and became effective on September 1, 2021. On August 20, 2021, the PIPL was adopted by the Standing Committee of the National People’s Congress and became effective on November 1, 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual. Only where there is a specific purpose and sufficient necessity,

RISK FACTORS

and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual’s rights and interests, and obtain data subjects’ separate consent. We may store and process personal information of customers’ employees when they subscribe for our services, such as tax filing services. As the PIPL may be further interpreted along with the regulatory development, we cannot assure you that we will comply with the PIPL in all respects and regulatory authorities may order us to rectify or terminate our current practice of processing sensitive personal information. We may also become subject to fines and/or other penalties which may adversely affect our business, operations and financial condition.

On December 28, 2021, the CAC, together with certain other PRC government authorities, promulgated the revised *Measures for Cybersecurity Review* (《網絡安全審查辦法》), which became effective on February 15, 2022.

On July 7, 2022, the CAC promulgated the *Measures on Security Assessment of Cross-border Data Transfer* (《數據出境安全評估辦法》) (the “**Data Export Measures**”) which became effective on September 1, 2022. The Data Export Measures require that any data processor which exports personal information or sensitive personal information exceeding a certain volume threshold prescribed under such measures shall apply for security assessment conducted by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China or transfer of personal information by an operator of critical infrastructure information or a data processor processing the personal information of more than one million individuals. We do not transfer any data we collect from our customers abroad during our business. As there may be further interpretations of such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, fines, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or government proceedings, pending or, to the best of our knowledge, threatened against or relating to us.

The above regulatory development relevant to cybersecurity and data privacy and protection could impact the general internet industry and in particular, the SMB finance and taxation solution industry in China where we operate. We may incur substantial costs to comply with such laws and regulations, to communicate with our customers and address their concerns in cybersecurity and data privacy and protection, and to improve our information technology system. We may from time to time be required to rectify or further improve our internal measures regarding cybersecurity and data privacy and protection. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity and data privacy and protection, or any failure or perceived failure of our regional partners and other business partners to do so, or any failure or perceived failure of our employees to comply with relevant laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines,

RISK FACTORS

revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation among our existing and potential customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations.

Any cybersecurity breach, such as unauthorized access, computer viruses and hacking, or other disruptions may adversely impact our business and reputation.

Techniques used in computer viruses, hackers or other unauthorized sabotage activities are rapidly and frequently changing and generally cannot be identified until they are launched against a target, which could pose threat to our information technology systems and database. We process massive data during providing our solutions. We cannot assure you that the measures we have taken to protect our information technology systems and database are always effective as we expected. We may fail to identify and anticipate the latest trend in cybersecurity attacks, such as the technologies and objectives of the attacks. As a result, we may fail to timely implement adequate preventative measures against such attacks.

In addition, any accidental or willful security breaches or other unauthorized access to our major information technology systems supporting the business activities could cause data leakage and misuse of data, exposing us to lawsuits and negative publicity. Any of the foregoing events may adversely affect our business operations, financial performance and reputation.

The proper functioning of our information technology infrastructure and information technology systems is essential to our business operations. Any technological failure on major systems supporting our business activities may materially and adversely impact our business and profitability.

We rely on our information technology infrastructure and information technology systems to operate and monitor substantially all aspects of our business. Our information technology systems primarily comprise operating systems, including the SATP system and the CRM system, and our internal finance and human resource management and office automatic online systems. Any technological failure associated with our information technology infrastructure and information technology systems, including those caused by power disruption or loss, natural disasters, network failures or other failures caused by hidden errors, may cause interruptions in our solutions and our business operations. In particular, hidden errors or other design defects within our SATP system, may result in inaccurate or delayed responses to customers or even adversely impact the accuracy of our bookkeeping and tax filing results, which in turn could affect our service quality and the business decisions of our customers, and ruin the satisfaction of our customers. Any occurrence of the above may severely damage our publicity and profitability. In addition, improper functioning of our major systems supporting our business activities may also cause data leakage, or damage to our intellectual property.

In addition, as of the Latest Practicable Date, Beijing Gongjin Technology was providing online terminal operation services to us by operating WeChat public account, WeChat mini-program, WeChat Channels and corporate website, through which we popularize the basic knowledge of business registration and taxation to promote our solutions among potential

RISK FACTORS

customers. See “Connected Transactions — Fully-Exempt Continuing Connected Transaction — Data Processing Agreement” for details. If Beijing Gongjin Technology does not perform its contractual obligations pursuant to our data processing agreement with it, the effectiveness of our online marketing and promotional activities could be harmed, which in turn could adversely affect our business and results of operations.

Meanwhile, any interruption or failure of our regional partners’ office facilities or hardware equipment may affect their usage of our SATP system and in turn affect their service offerings to their SMB customers, which could adversely affect our brand image.

Our business operations had been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.

The outbreak of COVID-19 had materially and adversely affected the global economy since late 2019, which had impacted the industry and the geographic regions where we operate.

During the Track Record Period, our business operations had been affected by the COVID-19 pandemic. In particular, most of our front offices temporarily suspended operations due to the spread of COVID-19 during the Track Record Period. Subscription for our solutions was affected due to the budget control imposed by customers, customers’ deregistration, or customers’ postponed business activities during and immediately after the pandemic. In 2022, the highly transmissible Delta and Omicron variants of the COVID-19 and the subsequent surge in the infected population in China caused impacts on our business operations and the business operations of our customers. Moreover, according to Frost & Sullivan, the economic recovery in 2023 was slower than expected. SMB finance and taxation solution providers have witnessed a dampened growth trend in SMBs’ subscription demands and renewal intention. For more details, please see “Business — Outbreak and Spread of COVID-19.”

We will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic remains uncertain and subject to frequent changes. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also heighten other risks described in this “Risk Factors” section.

Any future occurrence of force majeure events, natural disasters or further spread of contagious diseases could have a material adverse effect on our business operations, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as the outbreak and continuous spread of a widespread health epidemic, such as COVID-19, SARS, H5N1 or H7N9 flu, H1N1 flu, swine influenza, avian influenza and MERS, or the outbreak of snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged spread of an epidemic illness or other adverse public health events could materially disrupt our business and operations.

RISK FACTORS

Any future occurrence of force majeure events, natural disasters or further spread of contagious diseases could significantly impact our industry and cause a temporary suspension of our business travels and offline business operations, which would disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the macro-economy in general. Our customers may also be affected by natural disasters, health epidemics or other outbreaks, which may cause negative impact on their spending power and our operations could be severely disrupted.

Increasing focus with respect to environmental, social and corporate governance (the “ESG”) matters may impose additional costs on us or expose us to additional risks. Failure to accommodate evolvement in social trend and political policies relating to ESG matters may adversely affect our business, financial condition and results of operations.

Public awareness on ESG has been increasing in recent years, making our business more sensitive to changes in social trend and policies associated with environment protection and other ESG issues. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social costs of their investments. Any ESG concern or issue or developments in social trend and political policies relating to ESG could increase our compliance costs, or require us to alter our practices in a way that could adversely impact the performance of our SATP system or the results of operations. If we do not adapt to or comply with the evolving expectations and standards on ESG or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and our business operations and financial condition could be materially and adversely affected. For more information about our ESG policies and practices, please see “Business — Environmental, Social and Corporate Governance.”

Our internal control and risk management system may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We have established an internal control and risk management system to monitor and reduce the impact of risks which are relevant to our business operations, improve our corporate governance and ensure compliance with the applicable laws and regulations. For further information, please see “Business — Internal Control and Risk Management.” The effect of our internal control and risk management depends on the daily implementation by our management and employees. The operations of our front offices covered 46 cities in the PRC as of the Latest Practicable Date. There can be no assurance that such implementation will not involve any misinterpretation of measures and inconsistencies among different front offices, which may materially and adversely affect our business and results of operations. As we will continue expanding our customer base and the range of our offerings, the expansion of our service network and diversification of our solutions will require us to further enhance our internal control and risk management capabilities. If we fail to timely identify new risks and uncertainties during daily

RISK FACTORS

operations or fail to adapt our risk management policies and procedures to address the concerns of new risks and uncertainties, our business, results of operations and financial condition could be materially and adversely affected.

Competition for our key employees is intense and we may not be able to attract, cultivate and retain the highly skilled employees to support our strategic objectives.

Our future success depends substantially on our ability to recruit, retain and motivate experienced research and development employees, accounting and tax professionals and other qualified personnel, especially those employees with deep insights in both information technology and finance and taxation solutions. The development of our technological capabilities depends on the expertise and motivation of our research and development employees. Experienced accounting and tax professionals enable us to provide comprehensive managerial accounting analysis for customers in different business scenarios. Competition for these key talents in China’s SMB finance and taxation solution industry is becoming intense in recent years. Any loss of our experienced accounting and tax professionals may adversely affect our existing customer base and the renewal of subscriptions by our customers. Attracting, cultivating and retaining enough talents are essential for maintaining our competitive strengths and realizing our future business growth. In addition, the leadership of our senior management team is critical to our business operations and growth prospects. Members of our senior management team have substantial experience and expertise in the industry where we operate and have made significant contributions to our business growth and success. The unexpected loss of services of one or more of these individuals could also have a material adverse effect on us.

We will continue to provide competitive compensation to retain our existing key employees and attract more talents to join us. As a result, our employee benefit expenses, both as an absolute amount and as a percentage of our total revenue, may continue to rise. We may invest significant attention and expenses to attract and retain such employees.

If we fail to retain qualified employees, we could incur additional expenses in hiring and training new employees, which could distract the attention of our management and cause a material adverse effect on our business and profitability. Moreover, the departure of any of our employees could have an adverse effect on our reputation and results of operations. We may face labor arbitrations or litigation proceedings after the employees’ departure, which could distract the attention of our management and materially and adversely affect our reputation, business operations and financial performance.

We may not be able to source new suppliers should we fail to maintain our relationships with our major suppliers.

During the Track Record Period, our purchases from our major suppliers continued to increase in line with our business expansion. For each of the years ended December 31, 2021, 2022 and 2023, our purchases from the five largest suppliers accounted for 27.4%, 68.0% and 82.8% of our total purchases, respectively, and our purchases from the largest supplier accounted for 11.3%, 37.5% and 36.4% of our total purchases, respectively. We generally do not enter into long-term agreements with our suppliers. We do not have substantial reliance on any single

RISK FACTORS

supplier. However, if we are unable to maintain our business relationships with those major suppliers, or if there are any unfavorable changes to the terms of our existing arrangements with them, our operations and profitability may be adversely affected. To the extent our major suppliers cease to cooperate with us, we will have to source new suppliers. However, we cannot assure you that we will be able to source alternative suppliers in a timely manner and/or at commercially reasonable terms, or at all. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

Our Controlling Shareholders have substantial control over our Company and the interests of our Controlling Shareholders may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Companies Act, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged and harmed.

If we fail to timely renew any existing licenses, permits or certificates, or if we fail to obtain requisite licenses, permits or certificates for our newly commenced business, or if we fail to conduct periodic reports on any existing licenses, permits or certificates under applicable laws and regulations, our business and results of operations may be materially and adversely affected.

The regulatory environment of the SMB finance and taxation solution industry in China is evolving. If any government authorities promulgate new laws and regulations that require additional licenses, permits or certificates, or require additional conditions, qualifications to maintain or renew the relevant licenses, permits or certificates, or impose additional requirement on the operations of any part of our business, we may face fines, income confiscation, revocation of business licenses, and restriction or discontinuation of relevant business, any of which may have a material adverse effect on our business and results of operations.

Our business operations are subject to periodic license or permit renewal or report requirements by relevant government authorities. For more details, please see “Business — Licenses, Permits and Certificates.” The interpretation and implementation of license or permit renewal or report requirements may vary among different cities, provinces, municipalities and autonomous regions in China. We cannot assure you that we can always meet the relevant local requirements timely. If we fail to timely renew or conduct reports on any major license, permit, certificate or approval for us or any of our subsidiaries, our business, financial condition and results of operations may be materially affected. Moreover, if any of our regional partners fail to

RISK FACTORS

timely renew or conduct reports on any major license, permit, certificate or approval necessary for their business operations and become subject to regulatory penalties, the license fees that we receive from such regional partners may decline and our reputation could be adversely harmed.

In addition, we are required to obtain a series of licenses, permits, certificates or approvals for our new businesses. If we explore new business operations in the future, any failure to obtain the requisite licenses, permits, certificates or approvals may subject us to suspension of operations under the worst-case scenario and other corresponding administrative penalties.

We rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements and non-compete agreements to protect our proprietary rights. We may be unable to effectively protect our intellectual property rights or enforce our contractual rights in all jurisdictions.

During our years of operations, we have accumulated several intellectual properties. See “Business — Intellectual Property” for details of intellectual properties that are material to our business. We rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements and non-compete agreements with our employees and others to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by third parties, which may be costly and time-consuming. We might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome for the legal proceedings. There can be no assurance that we will prevail in the relevant legal proceedings. In addition, if the counterparties breach the confidentiality, invention assignment and non-compete agreements, there may not be adequate remedies available to us for any such breach. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, which may be costly to defend and may cause material and adverse impacts on our reputation, our business and results of operations.

The application and interpretation of intellectual property right laws and regulations, as well as the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights are evolving. Despite the prudence and measures that we have taken, we cannot assure you that any aspects of our business do not or will not infringe upon or otherwise violate copyrights, trademarks, patents, know-how or other intellectual property rights held by third parties in various jurisdictions. During our operations, we may be exposed to intellectual property rights infringement or misappropriation claims by third parties. If any third-party infringement claims are brought against us, we may be forced to allocate financial and personnel resources to defend against these claims, which may distract the attention of our management. There can be no assurance that the courts or regulatory authorities agree with our analysis and let us prevail in the legal proceedings. An adverse determination in any such legal proceedings could subject us to liabilities to third parties, require us to seek consents or licenses

RISK FACTORS

from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision of relevant services or be forced to develop alternatives of our own. As a result, our reputation, business operations, and financial performance may be materially and adversely affected.

We may not have sufficient insurance coverage to cover our potential liabilities or losses.

We maintain limited insurance policies covering certain potential liabilities. See “Business — Insurance” for details of insurances we maintained as of the Latest Practicable Date. Due to the business nature and in line with the industry norm, we generally do not maintain certain types of insurance, such as property insurance, business interruption insurance or key person insurance. There can be no assurance that our insurance coverage will be available or sufficient to cover all of our risk exposures. In addition, we do not maintain insurance to cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and we have no intention to purchase any insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangement, our financial condition may be adversely affected.

Moreover, our existing insurance contains exclusions and limitations on coverage. If our insurance coverage is unavailable or insufficient to cover any risk exposures, we may incur substantial costs and diversion of our resources, which could materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to seasonality, which could cause our results of operations to fluctuate.

We have experienced, and expect to continue to experience, mild seasonal fluctuations in our revenue and results of operations. We have historically generated lower revenue around January and February, mainly due to (i) slower and postponed service demands from our customers before and during the Chinese New Year; and (ii) the reduction in marketing and promotional activities during the Chinese New Year. In contrast, we have historically generated higher revenue around November and December, mainly due to the increase in our marketing and promotional efforts during the same period. As a result, our revenue and cash flows may vary from quarter to quarter. We believe the historical seasonal fluctuations in our results of operations and financial condition are likely to continue to fluctuate due to the same factors in the future. You may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations.

We may be involved in legal or other proceedings arising from our business operations.

We may occasionally be involved in disputes with various parties involved in our business operations, including our customers, competitors, or by government entities in legal proceedings. These disputes and proceedings are both costly and time-consuming, and could significantly distract the attention of our management and affect the allocation of our financial and personnel

RISK FACTORS

resources. In addition, we may encounter compliance issues in the course of our business operations, which may lead to administrative proceedings, and may materially and adversely affect our reputation, business, financial condition and results of operations.

We provide finance and taxation solutions under the applicable accounting guidance and tax laws and regulations and are not directly responsible for any liability arising from the customers' failure to provide true and accurate, legal, complete and valid information. However, due to the business nature of our finance and taxation solutions, we may receive the legal documentation from government authorities or courts and be involved in the investigation due to our customers' own non-compliance issues relating to finance and taxation. Such investigation may distract the attention of our management and adversely affect our reputation.

We cannot assure you that we will not be involved in legal or other proceedings in the future, any negative outcome of such proceedings may expose us to negative publicity and materially and adversely affect our brand image, business, financial condition and results of operations.

Negative publicity and allegations involving us, our shareholders, directors, officers, employees, associates and regional partners may affect our reputation and, as a result, our business, financial condition, and results of operations may be adversely affected.

We, our shareholders, directors, officers, employees, associates and regional partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could materially damage our reputation and brand image established over years of operations and reduce our bargaining power. In addition, to the extent our employees and regional partners are found or alleged to have violated any laws or regulations, we may also suffer negative publicity. As a result, the time and attention of our management may be distracted and we may be required to spend substantial costs in response to allegations and negative publicity, and our business, financial condition, and results of operations may be adversely affected.

Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with the Labor Contract Law or comply with other related regulations of the PRC may subject us to penalties and have an adverse impact on our financial conditions and results of operations.

PRC laws and regulations require us to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund. According to the applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to the maximum amounts specified by the local governments.

During the Track Record Period, we failed to (i) open housing provident funds registration account for certain of our subsidiaries, and (ii) make full social insurance and housing provident fund contributions for certain of our employees, as required by relevant laws and regulations, primarily due to (i) inconsistent implementation of relevant laws and regulations in terms of social

RISK FACTORS

insurance and housing provident fund contributions by local authorities; (ii) the relevant personnel who did not fully understand the relevant regulatory requirements; and (iii) unwillingness of employees to make contributions of social insurance and housing provident fund in full for personal reasons, mainly considering the increase in their financial burden. For the years ended December 31, 2021 and 2022, we made provision for social insurance and housing provident fund contributions of RMB32.1 million and RMB18.3 million, respectively, and recorded a reversal of provision of RMB1.2 million in 2023 in the consolidated statements of comprehensive loss. As of the Latest Practicable Date, we had made social insurance and housing provident fund contributions for all employees. In addition, we started to make social insurance and housing provident fund contributions in full in accordance with all applicable PRC laws and regulations for some of our employees as of the Latest Practicable Date.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations: (i) with respect to social insurance, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts, and if and only if we fail to do so, they may impose a fine or penalty ranging from one to three times the outstanding amounts; and (ii) with respect to housing provident funds, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. During the Track Record Period and up to the Latest Practicable Date, we were not imposed any administrative penalties as a result of our non-compliance with social insurance and housing provident fund related PRC laws and regulations. We cannot assure you that the relevant government authorities will not impose new requirements on us according to laws, regulations or local policies published by the relevant government authorities in the future, such as ordering us to make supplemental social insurance and housing provident fund contributions, imposing late fees or fines on us or ordering us to take other measures, any of which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to renew our current leases or locate desirable alternatives for our leased properties.

As of the Latest Practicable Date, we leased 138 properties with an aggregate GFA of approximately 44,367.22 sq.m., which were mainly used as office premises. We cannot assure you that we will be able to renew such leases on commercially reasonable terms acceptable to us upon their expiration. If we fail to renew them upon expiration, we may be forced to relocate and incur additional costs associated therewith, and our business, financial condition and results of operations may be adversely affected. Moreover, we may not be able to locate desirable alternative sites for our leased properties, which could materially and adversely affect our business, financial condition, results of operations, and prospects.

We face legal defects regarding some of our leased properties.

As of the Latest Practicable Date, for 42 of our leased properties, we either had not been provided by the lessors with the relevant title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Third parties could seek to assert ownership

RISK FACTORS

rights against the landlords, and we may not be able to continue to use and lease relevant properties if any of these leased properties are challenged by the relevant government authorities. As of the Latest Practicable Date, for four of our leased properties located on collectively-owned land, we had not been provided by the lessors with consent from not less than two-thirds of the members of villager assembly or the representatives of the villagers. Our use of such leased properties may be challenged, and we may be required to vacate these properties. We may have to identify alternative land and incur additional costs in doing so. As of the Latest Practicable Date, our use of 31 properties primarily as office premises was inconsistent with the designated usages specified in the Property Ownership Certificates of such properties, most of which are for residential purposes. The relevant PRC government authorities have the rights to order the property owner to surrender the relevant land and impose a fine on such owner. This could refrain us from using such properties. As of the Latest Practicable Date, we had not registered certain of our lease agreements with the relevant PRC government authorities. If we fail to complete or timely complete such lease registration upon the housing authorities’ request, we may face fines on each unregistered lease agreement. For details of the legal defects of our leased properties, see “Business — Properties.” In addition, as of the Latest Practicable Date, two of our leased properties were also subject to mortgage at the time the lease agreements were entered into. Such lease may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party.

We are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is successfully challenged, we may be forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liabilities resulting from third parties’ challenges on our leasehold interests. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Any non-compliance with applicable anti-bribery and anti-corruption laws and other forms of illegal acts and misconduct by our employees or our regional partners may materially and adversely affect our reputation and business operations.

Our business operations are subject to anti-bribery and anti-corruption laws and regulations in China, which prohibit companies and their intermediaries from making improper payments or other benefits to government or other parties for the purpose of obtaining or retaining business. We cannot assure you that our internal control and risk management measures relevant to compliance with anti-bribery and anti-corruption laws, regulations and policies will always effectively prevent relevant non-compliance. We cannot assure you that we could be exculpated from the penalties or liabilities that may be imposed by the relevant government authorities due to violations by our employees, customers and suppliers. If any of our employees, customers or suppliers are found or alleged to have violated anti-bribery or anti-corruption laws and regulations, we may face relevant

RISK FACTORS

investigation activities or be involved in fines, lawsuits, which may cause damage to our reputation, business operations and financial condition and may distract the attention of our management.

Recent U.S. outbound investment restrictions may cause uncertainty to the U.S. outbound investment activities and our funding activities.

On August 9, 2023, the U.S. government released an executive order in relation to imposing restrictions on outbound investment in national security technologies and products, including sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and artificial intelligence sectors that are critical for the military, intelligence, surveillance, or cyber-enabled capabilities, in country of concern. The PRC, along with Hong Kong and Macau are identified as the country of concern in the executive order. As of the Latest Practicable Date, the relevant implementation rule had not been released yet.

With the rapid advancement in semiconductors and microelectronics, quantum information technologies, and artificial intelligence capabilities in the PRC, U.S. government may further impose outbound investment restrictions in the relevant fields with its increasing concerns on the national security. We cannot assure you that we will not become the target under such restrictions. The promulgation and interpretation of relevant regulations by the U.S. government may distract our management attention and cause uncertainty to our future funding activities from foreign investors.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

If the PRC government deems that the Contractual Arrangements do not comply with the PRC regulatory restrictions on foreign investment in the relevant industries, or if we fail to respond to evolvement of these regulations or the interpretation of existing regulations in the future, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

Foreign ownership of certain businesses in the PRC is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to hold more than 50% equity interest in an enterprise conducting “value-added telecommunications services” business (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call center services). Therefore, the Contractual Arrangements have been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are subject to the aforementioned restrictions.

As advised by our PRC Legal Advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under applicable PRC laws and regulations. See “Contractual Arrangements — Legality of the Contractual Arrangements” for more details. However, our PRC Legal Advisors have also advised us that the interpretations and the application of PRC laws and regulations involve uncertainties considering the development of regulatory environment. In addition, certain PRC court rulings and arbitral decisions invalidated certain contractual agreements which were considered to be entered into with

RISK FACTORS

the intention of circumventing foreign investment restrictions in the PRC in contravention of PRC laws. Thus, we cannot assure you that the PRC government will not ultimately make a different explanation from the opinion of our PRC Legal Advisors. On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People’s Congress approved the *Foreign Investment Law of the People’s Republic of China* (《中華人民共和國外商投資法》) (the “**FIL**”) which became effective on January 1, 2020. The FIL and its current implementation and interpretation rules do not explicitly clarify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors.

The FIL does not introduce the concept of “control” in determining whether a company would be considered as a foreign-invested enterprise. As relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the FIL, the possibility cannot be ruled out that contractual arrangements are deemed as a form of foreign investment. Therefore, we cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future. If Beijing Zhongmou was deemed as a foreign-invested enterprise under any of such future laws, regulations and rules, further actions will be required to be taken by us under such laws, regulations and rules and may materially and adversely affect our business and financial condition. Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by parties with respect to Contractual Arrangements, failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations. If our ownership structure, Contractual Arrangements and business or that of Boyue Wenchang or Beijing Zhongmou are found to violate any existing or future laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, we would face negative legal consequences due to such violations, including but not limited to (i) levying fines on us; (ii) confiscating our income or the income of Boyue Wenchang or Beijing Zhongmou; (iii) revoking our business licenses and/or operating licenses; (iv) shutting down our institutions; (v) discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring; (vi) restricting or prohibiting our use of [REDACTED] from the [REDACTED] or other of our financing activities to finance our business and operations; and (vii) taking other regulatory or enforcement actions that could be harmful to our business. In addition, if any equity interest in Beijing Zhongmou held by its remaining registered shareholder, Mr. Zhang, is held in the court custody in connection with their litigation, arbitration or other judicial or dispute resolution proceedings, we cannot assure you that the equity interest will be disposed of to us in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under the PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not made on an arm’s length basis and adjust Beijing Zhongmou’s income for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially

RISK FACTORS

and adversely affect us by (i) increasing the tax liabilities of Beijing Zhongmou without reduction of expense deductions, which could further result in late payment fees and other penalties to Beijing Zhongmou for underpaid taxes; or (ii) limiting the ability of Beijing Zhongmou to obtain or maintain preferential tax treatments and other financial incentives.

Mr. Zhang may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Our control over Beijing Zhongmou is based upon the Contractual Arrangements with, among others, Beijing Zhongmou and its remaining registered shareholder, Mr. Zhang. Mr. Zhang may potentially have a conflict of interest with us, and may breach his agreements with us or if he otherwise act in bad faith, if he believes the Contractual Arrangements would adversely affect his own interests. We cannot assure you that when conflicts of interest arise between us and Mr. Zhang, such shareholder will act completely in our interests or that the conflicts of interest will be resolved in our favor. If Mr. Zhang cannot act completely in our interests or the conflicts of interest between us and such shareholder are not resolved in our favor, our business and financial condition may be materially and adversely affected. Currently, we do not have arrangements to address the potential conflicts of interest faced by Mr. Zhang. In addition, Mr. Zhang may breach or refuse to renew, or cause Beijing Zhongmou to breach or refuse to renew, the Contractual Arrangements with us. If any such shareholder breaches his agreements with us or otherwise has disputes with us, we may have to initiate arbitration or other legal proceedings. Such disputes and proceedings may significantly distract our management's attention, adversely affect our ability to control Beijing Zhongmou and otherwise result in negative publicity and adversely affect the reputation of Beijing Zhongmou. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Beijing Zhongmou and its remaining registered shareholder, Mr. Zhang, may fail to perform their obligations under our Contractual Arrangements.

Our Contractual Arrangements may not be as effective in providing us with control over Beijing Zhongmou as direct ownership. If Beijing Zhongmou or Mr. Zhang fails to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with the PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in the PRC. Under the PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over Beijing Zhongmou or obtain the full economic benefits of the same. Our ability to conduct our business may be negatively affected.

RISK FACTORS

We may lose control over Beijing Zhongmou and may not enjoy the full economic benefits if Beijing Zhongmou declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Our Contractual Arrangements contain terms that provide that Beijing Zhongmou may not be voluntarily liquidated without the written consent of Boyue Wenchang. However, if Mr. Zhang breaches this obligation and voluntarily liquidates Beijing Zhongmou or if Beijing Zhongmou declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and we may be unable to continue to control Beijing Zhongmou and may not enjoy the full economic benefits of the same, which could adversely affect our business, financial condition and results of operations. In addition, under the Contractual Arrangements, Beijing Zhongmou does not have the right to issue dividends to its shareholders without our prior written consent. In the event that Beijing Zhongmou distributes dividends without our prior written consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management’s time and attention away from the operation of our business, and the outcome of such legal proceeding will be unpredictable.

If we exercise the option to acquire equity ownership of Beijing Zhongmou, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, we have the exclusive right to purchase all or any part of the equity interest in Beijing Zhongmou for RMB100, or the lowest amount permissible under the applicable PRC laws and regulations. The equity transfer may be subject to approvals from and filings with the relevant authorities. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. Mr. Zhang will pay the remaining amount to Boyue Wenchang under the Contractual Arrangements. The amount to be received by Boyue Wenchang may also be subject to enterprise income tax. Such tax amounts could be substantial and as a result, our financial condition may be adversely affected.

RISKS RELATING TO OUR OPERATIONAL ENVIRONMENT

Failure to respond to PRC’s economic, political and social evolution as well as government policies could adversely affect our business and prospects.

We generate all of our revenue from the PRC. Substantially all of our businesses, assets, operations are located in the PRC. As a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The PRC government regulates the economy and the industries by imposing industrial policies and regulating the macro economy through fiscal and monetary policies. During the past few decades, the PRC government has taken various actions to promote market economy and the establishment of sound corporate governance in business entities.

RISK FACTORS

Our performance has been and will continue to be affected by the Chinese economy, which in turn is influenced by the global economy. While the Chinese economy has experienced significant growth over the past decades, the uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the economic growth in the PRC. The global economic slowdown and the turmoil in the global financial markets, continued weakness in the U.S. economy and the sovereign debt crisis in Europe have collectively added downward pressure to economic growth in the PRC.

We are unable to predict all the risks that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business operations and financial performance.

Changes in the macroeconomic environment could materially and adversely affect our business and financial condition.

COVID-19 had a negative impact on the economy starting from the first quarter of 2020. Moreover, the macroeconomic environment is facing numerous other challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies. In addition, the Russia-Ukraine tensions have negative impact on international relations, which are beyond the regional conflicts and may lead to significant global economic uncertainty. Also, the unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China.

Majority of our customers are SMBs, and they frequently have limited budgets, and may choose to reduce their spending on our services or cease to renew their subscription. If a noticeable number of our customers experience severe difficulties in their business or finance, our business, results of operations and financial condition could be materially and adversely affected.

Failure to respond to developments in the PRC legal system and the interpretation and enforcement of PRC laws, rules and regulations may subject us to risks.

We conduct our business primarily through operating subsidiaries in the PRC, which are governed by the PRC laws and regulations. The PRC legal system is based on written statutes. The legal system in China evolves rapidly, some of the current laws and regulations are relatively new and may be amended in the future and further interpreted, which may affect our judgment on the relevance of legal requirements and the value of your investment.

Meanwhile, laws, regulations or enforcement policies, including those regulating SMB finance and taxation solution industry in China, are evolving. Any enforcement actions against us could have a material adverse effect on us. Any litigation or enforcement proceedings may be protracted and may result in substantial cost and diversion of resources and management attention, negative publicity, and damage to reputation. In addition, such changes may have a retroactive effect and thus subject our business and operations to increased uncertainties and risks.

RISK FACTORS

The PRC legal system evolves relatively fast. Hence, we are required to constantly keep ourselves up-to-date on the evolving policies and rules, and may not be aware of violation of these policies and rules until after such violation has occurred.

We may be subject to stringent approval processes under the M&A Rules and certain other PRC regulations if we grow our business by acquiring complementary businesses in the future.

The *Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors* (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established procedures and requirements on the merger and acquisition activities by foreign investors, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the *Anti-Monopoly Law* (《反壟斷法》) requires that the relevant anti-monopoly authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the *Rules of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and could affect our ability to expand our business or maintain our market share.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us and our non-PRC shareholders.

We are a company incorporated under the laws of the Cayman Islands. Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise would generally be deemed as a “PRC resident enterprise” for tax purposes and be subject to an EIT rate of 25% on its global income. “De facto management bodies” is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. The STA has issued several circulars, as amended from time to time, to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by the PRC enterprises. In particular, on April 22, 2009, the *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “**Circular 82**”) promulgated by the STA and last amended on December 29, 2017

RISK FACTORS

sets out the standards and procedures for determining whether the “de facto management body” of an enterprise incorporated outside the PRC and invested by PRC enterprises or PRC enterprise group as the major controlling shareholders located within the PRC. Moreover, STA issued the *Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation)* (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which took effect on September 1, 2011 and last amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises not controlled by the PRC enterprises (including companies like ourselves). We believe that we should not be regarded as a PRC tax resident enterprise. Nevertheless, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay the EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to the PRC withholding tax on dividends from us and the PRC income tax on any gain realized on the transfer of our Shares.

Under the EIT law and the relevant implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, the PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Under the *PRC Individual Income Tax Law* (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under “— We may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us and our non-PRC shareholders,” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within the PRC and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

RISK FACTORS

We may be subject to regulations with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the STA issued the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Circular 7**”), which abolished certain provisions in the *Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises* (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**Circular 698**”), which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “**PRC Taxable Assets**”). Under Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of the PRC taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to the PRC EIT: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from the PRC taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in the PRC at any time during the year prior to the indirect transfer of the PRC taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from the PRC during the year prior to the indirect transfer of the PRC taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold the PRC taxable property and have registered with the relevant government authorities in the host countries or regions to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of the PRC taxable property payable abroad is lower than the income tax in the PRC that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of

RISK FACTORS

our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market” (the “**Public Market Safe Harbor**”), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. Potential investors should consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and [REDACTED] in the Shares. Please see “Information about this Document and the [REDACTED].”

The PRC government’s regulations on foreign currency conversion may limit our foreign exchange transactions and affect the value of your investment.

We receive substantially all of our revenue in RMB. Under our current corporate structure, the company in the Cayman Islands relies on dividend payments from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

The PRC government may impose more procedural requirements in the future for current account transactions, which may result in our failure to pay dividends and other distributions in foreign currencies to our shareholders.

We rely on dividends paid by our subsidiaries for our cash needs, and regulations of the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our subsidiaries incorporated in the PRC. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders. The payment of dividends by entities established in the PRC is subject to regulatory

RISK FACTORS

requirements. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is required to set aside (i) at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve funds until the aggregate amount of such reserves reaches 50% of its respective registered capital; and (ii) discretionary reserve funds as approved by its shareholders meeting. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. In addition, certain loan agreements signed or to be signed by our PRC subsidiaries may contain covenants that restrict their ability to pay out dividends. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant government authorities in the PRC.

According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions by us to our PRC subsidiaries are subject to the requirement of making necessary filings in the Enterprise Registration System and registration with other government authorities in the PRC. In addition, any foreign loan provided by us to our PRC subsidiaries is required to be registered with the SAFE, or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the [REDACTED] of this [REDACTED] and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the *Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises* (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “SAFE Circular 19”), which took effect on June 1, 2015 and was partially abolished on December 30, 2019. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the *Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange* (《關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products),

RISK FACTORS

providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use the [REDACTED] from this [REDACTED] in the PRC, which may materially and adversely affect our business, financial condition and results of operations.

PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities.

The SAFE Circular 37 was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity, for the purpose of overseas investment or financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents or entities, referred to in SAFE Circular 37 as a "special purpose vehicle." Further, on February 13, 2015, SAFE promulgated the SAFE Circular 13, which came into effect on June 1, 2015 and was partially abolished on December 30, 2019. SAFE Circular 13 cancels two administrative approval items, namely, foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under both domestic direct investment and overseas direct investment. SAFE and its local counterparts shall indirectly regulate the foreign exchange registration of direct investment through banks. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division.

If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including but not limited to (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into

RISK FACTORS

the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal; and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our Shareholders or beneficial owners who are PRC residents to ensure their compliance with SAFE Circular 37 or other outbound investment related rules. In addition, we cannot provide any assurance that all of our Shareholders or beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the SAFE Circular 37 or other outbound investment related rules in a timely manner. Even if our Shareholders or beneficial owners who are PRC residents comply with such request, it cannot provide any assurance that they will successfully obtain or update any registration required by the SAFE Circular 37 or other outbound investment related rules in a timely manner due to many factors, including those beyond our and their control. Failure by any Shareholders or beneficial owners to comply with SAFE Circular 37, SAFE Circular 13 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative penalties.

In February 2012, the SAFE promulgated the *Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly Listed Company* (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "SAFE Circular 7"), which replaced the earlier rules promulgated by the SAFE in March 2007 and January 2008. Under the SAFE Circular 7 and other relevant requirements and regulations, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The PRC resident participants of stock incentive plans are required to retain a qualified PRC agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by the PRC subsidiary, to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or

RISK FACTORS

interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

SAFE Circular 37 stipulates that the PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before such PRC residents exercise the share options. Upon the completion of the [REDACTED], we and our PRC employees who have been granted share options will be subject to these regulations. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business operations.

You may experience difficulties in effecting service of the legal process and seeking recognition and enforcement of judgments across jurisdictions.

The legal systems across different jurisdictions vary significantly. Therefore, the effecting service of legal process and the process of recognizing and enforcing any judgments may be different across jurisdictions and are subject to treaties or arrangements providing for the recognition and enforcement of judgments made by courts of other jurisdictions. As a result, investors may experience difficulties to effect service of process and/or recognize and enforce any judgments for disputes brought in other jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our Shares. The [REDACTED] of our Shares may be volatile and an active [REDACTED] market for our Shares may not develop.

No public market currently exists for our Shares. The initial [REDACTED] for our Shares to the public will be the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] of the Shares following the [REDACTED]. We [have applied] to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, the Shares. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for the Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the Shares will not decline following the [REDACTED].

The [REDACTED] price and [REDACTED] volume of the Shares may be subject to significant volatility in response to various factors. Some of these factors are beyond our control, including:

- variations in our results of operations;
- changes in financial estimates by securities analysts;

RISK FACTORS

- announcements made by us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- investors' perception of us and the investment environment globally;
- developments in the markets we operate;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sale or anticipated sale of additional Shares; and
- the general economy and other factors.

Moreover, it is possible that our Shares may be subject to changes in price not directly related to our performance.

Our Company was incorporated under the laws of the Cayman Islands and these could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association, and by the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders could differ from those established under statutes or judicial precedent in Hong Kong or other jurisdictions with which minority Shareholders are more familiar. Such differences could mean that minority Shareholders could have different protections than they would have under the laws of Hong Kong or other jurisdictions with which minority Shareholders are more familiar.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the consolidated net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma consolidated net tangible asset value per Share of their Shares. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors' claims.

RISK FACTORS

To expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market could adversely affect the market price of our [REDACTED] and our ability to raise capital in the future, or may result in dilution of your shareholding.

The market price of our [REDACTED] could decline as a result of future sales of substantial amounts of our [REDACTED] or other securities relating to our [REDACTED] in the public market, or the issuance of new [REDACTED] or other securities relating to our [REDACTED] or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future [REDACTED], could materially and adversely affect the prevailing market price of our [REDACTED] and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the [REDACTED].

There will be a gap of several days between the [REDACTED] and [REDACTED] of our Shares, and the price of our Shares when [REDACTED] begins could be lower than the [REDACTED].

The initial [REDACTED] of our Shares [REDACTED] in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] on the Stock Exchange until the [REDACTED]. As a result, there will be a gap of several days between [REDACTED] and [REDACTED] of our Shares and investors may not be able to sell or otherwise [REDACTED] in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may utilize the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED], including but not limited to: (i) expanding our operation, increase market penetration, and explore strategic partnerships with leading players across diverse industries; (ii) enhancing our finance and taxation solutions; (iii) research and development to enhance our technological capabilities; (iv) strategic investments and acquisitions. For more details, please see “Future Plans and Use of [REDACTED] — Use of [REDACTED].” However,

RISK FACTORS

our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the [REDACTED] from this [REDACTED].

We may not pay any dividends on the Shares.

We cannot guarantee when, if, or in what form, dividends will be paid on the Shares following the [REDACTED]. Our Directors have significant discretion as to whether to distribute dividends. A filing of dividends must be proposed by our Board and will be based on, and limited by, various factors, including our business and financial condition, capital and regulatory requirements and general business conditions. Furthermore, we may not have sufficient profits to make dividend distributions to Shareholders in the future, even if our financial statements prepared under IFRS Accounting Standards indicate that our operations have been profitable. Even if the Directors decide to declare and pay dividends, the amounts of dividends actually distributed to the Shareholders, and the timing, amount and form of future dividends, if any, will depend on a variety of factors. Please see “Financial Information — Dividends” for more details on our dividend policy.

Therefore, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares, and there is no guarantee that our Shares will appreciate in value after the [REDACTED] or even maintain the price at which you [REDACTED] the Shares. You should not rely on an [REDACTED] in our Shares as a source for any future dividend income. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

The future sale or perceived sale of our Shares in the public market by major Shareholders following the [REDACTED] could materially and adversely affect the price of our Shares.

Prior to the [REDACTED], there has not been a public market for our Shares. Future sale or perceived sale by our existing Shareholders, or issuance by us of significant amounts of our Shares after the [REDACTED], could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [REDACTED] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, the future sale of significant amounts of our Shares in the public market or the perception that the sale may occur could significantly decrease the [REDACTED] price for our Shares and our ability to raise equity capital in the future.

RISK FACTORS

Facts, forecasts and statistics in this document relating to the Chinese economy and the industry where we operate are obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports. Such facts, forecasts and statistics may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the Chinese economy and China’s SMB finance and taxation solution industry are obtained from various sources including various government publications, market data providers and other independent third-party sources, including the industry expert reports. We believe official government publications are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the Chinese economy and the SMB finance and taxation solution industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations, the market price and [REDACTED] may decline.

The [REDACTED] for our Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publishes negative opinions about us, the market price for our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could in turn cause the [REDACTED] of our Shares to decline.

Our future results could differ materially from those expressed or implied by the forward-looking statements.

The forward-looking statements included in this document are based on various assumptions. There are also risks, uncertainties and other unforeseen factors which may cause our actual performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Please see “Forward-looking Statements” for details of these statements and the associated risks.

RISK FACTORS

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] decision, and we strongly caution you not to place any reliance on any information contained in press articles or other media coverage regarding us, our Shares or the [REDACTED].

We and our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information, including but not limited to projections, valuations or other forward-looking information, or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media coverage regarding our Group or our Shares. There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED] that does not appear in this document. We have not authorized the disclosure of any information concerning the [REDACTED] in the press or media. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them.

To make your [REDACTED] decision regarding our Shares, we strongly advise you to rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. Prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].

There is no assurance that the Shares will remain [REDACTED] on the Stock Exchange.

Although it is currently intended that the Shares will remain [REDACTED] on the Stock Exchange, there is no guarantee of the continued [REDACTED] of the Shares. Among other factors, the Company may not continue to satisfy the [REDACTED] requirements of the Stock Exchange. Holders of Shares would not be able to sell their Shares through [REDACTED] on the Stock Exchange if the Shares were no longer [REDACTED] on the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our business operations are managed and conducted outside Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules based on the following grounds:

- (a) we have appointed Mr. Zhang, one of our executive Directors, and Ms. YEUNG Siu Wai Kitty (楊小慧) (“**Ms. Yeung**”), one of our joint company secretaries who is ordinarily resident in Hong Kong, as our authorized representatives for the purposes of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;
- (b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives will have means to contact all of our Directors promptly at all times. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our authorized representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;
- (c) each Director who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time, if required;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND
MISCELLANEOUS PROVISIONS) ORDINANCE**

- (d) we have appointed Lego Corporate Finance Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional and alternative channel of communication with the Stock Exchange for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED], and its representative(s) will be fully available to answer enquiries from the Stock Exchange. Our compliance advisor will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [REDACTED], and will have access at all times to our authorized representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and
- (e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives or compliance advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance advisor.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our company must appoint a company secretary who satisfies the requirement under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that a company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Luo Yuan (羅媛) (“**Ms. Luo**”) as one of the joint company secretaries. Ms. Luo joined our Group in March 2021 and has served as the general counsel since March 2021 and a vice president since April 2023, primarily responsible for overseeing legal and compliance affairs of our Group. Ms. Luo has accumulated abundant knowledge about the business operations and governance of corporations with a strong recognition of the corporate culture of our Group. By virtue of her position and familiarity with our Group, Ms. Luo has worked closely with our Directors and thus possessed a thorough understanding of matters concerning the Board and its operations. As such, our Directors believe that Ms. Luo is a suitable person to act as the joint company secretary of our Company. However, Ms. Luo does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. Therefore, we have also appointed Ms. Yeung, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the joint company secretary. For more details of Ms. Luo’s and Ms. Yeung’s biographies, see “Directors and Senior Management.” Over the initial period of the three years from the [REDACTED], we will implement the following measures to assist Ms. Luo to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (a) Ms. Yeung will assist Ms. Luo to enable her to discharge her duties and responsibilities as the company secretary of our Company. Given Ms. Yeung’s relevant experiences, she will be able to advise Ms. Luo and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations in Hong Kong;
- (b) Ms. Luo will be assisted by Ms. Yeung for an initial period of three years commencing from the [REDACTED], which should be sufficient for Ms. Luo to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;
- (c) we will ensure that Ms. Luo has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of company secretaries of a Hong Kong listed company, and Ms. Luo has undertaken to attend such trainings;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (d) Ms. Yeung will communicate with Ms. Luo on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations in Hong Kong which are relevant to our operations and affairs. Ms. Yeung will work closely with and provide assistance to Ms. Luo with a view to discharging her duties and responsibilities as the company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and
- (e) pursuant to Rule 3.29 of the Listing Rules, Ms. Yeung and Ms. Luo will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Yeung and Ms. Luo will be advised by our legal advisors as to Hong Kong laws and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the [REDACTED], in accordance with Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that (i) we engage Ms. Yeung as one of our joint company secretaries, who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules and will provide assistance to Ms. Luo during this period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Luo to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Ms. Luo, having had the benefit of Ms. Yeung's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

WAIVER IN RELATION TO CONNECTED TRANSACTIONS

We have entered into and expect to continue certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for the continuing connected transactions. For details of such continuing connected transactions and the waiver, see "Connected Transactions."

WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] SHARE OPTION PLAN

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the document.

As of the Latest Practicable Date, our Company had granted [REDACTED] Share Options to 214 grantees, including (i) three Directors, namely Mr. Zhang, Mr. Zhang Mingqi and Mr. Tian Li, and two other senior management members, namely Mr. Guo Chunping and Ms. Luo Yuan, (ii) 162 other employees of our Group who are not (a) Directors, (b) senior management members of our Company or (c) connected persons of our Company, and (iii) 47 other grantees who are former employees of our Group or former or current employees of subsidiaries of Huisuanzhang Holding, to acquire an aggregate of 5,445,237 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options (the “Assumptions”). Save as disclosed above, no [REDACTED] Share Options were granted to other connected persons of the Company.

As of the Latest Practicable Date, [REDACTED] Share Options corresponding to an aggregate of 2,882,333 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been exercised, representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] based on the Assumptions. These [REDACTED] Share Options were granted to (i) one Director and two other senior management members with respect to 2,623,337 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), (ii) three other employees of our Group with respect to 182,073 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

(iii) one former employee of our Group with respect to 76,923 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), respectively. No other [REDACTED] Share Options will be exercised before and upon [REDACTED].

In addition, as of the Latest Practicable Date, [REDACTED] Share Options corresponding to an aggregate of 2,562,904 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) were still outstanding and unexercised, representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] based on the Assumptions. These [REDACTED] Share Options were granted to (i) three Directors and one other senior management member with respect to 1,259,674 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), (ii) 160 other employees of our Group with respect to 1,143,748 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), and (iii) 46 other grantees with respect to 159,482 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), respectively.

For further details of our [REDACTED] Share Option Plan, see “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan.”

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) since the [REDACTED] Share Options were granted to a total of 214 grantees involved, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the document will require substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED] public and would significantly increase the cost and timing for information compilation and, preparation and printing of this document. For example, we would need to collect and verify the addresses of over 200 individuals to meet the disclosure requirement. Further, the disclosure of the personal details of the grantees, including their names, addresses and the number of [REDACTED] Share Options granted, may require obtaining consents from each of the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (b) the key information of the outstanding [REDACTED] Share Options granted to the Directors, senior management members and connected persons of our Company has already been disclosed in “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan;”
- (c) the key information of the [REDACTED] Share Option Plan in this document, including (i) a summary of the latest terms of the [REDACTED] Share Option Plan, (ii) the aggregate number of Shares subject to the [REDACTED] Share Options and the percentage of our Shares of which such number represents, (iii) the aggregate number of grantees subject to the [REDACTED] Share Option Plan, (iv) the consideration paid for the grant of the [REDACTED] Share Options, (v) the exercise period and the exercise price for the outstanding [REDACTED] Share Options, and (vi) the dilution effect and impact on earnings per Share upon full exercise of the outstanding [REDACTED] Share Options, is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share arising from the [REDACTED] Share Options granted in their investment decision making process. The above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Chapter 3.6 of the Guide for New Listing Applicants;
- (d) with respect to the grantees other than the Directors, senior management members and connected persons of our Company, the number of Shares (representing only approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED], without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options) underlying the outstanding [REDACTED] Share Options granted to them is not material in the circumstances of our Company, and the exercise in full of such [REDACTED] Share Options will not cause any material adverse change in the financial position of our Company;
- (e) the lack of full compliance with such disclosure requirements will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the [REDACTED] public. Strict adherence to the disclosure requirements, including to disclose the names, addresses and entitlements on an individual basis of all grantees without reflecting the materiality of the information does not provide any additional meaningful information to the [REDACTED] public; and
- (f) the full disclosure of the details of the grantees (including their names and addresses) as well as the [REDACTED] Share Options granted to each of them, would provide the Group’s competitors with our Group’s employees’ compensation details and facilitate their soliciting activities which could adversely impact our Group’s ability to recruit and retain valuable personnel.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the [REDACTED] public.

The Stock Exchange [has granted] us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules on the conditions that:

- (a) the following information will be clearly disclosed in this document:
 - i. on individual basis, full details of all the outstanding [REDACTED] Share Options granted by our Company to each of the Directors, senior management members and connected persons of the Group, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules;
 - ii. in respect of the outstanding [REDACTED] Share Options granted by our Company to the grantees other than those referred to in sub-paragraph (i) above:
 - a. the aggregate number of the grantees and the number of Shares subject to the [REDACTED] Share Options;
 - b. the consideration paid for and the date of the grant of the [REDACTED] Share Options; and
 - c. the exercise period and the exercise price for the [REDACTED] Share Options;
 - iii. the dilution effect and impact on earnings per Share upon full exercise of the outstanding [REDACTED] Share Options granted;
 - iv. the aggregate number of Shares subject to the outstanding [REDACTED] Share Options granted by our Company and the percentage of our Company's issued share capital of which such number represents;
 - v. a summary of the [REDACTED] Share Option Plan;
 - vi. the particulars of the waiver;
 - vii. the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (b) the list of all the grantees (including the persons referred to in paragraph (a)ii above), containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and on Display.”

The SFC [has agreed] to grant to our Company a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of all the outstanding [REDACTED] Share Options granted to each of the Directors, senior management members and connected persons of the Group, be disclosed in this document, and such details include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the outstanding [REDACTED] Share Options granted by our Company to the grantees other than those referred to in sub-paragraph (a), the following details be disclosed in this document:
- i. the aggregate number of the grantees and the number of Shares subject to the [REDACTED] Share Options;
 - ii. the consideration paid for the grant of the [REDACTED] Share Options; and
 - iii. the exercise period and the exercise price for the [REDACTED] Share Options;
- (c) a list of all the grantees (including the persons referred to in sub-paragraph (b) above) who have been granted [REDACTED] Share Options to subscribe for Shares, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and on Display;” and
- (d) the particulars of the exemption be disclosed in this document and that this document will be issued on or before [REDACTED].

See “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan” for further details.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. ZHANG Shugang (張述剛)	Room 1402, No. 11, Zhiyi, Haile Road Tianhe District, Guangzhou City Guangdong Province PRC	Chinese
Mr. ZHANG Mingqi (張明淇)	Room 303, No. 2 Lane 177, Qiheng Road Pudong New Area Shanghai PRC	Chinese
Mr. TIAN Li (田里)	Room 701, Unit 2 No. 3, Sunshine Shinkansen Datun Street Chaoyang District Beijing PRC	Chinese
<i>Non-executive Directors</i>		
Mr. JIANG Wen (蔣文)	Room 311, Building 5 Yueyuan Three Village Xuanwu District, Nanjing City Jiangsu Province PRC	Chinese
Mr. WANG Baoqing (王葆青)	Room 2602, Building 8 No. 1666, West Jiuzhou Avenue Xiangzhou District, Zhuhai City Guangdong Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. WEI Chenyang (魏晨陽)	No. 302, Door 4, 1/F Xiaoxia Dongli Haidian District Beijing PRC	Chinese
Mr. ZHANG Ping (張平)	Room 1605, No. 7 Sanlihe Area Two Xicheng District Beijing PRC	Chinese
Mr. CHAU Kwok Keung (鄒國強)	Flat B, 9/F, Block 2 Royal Peninsula 8 Hung Lai Road Hung Hom, Kowloon Hong Kong	Chinese (Hong Kong)
Mr. LIAO Pin-Chao (廖彬超)	Room 1-301, Dormitory 20 Tsinghua University Haidian District Beijing PRC	Chinese (Taiwan)

For further information regarding our Directors, see “Directors and Senior Management.”

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor **CITIC Securities (Hong Kong) Limited**
18/F, One Pacific Place
88 Queensway
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisors to our Company

As to Hong Kong Laws

Tian Yuan Law Firm LLP

Suites 3304–3309, 33/F

Jardine House

One Connaught Place

Central, Hong Kong

As to Cayman Islands laws

Harney Westwood & Riegels

3501 The Center

99 Queen’s Road Central

Central, Hong Kong

As to PRC laws

Haiwen & Partners

20/F, Fortune Financial Centre

5 Dong San Huan Central Road

Chaoyang District, Beijing

PRC

As to PRC laws in respect of data compliance

Global Law Office

15 Tower 1

China Central Place

No. 81 Jianguo Road

Chaoyang District, Beijing

PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal Advisors to the Sole Sponsor and
[REDACTED]**

As to Hong Kong Laws
Ashurst Hong Kong
43/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC laws
Commerce & Finance Law Offices
12–14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Chaoyang District, Beijing
PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Compliance Adviser

Lego Corporate Finance Limited
Room 1601, 16/F
China Building
29 Queen's Road Central
Central
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.**
Suite 2504
Wheelock Square
1717 Nanjing West Road
Shanghai, PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters in the PRC	8/F, China Electronics Information Building No. 6 Zhongguancun South Street Haidian District, Beijing PRC
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	<u>www.satp.com.cn</u> <i>(the information contained on the website does not form part of this document)</i>
Joint Company Secretaries	Ms. LUO Yuan (羅媛) Room 304, Unit 3, Building 11 No. 125, Xinxing 2nd Road Changzhou District, Wuzhou Guangxi Zhuang Autonomous Region PRC Ms. YEUNG Siu Wai Kitty (楊小慧) (ACG, HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Mr. ZHANG Shugang (張述剛) Room 1007, No. 529 Machang Road, Tianhe District Guangzhou City Guangdong Province PRC Ms. YEUNG Siu Wai Kitty (楊小慧) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. CHAU Kwok Keung (鄒國強) (*Chairman*)
Mr. ZHANG Ping (張平)
Mr. WANG Baoqing (王葆青)

Remuneration Committee

Mr. ZHANG Ping (張平) (*Chairman*)
Mr. CHAU Kwok Keung (鄒國強)
Mr. ZHANG Shugang (張述剛)

Nomination Committee

Mr. ZHANG Shugang (張述剛) (*Chairman*)
Mr. LIAO Pin-Chao (廖彬超)
Mr. ZHANG Ping (張平)

[REDACTED]

Principal Banks

China Merchants Bank
Beijing Shuangyushu Sub-branch
1/F, Ligong Science & Technology Building
No. 9 Zhongguancun South Street
Haidian District
Beijing, China

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Zheshang Bank
Shanghai Branch
No. 567
Weihai Road
Jing'an District
Shanghai, China

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report. The information from official governmental sources has not been independently verified by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties (other than Frost & Sullivan) involved in the [REDACTED], and no representation is given as to the accuracy. For discussions of risks relating to our industry, please see “Risk Factors — Risks Relating to Our Business and Industry.”

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an Independent Third Party, to conduct a study of China’s SMB finance and taxation solution industry. We agreed to pay Frost & Sullivan a fee of USD94,600 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has over 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with leading industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan’s own database.

BASIS AND ASSUMPTION

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China’s economy is likely to maintain steady growth in the next decade; (ii) China’s social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers like the growing number of SMBs, increasing demand for efficient external services for finance and taxation compliance, government policies encouraging SMBs to seek professional finance and taxation solution, and rising demand for operating and management digitalization, automation and efficiency are likely to drive the SMB finance and taxation solution industry.

DIRECTORS’ CONFIRMATION

After making reasonable inquiries, our Directors confirm that, to the best of their knowledge, there has been no detrimental change in the market information demonstrated in the Frost & Sullivan Report since the date of the report that may qualify, contradict or have an impact on the information in this document.

INDUSTRY OVERVIEW

ANALYSIS OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

SMB finance and taxation solution industry in China is a rapidly developing sector that provides comprehensive finance and taxation solutions for small and medium businesses, encompassing accounting, invoicing, tax compliance, and financial management. Market size of this industry reached RMB115.1 billion in 2023.

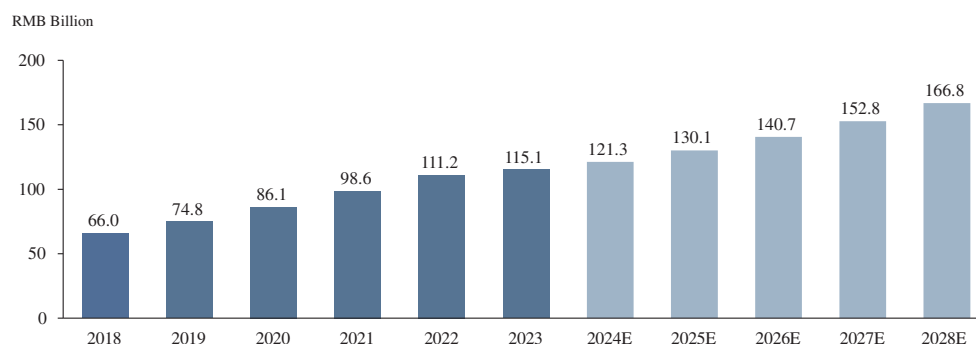
Approximately 80% SMBs in China do not have relatively comprehensive in-house finance and taxation functions and lack the financial resources and expertise to manage complex financial work, due to their limited business scale. Every business is required by the applicable laws and regulations to maintain accurate books and records. Therefore, these SMBs have to rely on third-party finance and taxation solution providers, who assist SMBs with financial tasks such as bookkeeping and tax filing, as well as business administration services. By outsourcing these tasks to third-party solution providers, SMBs can manage the aforementioned financial work in a cost-effective manner. In recent years, leading finance and taxation solution providers start to offer advanced and comprehensive solutions, for financial management improvement, and operating cost reduction, etc. The growing demands for SMB finance and taxation solutions resulted in a sizable underserved market, which is highly fragmented with around 80,000 market players.

MARKET SIZE OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

China’s SMB finance and taxation solution industry has witnessed significant growth in recent years, increasing from RMB66.0 billion in 2018 to RMB115.1 billion in 2023 at a CAGR of 11.8% from 2018 to 2023. This growth was attributable to the growing number of SMBs in China, increasing demand for efficient external services for financial and tax compliance, government policies encouraging SMBs to seek professional finance and taxation solution, and their rising demand for digitalization, automation and efficiency.

China’s SMB finance and taxation solution industry is expected to continue its growth trajectory, reaching RMB166.8 billion in 2028 with a projected CAGR of 7.7% from 2023 to 2028. This growth is expected to be driven by technological advancements, regulatory reforms, and the increasing recognition of the importance of sound financial and taxation management for business success.

Market Size of SMB Finance and Taxation Solution in China, 2018-2028E



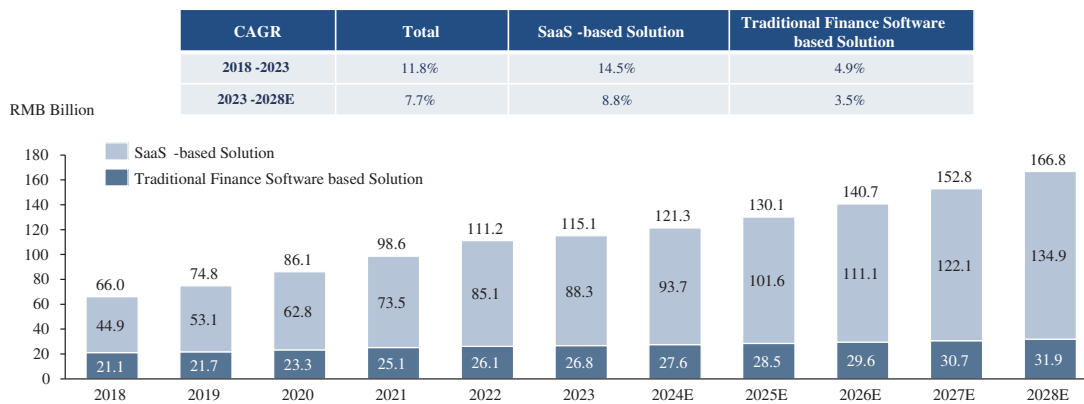
Sources: SAMR, Frost & Sullivan

INDUSTRY OVERVIEW

SaaS systems have played a significant role in the transition from traditional paper-based accounting to digital accounting in China’s SMB finance and taxation solution industry. This transition has reduced the risk of errors and fraud while improving efficiency and productivity. SaaS-based solutions are cost-effective and efficient, allowing solution providers to manage the finances of enterprises more accurately and eliminating the need for costly IT infrastructure and dedicated staff.

The market size of SaaS-based solutions in China’s SMB finance and taxation solution industry has grown from RMB44.9 billion in 2018 to RMB88.3 billion in 2023, with a CAGR of 14.5% from 2018 to 2023. The penetration rate of SaaS-based solutions was 76.7% in 2023. With the ongoing development of big data and artificial intelligence, and the increasing demand for efficient and automated solutions, the market size of SaaS-based solutions in China’s SMB finance and taxation solution industry is expected to reach RMB134.9 billion in 2028, with a projected CAGR of 8.8% from 2023 to 2028.

Market Size of SMB Finance and Taxation Solution in China, Breakdown by Type of Solution, 2018-2028E



Source: Frost & Sullivan

The integration of business, finance and taxation centralizes the management of business operation and financial data, avoiding duplicate entry and improving processing efficiency, as well as reducing labor and time costs, and lowering enterprises’ operation costs. In addition, it can provide enterprises with better data support and analysis capability, and promote their business innovation and development. In recent years, these services are provided by leading solution providers as the advanced and comprehensive solutions. In 2023, the revenue of SMB finance and taxation solution in China was around RMB115.1 billion. However, the TAM for the advanced and comprehensive solutions, such as comprehensive operational management services and managerial accounting services, which represents the maximum market size that could potentially be captured if all the SMBs in China were to use these solutions, would be approximately RMB167.5 billion in 2023. This indicates a significant growth potential for the industry.

INDUSTRY OVERVIEW

MARKET DRIVERS ANALYSIS OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

Growing Number of SMBs: The steady economic growth in China has led to a robust increase in the number of SMBs. This growth has, in turn, driven a surge in demand for finance and taxation solutions to enhance financial and taxation quality, improve internal control, and ensure business sustainability. The number of SMBs in China has grown from 34.2 million in 2018 to 54.9 million in 2023, at a CAGR of 9.9% from 2018 to 2023, and is forecasted to reach 74.7 million in 2028, at a projected CAGR of 6.4% from 2023 to 2028. This expanding base of potential SMB customers is expected to fuel the market in the future.

Increasing Demand for Efficient External Services for Financial and Tax Compliance: SMBs often struggle with managing their financial and tax compliance requirements due to limited professional knowledge and high costs of hiring expertise. The average cost to hire and retain an accounting and tax professional is around RMB100,000 to RMB150,000 per year, while the average annual salary in China has increased at a CAGR of 8.2% from 2018 to 2023. Additionally, many SMBs lack digital capabilities, making it difficult for them to automate financial and tax-related processes. These challenges create a significant demand for high-quality external services to help SMBs meet their finance and taxation compliance obligations.

Government Policies Encouraging SMBs to Seek Professional Finance and Taxation Solution: The Chinese government has issued several policies to facilitate the development of the finance and taxation solution industry, particularly for small enterprises. These policies, such as the Accounting Standard for Small Enterprises (《小企業會計準則》) issued in 2011 and the Opinions of the State Council on Supporting the Sound Development of Micro and Small Enterprises (《國務院關於扶持小型微型企業健康發展的意見》) issued in 2014, regulate accounting practices and encourage SMBs to seek professional finance and taxation advice and services. The amendment to the Accounting Law of the PRC (《中華人民共和國會計法》) mandates that organizations and enterprises without accounting departments should commission a professional third-party service provider for bookkeeping. These policies are expected to promote the stable development of the finance and taxation solution industry. Furthermore, the implementation of the Golden Tax System (Phase IV) (金稅四期) encourages SMBs to manage financial data based on operating scenarios instead of invoices, requiring higher standards for finance and taxation standardization and system intelligence for SMBs. Due to the launch of the Golden Tax System (Phase IV) and increased awareness of compliance, SMBs are more willing to seek professional finance and taxation solution providers and spend more budget on their services.

Rising SMBs’ Demand for Digitalization, Automation and Efficiency: As SMBs grow, so does the complexity of their financial and tax compliance management. This complexity has led to a demand for efficient, automated solutions that ensure accuracy. The recent pandemic has accelerated the digital transformation of Chinese enterprises, with finance and taxation being a key focus area. This growing demand for digitalization, automation, and efficiency is expected to drive the adoption of SaaS-based SMB finance and taxation solution among SMBs in China.

INDUSTRY OVERVIEW

FUTURE TRENDS ANALYSIS OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

Technological Innovations will Further Improve Efficiency and Quality of the Industry.

The integration of big data, AI and other emerging technologies is set to revolutionize the industry. These technologies can reduce labor costs, enhance workforce efficiency, improve data accuracy, and ensure business timeliness. An increasing number of finance and taxation solution providers would strengthen their research and development specialists by utilizing new technologies and integrating their comprehensive solutions into one intelligent system in order to enhance efficiency.

National Taxation Informatization Stimulate the Demands for Advanced and Comprehensive SMB Finance and Taxation Solutions. The integration of business, finance and taxation (業財稅一體化) is anticipated to be a significant trend in the SMB finance and taxation solution industry. This trend is driven by the implementation of the “Golden Tax System (Phase IV) (金稅四期),” technological advancements, and the evolving macroeconomic and social environment. This integration aims to centralize the management of business, financial, and taxation data within SMBs. By doing so, it eliminates the need for duplicate data entry, thereby improving processing efficiency. This not only reduces labor and time costs, but also lowers the overall operational cost for enterprises. Moreover, the integrated approach provides enterprises with robust data support and analytical capabilities, allowing for better informed decision-making, which in turn propel business innovation and development. In the context of this trend, SaaS systems with budgeting, business analysis, and transaction matching capabilities are expected to become increasingly powerful. These systems can provide automated, intelligent, and efficient solutions, making financial management more accessible for SMBs. They can also address data security concerns, ensuring that businesses’ financial and tax data are well-protected.

Leading Service Providers are Likely to Strengthen their Market Position and Increase Industry Concentration. Service providers with stronger brand recognition, reputation, and a large customer base are poised to gain a larger market share. These leading providers may consolidate their market position through mergers and acquisitions, stronger R&D team, benefiting from larger operational scales, resource consolidation, expanded customer base, and increased market shares. A number of mergers and acquisitions of leading players in the SMB finance and taxation solution industry occurred over the past few years, and it is expected that leading players will continue to increase their market share through mergers and acquisitions and consolidate their competitive advantage in the future. In a competitive business environment, brand recognition and reputation are key to attracting and retaining customers, providing a competitive edge in the market.

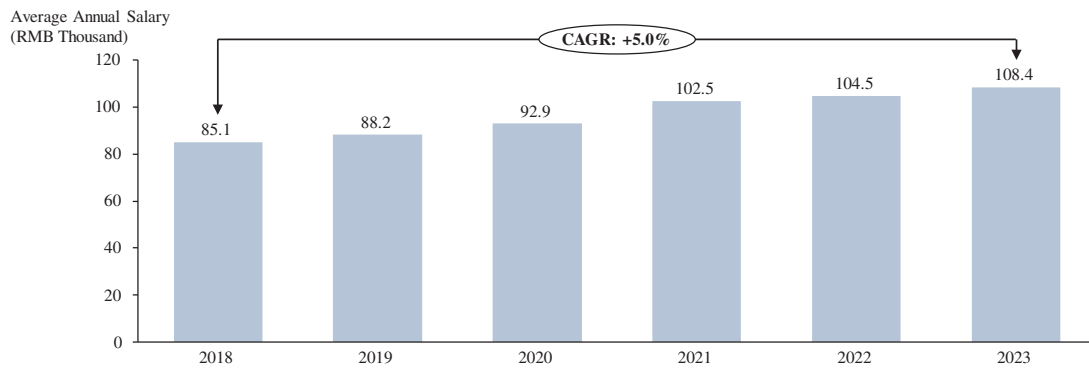
COST ANALYSIS OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

Human resource cost usually accounts for the largest component of the total cost of market players in the SMB finance and taxation solution industry in China. With the development of China’s economy and the rise of CPI, the overall income of Chinese people has witnessed a rising trend in the past few years. Accordingly, the average annual salary of employees in the business service industry in China has also increased from RMB85,100 in 2018 to RMB108,400 in 2023, representing a CAGR of 5.0%. As a sub-industry segment, the salary of employees in the finance

INDUSTRY OVERVIEW

and taxation industry also experienced continuous increase. The cost for hiring accounting and tax professionals reached RMB100,000 to RMB150,000 per year in 2023. Going forward, in line with the development of the macroeconomy and service industry, the average annual salary of employees in the business service industry, especially the finance and taxation industry, is likely to keep growing.

Average Annual Salary of Employees in the Business Service Industry in China, 2018-2023



Sources: National Bureau of Statistics, Frost & Sullivan

COMPETITIVE LANDSCAPE OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

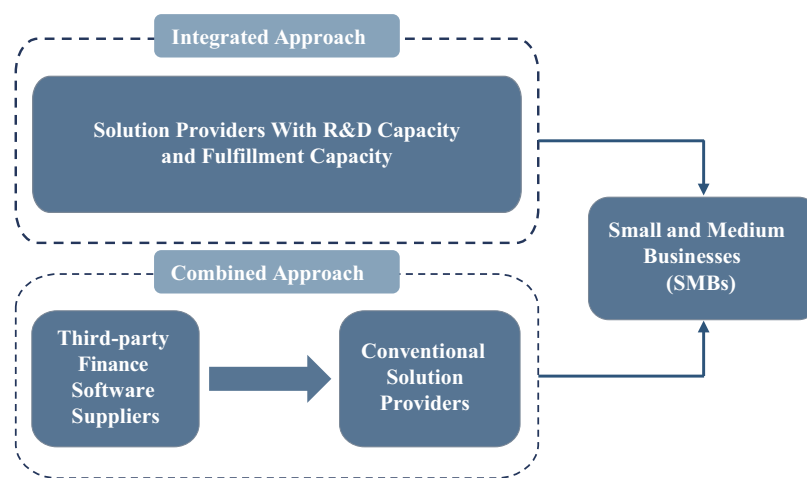
China’s SMB finance and taxation solution industry is highly fragmented with around 80,000 companies in this industry. Major players in SMB finance and taxation industry can generally be divided into the following two approaches.

- **Integrated approach.** Market players who offer solutions through an integrated approach possess in-house research and development capabilities and fulfillment capacity, and are able to develop SaaS systems independently. They typically serve customers directly, tackling SMB’s challenges in finance and taxation on the frontline. By leveraging abundant data accumulated during their daily operations, these solutions providers are in a better position to apply technological innovations to update and refine their SaaS system and ultimately bolster efficiency. However, market players which intend to offer their solutions through the integrated approach face entry barriers such as significant upfront and continuous research and development investment as well as established brand awareness.

INDUSTRY OVERVIEW

- *Combined approach.* Market players who offer solutions through a combined approach include either conventional solution providers who do not possess in-house research and development capabilities, or third-party finance software providers. The latter can be further categorized as SaaS-based finance software providers or traditional finance software providers. Conventional solution providers face challenges in achieving ideal efficiency as they rely on third-party finance software providers to facilitate their fulfillment process. Third-party finance software providers, on the contrary, often lack direct interaction with customers and have trouble in accumulating data required for iteration. Most solution providers in SMB finance and taxation solution industry fall into this category due to lower entry barriers.

Business Model of SMB Finance and Taxation Solution Industry in China



In 2023, the top five companies in China’s SMB finance and taxation solution industry accounted for approximately 0.84% of the total market size, with an aggregated revenue of RMB0.99 billion. In 2023, the Company’s revenue reached RMB0.54 billion, contributing to 0.5% of total China’s SMB finance and taxation solution industry, ranked first, and nearly four times of the size of the second market player.

Market players in the industry would usually expand their business presence by the following key matrix: (i) catering to SMBs from a wider range of industries; (ii) pursuing strategic acquisitions of service agreements from other market participants; and (iii) providing advanced and comprehensive solutions for SMBs, such as managerial accounting and operational management services, etc.

INDUSTRY OVERVIEW

Ranking of Top Five SMB Finance and Taxation Solution Providers in China, 2023

Rank	Company	Identities or Background	Revenue (RMB in billions)	Market Share (%)
1	The Company	/	0.54	0.5%
2	Company A	Established in 2015, this company is a non-listed company and is a third-party software supplier. Headquartered in Nanjing, Jiangsu province, this company dedicated to providing SMBs with financial and taxation management tools, through the system to integrate the process of enterprise bookkeeping, tax filing and tax payment into one, and at the same time can automatically capture electronic bills, and financial processing.	0.16	0.1%
3	Company B	Established in 2006, this company is a non-listed company and is a solution provider with R&D capacity and fulfillment capacity. Headquartered in Chongqing, this company focuses on using technologies to intelligently match the service demands of enterprise clients with the skills of service providers and facilitate the transactions between enterprise clients and service providers through its platform, covering smart business, finance and taxation services, smart intellectual property rights services and smart technology consultancy services, etc.	0.14	0.1%
4	Company C	Established in 1998, this company is a non-listed company and is a conventional solution provider. Headquartered in Beijing, this company has developed into a comprehensive financial and taxation solution service platform for small and medium-sized enterprises covering accounting and bookkeeping services, business registration services, business management consulting services, etc.	0.10	0.1%
5	Company D	Established in 1993, this company is a subsidiary of a listed company on HKEX and is a third-party software supplier. Headquartered in Shenzhen, this company provides SaaS-based finance and taxation software that provides businesses with a variety of functions such as accounting, financial management, and tax reporting . It supports a variety of industries and business sizes, and can meet the different needs of enterprises.	0.05	0.04%
Top Five Subtotal			0.99	0.84%
Others			114.11	99.16%
Total			115.1	100.0%

Sources: Annual report of listed companies, Frost & Sullivan

The table below sets forth background information of the top competitors listed above:

Company	Background	Headquarter location	Registered capital <i>(RMB in millions)</i>	Years of establishment	Cities covered	Listing status	Total employees
Company A	Company A dedicates to providing SMBs with financial and taxation management tools, through the system to integrate the process of enterprise bookkeeping, tax filing and tax payment into one, and at the same time can automatically capture electronic bills, and financial processing.	Nanjing, Jiangsu Province	~50	2015	~400	Non-listed	~700

INDUSTRY OVERVIEW

Company	Background	Headquarter location	Registered capital <i>(RMB in millions)</i>	Years of establishment	Cities covered	Listing status	Total employees
Company B	Company B focuses on using technologies to intelligently match the service demands of enterprise clients with the skills of service providers and facilitate the transactions between enterprise clients and service providers through its platform, covering smart business, finance and taxation services, smart intellectual property rights services and smart technology consultancy services, etc.	Chongqing	~360	2006	~150	Non-listed	~300
Company C	Company C focuses on developing a comprehensive financial and taxation solution service platform for small and medium-sized enterprises covering accounting and bookkeeping services, business registration services, business management consulting services, etc.	Beijing	~1	1998	1 (Beijing)	Non-listed	~440
Company D	Company D provides SaaS-based finance and taxation software that provides businesses with a variety of functions such as accounting, financial management, and tax reporting. It supports a variety of industries and business sizes, and can meet the different needs of enterprises.	Shenzhen	~30	1993	~330	Subsidiary of a listed company	<100

ENTRY BARRIERS OF CHINA’S SMB FINANCE AND TAXATION SOLUTION INDUSTRY

Brand Recognition: In the SMB finance and taxation industry, trust and reputation are paramount. SMBs need to be confident that their service providers can handle their financial data securely and provide accurate and reliable services. Building a strong reputation takes time and needs a proven track record of delivering high-quality services. New entrants may find it challenging to gain the trust of potential clients, especially in a market dominated by established players with strong brand recognition.

INDUSTRY OVERVIEW

Customer Loyalty: The SMB finance and taxation solution industry in China is highly competitive, with numerous providers offering similar services. New entrants may find it difficult to differentiate their services and gain a foothold in the market. They need to identify unique value propositions and niche markets to avoid direct competition with established players. Established players often have long-standing relationships with SMBs and may have exclusive contracts or preferred vendor status. New entrants need to invest in marketing and sales efforts to attract clients, which can be a significant cost and effort.

R&D Capability: The industry is increasingly leveraging advanced technologies such as AI, big data analytics, and cloud-based SaaS platforms. Developing or implementing these technologies requires significant technical expertise and resources. Companies must stay abreast of technological advancements and invest heavily in R&D to develop innovative solutions that meet the evolving needs of SMBs. All of these can require substantial capital investment. This includes costs associated with technology development, infrastructure setup, hiring and training staff, and regulatory compliance.

Qualified Fulfilment Team: The industry requires a high level of professional knowledge and expertise in finance, taxation, and related fields. Companies need to hire qualified professionals, such as CPAs and tax experts, who understand the complexities of China’s financial and tax system. The competition for such talent can be intense, and attracting and retaining these professionals can be costly. Moreover, China’s tax policies can change frequently, and companies need to stay updated on these changes to ensure their services remain compliant. This requires ongoing investment in training and knowledge management. Companies that fail to keep up with these changes risk providing outdated or non-compliant services, which can harm their reputation and result in penalties.

REGULATORY OVERVIEW

Regulations on Foreign Investment

Regulations on Company Establishment and Foreign Investment

The incorporation, operation and management of corporate entities in the PRC is governed by the *PRC Company Law* (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was issued by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 1993, latest revised and became effective on October 26, 2018. Limited liability companies and stock limited companies established in the PRC shall be subject to the PRC Company Law. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

In addition, foreign-invested companies in the PRC are subject to the foreign investment laws and regulations including the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》), which was adopted by the National People’s Congress of the PRC (the “**NPC**”) on March 15, 2019 and came into effect on January 1, 2020, and the *Implementing Rules of the Foreign Investment Law* (《中華人民共和國外商投資法實施條例》), the “**Implementing Rules**”), which was promulgated by the State Council of the PRC (the “**State Council**”) on December 26, 2019 and came into effect on January 1, 2020. The Foreign Investment Law and the Implementing Rules replaced the *Law of the PRC on Sino-foreign Equity Joint Ventures* (《中華人民共和國中外合資經營企業法》), the *Law of the PRC on Wholly Foreign-owned Enterprises* (《中華人民共和國外資企業法》), the *Law of the PRC on Sino-foreign Cooperative Joint Ventures* (《中華人民共和國中外合作經營企業法》) and their respective implementing rules.

The *Foreign Investment Law of the PRC* provides that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investments, where “pre-entry national treatment” refers to that the treatment granted to foreign investors and their investments at market access stage shall be no less favorable than that granted to domestic investors and their investments, and “negative list” refers to the special administrative measures for foreign investors’ access to specific fields or industries in the PRC. Foreign investments beyond the negative list shall be granted national treatment.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the *Measures on the Security Review of Foreign Investment* (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) will be established under the NDRC, who will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields

REGULATORY OVERVIEW

relating to national security, and obtain control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target even when it holds less than 50% equity interests in the target, or (iii) has material impact on target’s business decisions, human resources, accounting and technology.

The Negative List and the Encouraging Catalog for Guiding Foreign Investment

Investment activities in the PRC by foreign investors and foreign-invested enterprises shall comply with the *Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version)* (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”) effective from January 1, 2022 and the *Catalog of Industries for Encouraging Foreign Investment (2022 Version)* (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraging Catalog**”) effective from January 1, 2023 which were promulgated by the NDRC and the MOFCOM. The Negative List and the Encouraging Catalog totally replaces the *Catalog for the Guidance of Foreign Investment Industries* (《外商投資產業指導目錄》) first issued in 1995 and amended from time to time. Pursuant to the Encouraging Catalog and the Negative List, foreign-invested projects are categorized as encouraged, restricted and prohibited. Industries that are not listed in either the Encouraging List or the Negative List are generally deemed as falling into the category of “permitted” unless otherwise provided in the PRC laws.

Regulations on SaaS-Based Solutions

Regulations on Computer Software

In accordance with the *Regulations on the Protection of Computer Software* (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and last amended on January 30, 2013, Chinese citizens, legal persons or other entities own the copyright in software developed by them, including the right of publication, right of authorship, right of modification, right of reproduction, distribution right, rental right, right of communication through network, translation right and other rights that software copyright owners shall have, regardless of whether such software has been published.

Pursuant to the *Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on April 6, 1992 and last amended on February 20, 2002 software copyrights, exclusive licensing contracts for software copyrights and software copyright transfer contracts may be registered, and the National Copyright Administration shall be the competent authority for the administration of software copyright registration and designates the Copyright Protection Center of China as a software registration authority. The Copyright Protection Center of China shall grant a registration certification to a computer software copyright applicant who complies with regulations.

The *Several Policies on Further Encouraging the Development of the Software and the Integrated Circuit Industries* (《進一步鼓勵軟件產業和集成電路產業發展的若干政策》) which was promulgated by the State Council on January 28, 2011 and came into effect on the same date specifies a series of policies on tax preference, promotion of investment, scientific research, talent

REGULATORY OVERVIEW

support, intellectual properties for the software industry. Furthermore, the *Several Policies on Promoting the High-quality Development of the Integrated Circuit Industries and the Software Industries in the New Era* (《新時期促進集成電路產業和軟件產業高質量發展若干政策》) which was promulgated by the State Council on July 27, 2020 and came into effect on the same date sets forth further policies on tax preference, promotion of investment, research and development, import and export, talent support, intellectual properties for the software industry.

Regulations on Bookkeeping Services

Pursuant to the *PRC Civil Code* (《中華人民共和國民法典》) issued by the NPC on May 28, 2020, a civil subject may perform civil juristic acts through agents. Civil juristic acts that shall be performed by a principal himself or herself pursuant to legal provisions or an agreement between the parties or the nature of such civil juristic acts, shall not be performed through an agent. All acts of agency shall comply with the provisions of the Civil Code.

In accordance with the *Accounting Law of the PRC* (《中華人民共和國會計法》) amended by the NPC on November 4, 2017, State agencies, social organizations, companies, enterprises, institutions and other organizations shall set up an accounting organization based on the requirements of accounting business, or create accounting personnel positions in the relevant department and appoint an accounting officer; an organization which is not equipped to set up an accounting organization shall entrust an intermediary established with approval to provide bookkeeping agent services, to handle the organization’s bookkeeping matters.

On January 22, 2005, the Ministry of Finance (the “MOF”) issued the *Administrative Measures on Bookkeeping Agencies* (《代理記賬管理辦法》), which were amended on March 14, 2019. The *Administrative Measures on Bookkeeping Agencies* stipulate that other than accounting firms, establishment of bookkeeping agencies shall be approved by the finance authorities of People’s Governments of county level and above and a bookkeeping agency permit printed by the MOF shall be obtained. The specific examination and approval authorities shall be determined by the finance authorities of the People’s Governments of provinces, autonomous regions, centrally administered municipalities and municipalities with unilateral planning. Accounting firms and their branches may provide bookkeeping services pursuant to the law. In the event of establishment of branch of a bookkeeping agency, the branch shall promptly complete filing formalities with the examination and approval authorities at its locality.

On November 8, 2023, the MOF issued the *Rules for the Basic Agency Bookkeeping Work (for Trial Implementation)* (《代理記賬基礎工作規範(試行)》) and taking effect from January 1, 2024. It stipulated that bookkeeping agencies shall improve the level of standardization of the agency bookkeeping business, ensure the quality of accounting information, and perform at a minimum the following basic procedures: business undertaking, work plan, materials handover, accounting, quality control, and archives administration, among others. Bookkeeping agencies are subject to more specific compliance requirements under each procedure in accordance with such rules.

REGULATORY OVERVIEW

Regulations on Taxation Services

According to the *Announcement of the State Administration of Taxation on Promulgation of the Measures on Regulation of Professional Tax-related Services (Trial Implementation)* (《涉稅專業服務監管辦法(試行)》), which was issued by the State Taxation Administration (the “STA”) on May 5, 2017 and amended on December 27, 2019, professional tax-related services organizations engaging in tax-related businesses shall comply with tax laws, regulations and the relevant tax provisions, and adhere to business norms for professional tax-related services. Various tax-related reports and documents issued by a professional tax-related services organization for the entrusting party shall be retained by both parties for future inspection; where the tax laws and regulations and the State Taxation Administration stipulate that the report or document is required to be submitted, the report or document shall be submitted to the tax authorities.

According to the *Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Further Deepening the Reform of Tax Collection and Administration* (中共中央辦公廳國務院辦公廳關於進一步深化稅收徵管改革的意見), which was issued and came into effect on March 24, 2021, to accelerate the development of intelligent taxation, it is imperative to make full use of modern information technologies such as big data, cloud computing, artificial intelligence and mobile Internet, strive to promote the aggregation and connection of internal and external tax-related data as well as online and offline connection organically, drive innovation of tax law enforcement, service and regulation systems and business reform and further optimize organizational systems and resource allocation.

According to the *Notice of the State Administration of Taxation on Further Promoting the Normative Development of Professional Tax-Related Services Industry* (國家稅務總局關於進一步促進涉稅專業服務行業規範發展的通知), which was issued by the SAT on June 20, 2023 and came into effect on the same date, one of the major measure of promoting the normative development of professional tax-related services industry is to optimize support services for tax-related professional service industries by improving the training and guidance of tax-related professional services, providing convenience for tax-related professional services, making full use of tax-related professional service institutions and their practitioners as a bridge of communication between taxpayers and tax authorities, etc.

Regulations on Professional Services

Regulations on Consultation Services

Business Registration Services

According to the *Implementing Rules for the Administrative Regulation of the People’s Republic of China on the Registration of Market Entities* (《中華人民共和國市場主體登記管理條例實施細則》), which was issued by SAMR on March 1, 2022, an applicant may handle registration and record-filing matters for a market entity on its own or designate a representative or an entrusted agent to handle such matters. In addition, persons who are or should be aware that an applicant has submitted false materials or adopted other fraudulent means to conceal important

REGULATORY OVERVIEW

facts to carry out registration of a market entity but still accept entrustment to complete the formalities on behalf of the applicant, or assist it in completing false registration, the registration authority shall confiscate the illegal income and impose a fine of less than RMB100,000 on them.

Qualification-related Services

Pursuant to the *Trademark Law of the PRC* (《中華人民共和國商標法》), which was issued by the State Council and last amended on April 23, 2019 trademark registration or other trademark related matters could be entrusted to a trademark agency. Pursuant to the *Implementation Regulations of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》), which was issued by the State Council and last amended on April 29, 2014, a trademark agency engaging in trademark agency business governed by the Trademark Bureau and the Trademark Review and Adjudication Board shall file record with the Trademark Bureau pursuant to the following provisions: (i) submit for verification the registration proof documents issued by the administration for industry and commerce or approval document(s) of the judicial administrative authorities for establishment of the law firm, and retain photocopies; (ii) submit basic information such as, among other things, name, address, person-in-charge, and contact details of the trademark agency; and (iii) submit a name list of the practitioners of the trademark agency and their contact details.

According to the *Administrative Provisions on Supervision of Trademark Agency* (《商標代理監督管理規定》), which was issued by SAMR on October 27, 2022 and came into effect on December 1, 2022, to engage in trademark agency business under the jurisdiction of the China National Intellectual Property Administration (“CNIPA”), any trademark agency shall file with the CNIPA for the record pursuant to the law. Where a trademark agency engaging in trademark agency business fails to complete formalities for filing pursuant to the laws and regulations, the CNIPA shall circulate a notice of the case and record the matter in the credit file of the trademark agency.

In accordance with the *Interim Regulation on Human Resources Market* (《人力資源市場暫行條例》) promulgated by the State Council on June 29, 2018, which provides that human resources service include public human resources service institutions established by the governments and for-profit human resources service institutions engaging in business activities of human resources services. For-profit human resources service institutions engaging in collection and dissemination of human resources supply and demand information, employment and entrepreneurship guidance, human resources management consulting, human resources evaluation, human resources training, undertaking outsourcing contracts of human resources services etc. shall complete filing formalities with the human resources and social security administrative authorities within 15 days from commencement of business.

REGULATORY OVERVIEW

Regulations on Matchmaking Services

Value-Added Telecommunications Services

The *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and the value-added telecommunications services (the “**VATS**”). According to the *Catalogue of Telecommunications Business* (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (the “**MII**”, which is the predecessor of Ministry of Industry and Information Technology of the PRC, the “**MIIT**”) and last amended by MIIT on June 6, 2019, Internet information services fall within the VATS.

The *Administrative Measures for Telecommunications Business Operating License* (《電信業務經營許可管理辦法》) with latest amendments becoming effective from September 1, 2017 set forth more specific provisions regarding the types of licenses required for value-added telecommunications services and the qualifications and procedures for obtaining such licenses. The value-added telecommunications services operators providing value-added services across multiple provinces are required to obtain inter-regional licenses from the MIIT, whereas value-added telecommunications services operators providing such services within a single province are required to obtain local licenses from the provincial level counterparts.

The *Administrative Measures on Internet Information Services* (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services and a commercial operator of Internet content provision services must obtain a VATS license for the provision of Internet information services from the appropriate telecommunications authorities.

Regulations on Direct Foreign Investment on Value-Added Telecommunication Industry

Foreign direct investment in telecommunications companies in the PRC was regulated by the *Regulations for Administration of Foreign-invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which became effective on February 6, 2016. The FITE Regulations requires foreign-invested telecommunications enterprises in the PRC, or the FITE, to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. In addition, the foreign investor of the FITE engaging in VATS must satisfy a number of stringent performance and operational experience requirements, including demonstrating a track record and experience in operating a value-added

REGULATORY OVERVIEW

telecommunications business overseas. The FITEs that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local branches, before launching the value-added telecommunications business in the PRC.

The State Council promulgated the *Decision of the State Council on Revising and Repealing Certain Administrative Regulations* (《國務院關於修改和廢止部分行政法規的決定》) on March 29, 2022, according to which the FITE Regulations was amended and has come into effect on May 1, 2022 (the “**New FITE Regulations**”). The New FITE Regulations only requires foreign investors shall not acquire more than 50% of the equity interest of such FITE, except as otherwise provided, and do not further require stringent performance and operational experience for foreign investor of such FITE engaging in value-added telecommunication services. The FITEs that meet these requirements must obtain approvals from the MIIT, before launching the value-added telecommunications business in the PRC.

According to the Negative List and the VATS-related regulations, the proportion of foreign investments in an entity engages in value-added telecommunications business limited to those that are opened up according to China’s WTO commitments (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

According to the *MIIT Circular on Removing Foreign Equity Ratio Restrictions on Online Data and Transaction Processing (Commercial E-Commerce) Business* (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》), promulgated by the MIIT on June 19, 2015, as well as the 2021 Negative List, foreign investors are allowed to hold up to 100% of all equity interest in an online data and transaction processing business (commercial e-commerce) in China. An e-commerce operator shall obtain a license for value-added telecommunications services with the specification of online data processing and transaction processing business (the “**EDI License**”) from appropriate telecommunications authorities, pursuant to the Telecommunications Regulations and the Catalog of Telecommunications Services.

The *Notice of the Ministry of Information Industry of the PRC (which is the predecessor of the MIIT) on Strengthening the Administration of Foreign Investment in and Operation of Value-Added Telecommunications Business* (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) issued on July 13, 2006 requires foreign investors investing in and operating value-added telecommunications services in the PRC to set up foreign-invested enterprises and obtain licenses for such services. It prohibits domestic companies holding value-added telecommunications services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors for their illegal operation of any telecommunications business in the PRC. In addition to restricting dealings with foreign investors, it contains a number of detailed requirements applicable to the operators of value-added telecommunications services, including that operators or their shareholders shall legally own the domain names and trademarks used in their daily operations and each operator must possess the necessary facilities for its approved business operations and maintain its facilities in the regions covered by its license.

REGULATORY OVERVIEW

According to the *Notice of the MIIT regarding the Strengthening of Ongoing and Post Administration of Foreign-Invested Telecommunications Enterprises* (《工業和信息化部關於加強外商投資電信企業事中事後監管的通知》) issued on October 15, 2020, the MIIT will no longer issue Examination Letter for Foreign Investment and Operation in Telecommunications Business (《外商投資經營電信業務審定意見書》). Foreign-invested enterprises would need to submit relevant foreign investment materials to the MIIT for obtainment or change of the licenses for operation of telecommunications business.

Regulations on Cybersecurity and Data Protection

Internet content in China is regulated and restricted from a state security standpoint. The SCNPC enacted the *Decisions on the Maintenance of Internet Security* (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. In 1997, the Ministry of Public Security issued the *Administration Measures on the Security Protection of Computer Information Network with International Connections* (《計算機信息網絡國際聯網安全保護管理辦法》), which were amended by the State Council on January 8, 2011 and prohibit using the Internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content.

On July 1, 2015, the SCNPC issued the *PRC National Security Law* (《中華人民共和國國家安全法》) (the “**National Security Law**”), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet, information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the *PRC Cyber Security Law* (《中華人民共和國網絡安全法》), which became effective on June 1, 2017, pursuant to which, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks including us shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of critical information infrastructure shall store within the territory of the PRC all the personal information and important data collected and generated within the territory of PRC. Their purchase of network products and services that may affect national security shall be subject to national security review.

REGULATORY OVERVIEW

On December 28, 2021, the CAC together with 12 other departments, promulgated the *Measures for Cybersecurity Review* (《網絡安全審查辦法》), which took effect on February 15, 2022 and replaced its previous version promulgated on April 13, 2020. The Measures for Cybersecurity Review provides that: (i) network platform operators that are engaged in data processing activities which will affect or may affect national security shall undergo a cybersecurity review; (ii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) network platform operators in possession of personal information of more than one million users and seek to list abroad (國外上市) shall file for a cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, important data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, important data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process.

On June 10, 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect in September 2021. The PRC Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. In addition, the PRC Data Security Law provides that important data processors shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data processing activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties involved in the data transactions and keep records accordingly.

On July 30, 2021, the State Council issued the *Regulations for the Security Protection of Critical Information Infrastructure* (《關鍵信息基礎設施安全保護條例》) (the “**CII Regulations**”), which took effect on September 1, 2021. Pursuant to the CII Regulations, “critical information infrastructures” refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy sources, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may have severe impact on national security, national economy and citizen’s livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures.

REGULATORY OVERVIEW

In addition to the Telecommunications Regulations and other regulations above, Mobile Internet applications (the “**APPs**”) and the Internet application store (the “**APP Store**”) are specially regulated by the *Administrative Provisions on Mobile Internet Applications Information Services* (《移動互聯網應用程序信息服務管理規定》) (the “**APP Provisions**”), which was promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016 and last amended on June 14, 2022. The APP Provisions regulate the APP information service providers and the APP Store service providers, and the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local APP information respectively. The APP information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations, including real-name system, protection of users’ information, examination and management of information content, etc.

On July 7, 2022, the CAC issued the *Measures for the Security Assessment of Data Cross-border Transfer* (《數據出境安全評估辦法》) which took effective on September 1, 2022, the Measures for the Security Assessment of Data Cross-border Transfer provides five circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the data to be transferred to an overseas recipient are personal information or important data collected and generated by operators of critical information infrastructure; (ii) where the data to be transferred to an overseas recipient contain important data; (iii) where a personal information processor that has processed personal information of more than one million people provides personal information overseas; (iv) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people are transferred overseas accumulatively; or (v) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties.

On November 14, 2021, the CAC published a discussion draft of the *Regulations for the Administration of Network Data Security* (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Data Security Regulations**”), which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or divisions of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also state that data processors processing important data or going public overseas (境外上市) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC at the municipal level before January 31, of each year. In addition, the Draft Data Security Regulations also require network platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites or the Internet platforms of the relevant industry association for personal information protection for no less than

REGULATORY OVERVIEW

30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impact on users' rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC at the provincial level for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

On December 13, 2005, the Ministry of Public Security issued the *Regulations on Technological Measures for Internet Security Protection* (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**") which took effect on March 1, 2006. The Internet Protection Measures require Internet service providers including us to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, and IP address) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers including us are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

On December 29, 2011, the MIIT promulgated the *Several Provisions on Regulation of the Order of Internet Information Service Market* (《規範互聯網信息服務市場秩序若干規定》) (the "**Provisions**"), which became effective on March 15, 2012. The Provisions stipulate that without the consent of users, Internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (the "**personal information of users**"), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also requires that Internet information service providers shall properly keep the personal information of users; if the preserved personal information of users is divulged or may possibly be divulged, Internet information service providers shall immediately take remedial measures; where such incident causes or may cause serious consequences, they shall immediately report the same to the telecommunications administration authorities that grant them with the Internet information service license or filing and cooperate in the investigation and disposal carried out by relevant departments. Failure to comply with such requirements may result in a fine between RMB10,000 and RMB30,000 and an announcement to the public.

On July 16, 2013, the MIIT promulgated the *Provisions on Protection of Personal Information of Telecommunication and Internet Users* (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users' personal information in the provision of telecommunication services and Internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunication business operators and Internet service providers are required to constitute their own rules for the collecting and use users' information and they cannot collect or use of user's information without users' consent. Telecommunication business operators and Internet

REGULATORY OVERVIEW

service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and Internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the *Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information* (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), effective from June 1, 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the *Criminal Law of the PRC* (《中華人民共和國刑法》), including “citizen’s personal information”, “provision”, and “unlawful acquisition”. Also, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime. Pursuant to the *Ninth Amendment to the PRC Criminal Law* (《中華人民共和國刑法修正案(九)》) issued by the SCNPC in August 2015 and became effective in November 2015, under certain series situations, an internet service provider that fails to fulfill the obligations related to the internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty.

On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the *Notice of Illegal Collection and Use of Personal Information by APP* (《APP違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information.

Pursuant to the *PRC Civil Code* (《中華人民共和國民法典》), which was promulgated by the NPC on May 28, 2020, and became effective on January 1, 2021, the personal information of a natural person shall be protected by law. Any organization or individual that needs to collect, storage, use, transmit, provide, disclose the personal information of others shall comply with the law and ensure information security, and may neither illegally collect, use or transmit the personal information of others, nor illegally trade, provide or disclose the personal information of others. Anyone whose civil rights and civil interests, including personal information, are infringed upon shall have the right to seek tort liability against the infringer.

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the *Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications* (《常見類型移動互聯網應用程序必要個人信息範圍規定》) (the “**Necessary Personal Information Rules**”), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users’ access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

REGULATORY OVERVIEW

On August 20, 2021, the SCNPC promulgated the PIPL, and took effect on November 1, 2021. The PIPL requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities processing personal information bear responsibilities for their activities of processing personal information, and shall adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, the entities processing personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

Regulations on Intellectual Property

Copyright

The *Copyright Law of the PRC (Revised in 2020)* (《中華人民共和國著作權法》(2020修訂)) (the “**Copyright Law**”) lately amended on November 11, 2020 and took effect on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

The *Computer Software Copyright Registration Measures* (《計算機軟件著作權登記辦法》) (the “**Software Copyright Measures**”), promulgated by the National Copyright Administration on February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts.

The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the “**CPCC**”), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the *Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013)* (《計算機軟件保護條例》(2013年修訂)).

Trademark

Trademarks are protected by the *Trademark Law of the PRC (Revised in 2019)* (《中華人民共和國商標法》(2019年修訂)) which was last amended on April 23, 2019 and came into effect on November 1, 2019 respectively as well as the *Implementation Regulation of the PRC Trademark Law (Revised in 2014)* (《中華人民共和國商標法實施條例》(2014年修訂)) amended by the State Council on April 29, 2014 and coming into effect on May 1, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

REGULATORY OVERVIEW

The Trademark Office under the SAMR handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve (12) months prior to the expiration of the term.

As with trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain Names

Under the *Measures on Administration of Internet Domain Names* (《互聯網域名管理辦法》) (the “**Domain Name Measures**”) issued by the MIIT as of August 24, 2017 and effective as of November 1, 2017, Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Patent

According to the *Patent Law of the PRC (Revised in 2020)* (《中華人民共和國專利法(2020修訂)》), the patent administrative department under the State Council is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person file different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. A patent is valid for 20 years in the case of an invention and 10 years in the case of utility models and 15 years in the case of designs. The Patent Law of the PRC was recently amended on October 17, 2020 and the revised version came into effect on June 1, 2021.

REGULATORY OVERVIEW

Regulations on Foreign Exchange

General Administration of Foreign Exchange

Under the *PRC Foreign Currency Administration Rules* (《中華人民共和國外匯管理條例》), last amended on August 5, 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi.

Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the PRC.

Pursuant to the *Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment* (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Notice No. 59**”) promulgated by SAFE and last amended on December 30, 2019, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities and foreign exchange registration formalities required for the foreign investors to acquire the equities of Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On February 13, 2015, SAFE promulgated the *Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Notice No. 13**”) effective from June 1, 2015 and last amended on December 30, 2019, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, it simplifies the procedure of registration of foreign exchange and investors shall register with qualified banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment.

REGULATORY OVERVIEW

The *Notice of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Notice No. 19**”) was promulgated on March 30, 2015 and became effective on June 1, 2015 and last amended on March 23, 2023. According to the SAFE Notice No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

The *Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Notice No. 16**”) was promulgated and became effective on June 9, 2016. According to the SAFE Notice No. 16, enterprises registered in PRC may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in the PRC. The SAFE Notice No. 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within the PRC unless otherwise specifically provided. Besides, the converted Renminbi shall not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

In January 2017, SAFE promulgated the *Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

REGULATORY OVERVIEW

On October 23, 2019, SAFE promulgated the *Notice on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the *Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

Foreign Exchange Registration of Overseas Investment by PRC Residents

In July 2014, SAFE promulgated the *Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular 37, which replaced the former circular commonly known as Circular 75 promulgated by SAFE in October 2005. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle". Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

REGULATORY OVERVIEW

In February 2015, SAFE released the *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) or Circular 13, which has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Regulations on Employment and Social Welfare

The Labor Contract Law

The *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) lately amended on December 28, 2012 is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. According to the Labor Contract Law, among others: (i) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; and (ii) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law.

According to the *Labor Law of the PRC* (《中華人民共和國勞動法》) last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

Social Insurance and Housing Fund

As required under the *Regulation of Insurance for Labor Injury* (《工傷保險條例》) last amended in 2010, the *Tentative Measures for Maternity Insurance of Employees of Corporations* (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the *Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council* (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the *Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the *Unemployment Insurance Measures* (《失業保險條例》) promulgated on January 22, 1999, the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) implemented on December 29, 2018 and the *Interim Regulations on the Collection and Payment of Social Security Funds* (《社會保險費徵繳暫行條例》) implemented on January 22, 1999 and amended on March 24, 2019, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

REGULATORY OVERVIEW

Furthermore, according to the *Notice by the General Office of the State Administration of Taxation on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) issued on September 13, 2018 and the *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions* (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. *Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy* (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) issued on November 16, 2018 further underlines that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years. *Notice of the General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate* (《國務院辦公廳關於印發〈降低社會保險費率綜合方案〉的通知》) issued on April 1, 2019 generally reduces the social insurance contribution burden of enterprises, underlines that the duties for collection of social insurances premium paid by the enterprises in any province shall not be transferred to tax authorities until the condition of the province is mature, and re-emphasizes that local authorities shall not conduct self-collection of historical unpaid social insurance contributions from enterprises.

In accordance with the *Regulations on the Management of Housing Funds* (《住房公積金管理條例》) last amended in 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative center of housing provident funds will impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative center of housing provident funds will impose an order for payment within a prescribed time limit. If such unit further fails to make payment within the aforesaid time limit, the center shall have the right to apply for compulsory enforcement in court.

Regulations on Tax

Enterprise Income Tax

On March 16, 2007, the NPC promulgated the *Law of the PRC on Enterprise Income Tax* (《中華人民共和國企業所得稅法》) which was last amended on December 29, 2018 and on December 6, 2007, the State Council enacted the *Regulations for the Implementation of the Law on Enterprise Income Tax* (《中華人民共和國企業所得稅法實施條例》) which was amended on April 23, 2019 (the "EIT Law"). According to the EIT Law, taxpayers consist of resident enterprises and

REGULATORY OVERVIEW

non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed a permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the permanent establishment or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

The *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the SAT and last amended on December 29, 2017 sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. The EIT Law provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises”, and gains derived by such investors, which (i) do not have an establishment or place of business in the PRC or (ii) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Circular 7**”) promulgated by the SAT on February 3, 2015 and amended on December 1, 2017 and December 29, 2017, if the non-resident enterprises indirectly transfer the assets such as the equity interest of PRC resident enterprises through the implementation of arrangements without reasonable commercial purposes evading EIT liability, such transfer shall be deemed as the direct transfer of assets such as the equity interest of PRC resident enterprises according to the Article 47 of the EIT Law.

Pursuant to an *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise satisfies relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%.

REGULATORY OVERVIEW

However, based on the *Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《關於執行稅收協定股息條款有關問題的通知》) (the “**Notice No. 81**”) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the *Announcement on Issues Relating to “Beneficial Owner” in Tax Treaties* (《關於稅收協定中“受益所有人”有關問題的公告》), which was promulgated on February 3, 2018 and was effective on April 1, 2018, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax and Business Tax

The *Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例》) was promulgated by the State Council and last amended on November 19, 2017. The *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011)* (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) was promulgated by the MOF and the SAT and last amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “**VAT Law**”).

According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax.

Pursuant to the *Provisional Regulations of the PRC on Business Tax* (《中華人民共和國營業稅暫行條例》), last amended on November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the *List of Items and Rates of Business Tax* (《營業稅稅目稅率表》) attached to the regulation. On November 19, 2017, the State Council issued the *Decision of the State Council on Repealing the “Provisional Regulations of the PRC on Business Tax” and Revising the “Provisional Regulations of the PRC on Value-added Tax”* (《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》) and repealed the *Provisional Regulations of the PRC on Business Tax*.

Since January 1, 2012, the MOF and the STA have implemented the *Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax* (《營業稅改徵增值稅試點方案》) (the “**VAT Pilot Plan**”), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the MOF and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the *Notice of the MOF and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with*

REGULATORY OVERVIEW

Value-Added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which became effective on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or immovable assets within the territory of the PRC are required to pay value-added tax instead of business tax and for general VAT payers engaged in modern service industries, the applicable VAT rate is 6%. Furthermore according to the *Notice of the MOF and the State Administration of Taxation on Further Clarifying the Policies on the Deduction of Labor Dispatch Service Fees and Turnpike Tolls and Other Policies during the Implementation of the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (《財政部、國家稅務總局關於進一步明確全面推開營改增試點有關勞務派遣服務、收費公路通行費抵扣等政策的通知》) which became effective on May 1, 2016, for labor dispatch service and HR service outsourcing, whereas tax payers opt to file VAT on a simplified approach under relevant VAT regulations, 5% VAT is levied on a net-income basis.

Dividend Withholding Tax

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors (or 20% in the case of non-PRC individual investors) who do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Announcement on Issues Relating to “Beneficial Owner” in Tax Treaties* (《關於稅收協議中“受益所有人”有關問題的公告》), which was promulgated on February 3, 2018 and was effective on April 1, 2018, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Regulations on M&A and Overseas Listing

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the *Rules on Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by

REGULATORY OVERVIEW

injecting such assets, and operate the assets. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and [REDACTED] of such special purpose vehicle’s securities on an overseas stock exchange.

On February 17, 2023, the CSRC released the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five relevant guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to [REDACTED] and list securities in overseas markets, either in direct or indirect means, shall complete the filing procedures and report relevant information to the CSRC. The Overseas Listing Trial Measures provide that if the issuer meets the following criteria, the overseas securities [REDACTED] and listing conducted by such issuer will be deemed as an indirect overseas [REDACTED] subject to the filing procedure: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the issuer’s business activities are substantially conducted in mainland China, or its primary place(s) of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in Mainland China. Where an issuer submits an application for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

At a press conference held for these new regulations, officials from the CSRC clarified that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures shall be deemed as the Existing Issuers. Existing Issuers are not required to complete the filing procedures immediately, but they should file with the CSRC when subsequent corporate actions such as refinancing are involved. Domestic companies that have obtained approval from overseas regulatory authorities or securities exchanges (for example, a contemplated [REDACTED] and/or listing in Hong Kong has passed the hearing of the Stock Exchange) for their indirect overseas [REDACTED] and listing prior to the effective date of the Overseas Listing Trial Measures but have not yet completed their indirect overseas issuance and listing, are granted a six-month transition period from March 31, 2023. Those who complete their overseas [REDACTED] and listing within such six-month period are deemed as Existing Issuers and are not required to file with the CSRC for their overseas [REDACTED] and listing. Within such six-month transition period, however, if such domestic companies need to reapply for [REDACTED] and listing procedures to the overseas regulatory authority or securities exchanges (such as requiring a new hearing for the listing application of it shares on the Stock Exchange), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC. On February 17, 2023, the CSRC also issued the *Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies* (《關於境內企業境外發行上市備案管理安排的通知》), which, clarifies that on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas [REDACTED] and listing but have not obtained

REGULATORY OVERVIEW

approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas [REDACTED] and listing.

On February 24, 2023, the CSRC released the *Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies* (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality Provisions**”), which became effective on March 31, 2023. Pursuant to the Confidentiality Provisions, domestic joint-stock enterprises listed in overseas markets via direct [REDACTED] and domestic operational entities of enterprises listed in overseas markets via indirect [REDACTED] must obtain approval and complete filing or other requirements before they publicly disclose any documents and materials that contain state secrets or government work secrets or that, if divulged, will jeopardize China’s national security or public interest, or before they provide such documents or materials to entities or individuals such as securities companies, securities service providers and overseas regulators.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history dates back to 2015 when Beijing Gongjin Technology, the predecessor of our Group, was established. Over the past decade, we have been committed to empowering SMBs in different development stages and industry verticals across China and have established ourselves as the largest SMB finance and taxation solution provider in China in terms of total revenue for each of the year from 2021 to 2023. On July 14, 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Subsequently, we implemented a series of corporate restructurings for the purpose of the [REDACTED], and our Company has become the holding company of our current business.

KEY MILESTONES

The following table sets forth the key milestones of our Group:

<u>Year</u>	<u>Milestones</u>
2015	<ul style="list-style-type: none">• Beijing Gongjin Technology, the predecessor of our Group, was established.• We launched version 1.0 of our SATP system.
2016	<ul style="list-style-type: none">• We launched version 2.0 of our SATP system, and established the finance and taxation rule base accommodating multiple accounting policies.• We received Series Pre-A Investment.
2017	<ul style="list-style-type: none">• We launched version 4.0 of our SATP system, realizing online solution fulfilment covering the whole process of finance and taxation solutions.• We received Series A+ Investment and Series B Investment.
2018	<ul style="list-style-type: none">• We launched version 5.0 of our SATP system, and launched our self-developed OCR for automatic information recognition of invoices and bank slips.• We established nationwide footprint in the PRC.
2019	<ul style="list-style-type: none">• We started to utilize the ML models to empower our rule base, achieving the automatic bookkeeping for all types of taxes, fees, and financial statements.• We received Series C-1 Investment and Series C-2 Investment.
2020	<ul style="list-style-type: none">• We launched our proprietary RPA to achieve automatic collection of invoices and bank slips, automatic filing of taxes and automatic information collection from government’s electronic tax filing system.
2021	<ul style="list-style-type: none">• We launched version 6.5 of our SATP system and launched our NLP-driven intelligent customer services.• We received Series D Investment.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Milestones</u>
2022	<ul style="list-style-type: none">We launched electronic invoice system, and established connection with the government’s electronic tax filing system newly launched under the “Golden Tax System (Phase IV).”
2023	<ul style="list-style-type: none">We launched version 8.0 of our SATP system and upgraded our SaaS-based solutions to enable advanced business management during operational management services and comprehensive managerial accounting services.

MAJOR CORPORATE DEVELOPMENT

The history of our Group can be traced back to April 7, 2015, when Beijing Gongjin Technology, the predecessor of our Group, was established in the PRC as our onshore headquarters and holding company. At the time of its establishment, Beijing Gongjin Technology was held by Mr. Zhang, Lasa Kenrui, Wang Xiaojin (王曉今), Jiang Ke (姜可), Zhang Mingqi (張明淇), Chen Xuejun (陳學軍) and Wang Baoqing (王葆青), as to 28.72%, 20.00%, 17.60%, 15.04%, 9.00%, 7.50% and 2.14%, respectively. Mr. Zhang is our founder and Controlling Shareholder. Zhang Mingqi (張明淇) is one of our executive Directors. Wang Baoqing (王葆青) is one of our non-executive Directors. Lasa Kenrui, Wang Xiaojin (王曉今), Jiang Ke (姜可) and Chen Xuejun (陳學軍), all being Independent Third Parties, were early investors of our Group and had divested their investments subsequently.

The major shareholding changes in our Group prior to the Reorganization are related to the [REDACTED] Investments and the establishment of our offshore corporate structure, details of which are set out below:

- (i) from July 2015 to September 2018, we successively underwent the Series Angel Investment, Series Pre-A Investment, Series A Investment, Series A+ Investment, Series B Investment, Series B-2 Investment and Series C Investment at the level of Beijing Gongjin Technology. See “— [REDACTED] Investments” for further details;
- (ii) from July 2019 to January 2020, to allow us greater access to the international capital markets and offshore financing resources, we carried out a series of internal restructurings to set up an offshore corporate structure. Upon completion of such internal restructurings, Huisuanzhang Holding, an exempted company with limited liability incorporated in the Cayman Islands, became our new headquarters and holding company and held our business through a series of contractual arrangements among Beijing Gongjin Technology, its then registered shareholders, and Beijing HSZ, an indirectly wholly-owned subsidiary of Huisuanzhang Holding; and
- (iii) from December 2019 to April 2021, we successively underwent the Series C-1 Investment, Series C-2 Investment and Series D Investment at the level of Huisuanzhang Holding. See “— [REDACTED] Investments” for further details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Upon the completion of the Series D Investment and prior to the Reorganization, the shareholding structure of Huisuanzhang Holding was as follows:

Name of shareholder ⁽¹⁾ ⁽²⁾	Number of shares	Percentage of shareholding
<i>Shareholders of ordinary shares</i>		
Cornflower Blue Limited ⁽³⁾	5,500,599	10.46%
From Dust Limited ⁽⁴⁾	1,332,900	2.53%
Raging Fire Limited ⁽⁵⁾	414,852	0.79%
Rosy Nightfall Limited ⁽⁶⁾	148,128	0.28%
<i>Shareholder of series angel preferred shares</i>		
Hexie Jinfeng	3,377,552	6.42%
<i>Shareholder of series pre-A preferred shares</i>		
Hexie Jinfeng	1,877,742	3.57%
<i>Shareholders of series A+ preferred shares</i>		
Nantong Fund ⁽⁷⁾	1,147,509	2.18%
Guotong Lianzhi	413,103	0.79%
Hexie Jinfeng	344,253	0.65%
Guotong Huizhi	313,347	0.60%
Qidi Yinxing ⁽⁸⁾	38,556	0.07%
<i>Shareholders of series B preferred shares</i>		
Hexie Jinfeng	734,406	1.40%
Nantong Fund ⁽⁷⁾	734,406	1.40%
Tongdu Xincheng	688,505	1.31%
Magnolia Galaxy Limited ⁽⁹⁾	459,004	0.87%
Guotong Lianzhi	275,402	0.52%
Guotong Huizhi	183,601	0.35%
<i>Shareholders of series B-2 preferred shares</i>		
Shanghai Jiaozeng	4,537,877	8.63%
Harvest Enrichment	1,377,011	2.62%
51 Credit Card HK ⁽¹⁰⁾	1,032,758	1.96%
<i>Shareholders of series C preferred shares</i>		
GCHSZ Holdings	6,354,256	12.08%
Shanghai Jiaozeng	1,810,104	3.44%
<i>Shareholders of series C-1 preferred shares</i>		
Sunshine Life	1,772,169	3.37%
GHSZ Holdings	1,136,539	2.16%
Shanghai Jiaozeng	1,063,302	2.02%
Metawit Capital	1,063,302	2.02%
<i>Shareholders of series C-2 preferred shares</i>		
Sunshine Life	1,947,672	3.70%
GHSZ Holdings	1,249,093	2.38%
Shanghai Jiaozeng	1,168,602	2.22%
Metawit Capital	1,168,602	2.22%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of shareholder ^{(1) (2)}	Number of shares	Percentage of shareholding
<i>Shareholders of series D preferred shares</i>		
Image Flag	5,020,387	9.55%
Starr International ⁽¹¹⁾	1,673,463	3.18%
GCHSZ Holdings	1,115,641	2.12%
Metawit Capital	1,115,641	2.12%
Total	<u>52,590,284</u>	<u>100.00%</u>

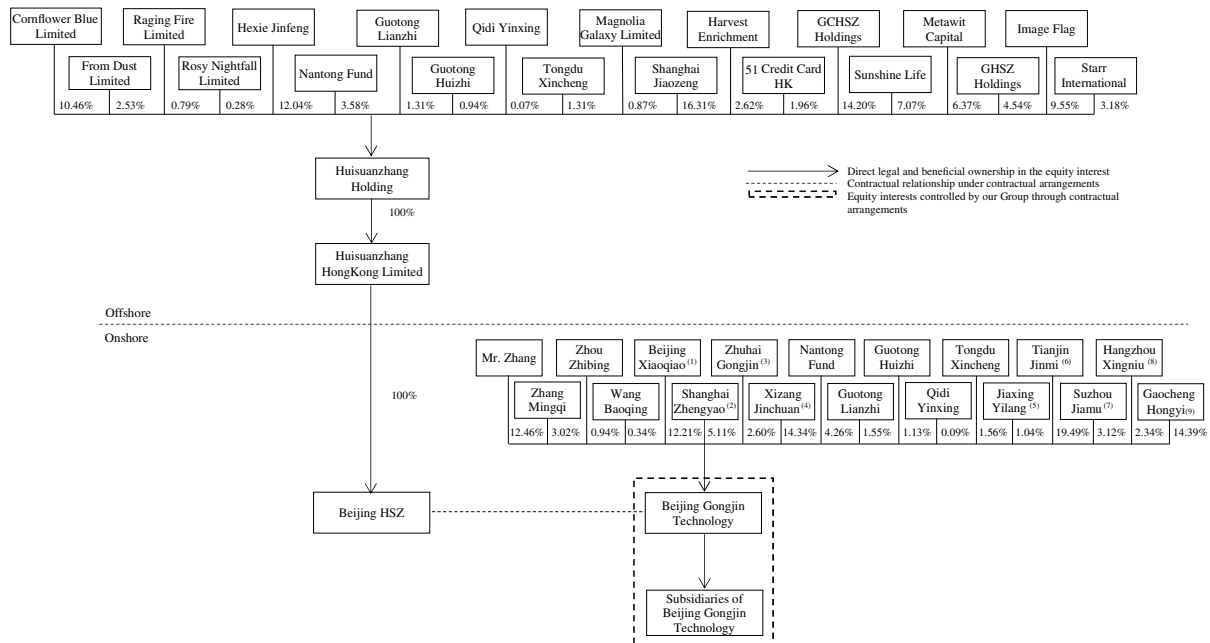
Notes:

- (1) Although there was a Series A Investment at the level of Beijing Gongjin Technology undertaken by certain investors, they all divested their investments subsequently. Thus, no series A preferred shares of Huisuanzhang Holding were issued and outstanding prior to the Reorganization. See “— [REDACTED] Investments” for further details.
- (2) Except for Nantong Fund, Qidi Yinxing, Magnolia Galaxy Limited, 51 Credit Card HK and Starr International, details of which are set out below, the other preferred shareholders of Huisuanzhang Holding are also [REDACTED] Investors holding equity interest in our Company upon the completion of the Reorganization.
- (3) Cornflower Blue Limited is a business company incorporated in the BVI and wholly owned by Mr. Zhang.
- (4) From Dust Limited is a business company incorporated in the BVI and wholly owned by Zhang Mingqi (張明淇), an executive Director. On August 26, 2021, From Dust Limited transferred 223,127 ordinary shares of Huisuanzhang Holding to CE Fintech at a consideration of US\$2 million with reference to the valuation of our Group in the Series D Investment. The general partner of CE Fintech is Creditease Fintech LTD and its limited partners are CE Fintech Global Limited Partnership and CE Fintech II Limited Partnership, all being Independent Third Parties.
- (5) Raging Fire Limited is a business company incorporated in the BVI and wholly owned by Zhou Zhibing (周志兵), an early investor of our Group and an Independent Third Party.
- (6) Rosy Nightfall Limited is a business company incorporated in the BVI and wholly owned by Wang Baoqing (王葆青), a non-executive Director.
- (7) Nantong Fund is a limited partnership established in the PRC and an affiliate of Yinxing Zhiyuan, one of our Series A+ Investors and Series B Investors.
- (8) Qidi Yinxing is a limited liability company established in the PRC and an affiliate of Liu Qian, one of our Series A+ Investors.
- (9) Magnolia Galaxy Limited is a business company incorporated in the BVI and an affiliate of Shanghai Yilang, one of our Series B Investors.
- (10) 51 Credit Card HK is a private limited company incorporated in Hong Kong and an affiliate of 51CC Investment, one of our Series B-2 Investors.
- (11) Starr International is a private limited company incorporated in Hong Kong and an affiliate of Starr Investments, one of our Series D Investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

To streamline our corporate structure surrounding our principal business, we underwent the Reorganization in preparation for the [REDACTED] and the [REDACTED]. The following chart sets forth the simplified corporate structure of our Group prior to the Reorganization:



Notes:

- (1) Beijing Xiaoqiao was a shareholding platform for employee incentive purpose. Its general partner was Mr. Zhang. The equity interest in Beijing Gongjin Technology held by Beijing Xiaoqiao was then reserved as an incentive pool for future grant to employees with no specific incentive target at the time.
- (2) Shanghai Zhengyao was a shareholding platform controlled by Mr. Zhang. During the process of our establishment of offshore structure, Shanghai Zhengyao repurchased certain equity interest in Beijing Gongjin Technology held by some former investors who had divested all their investments in our Group subsequently.
- (3) Zhuhai Gongjin was a shareholding platform of certain management members and early investors. Its general partner was Mr. Zhang, and its limited partners were Zhang Guoxiang (張國祥), Wu Xianchun (吳顯春), both being early investors of our Group and Independent Third Parties, Luo Shifei (羅時飛), a former management member of our Group, Guo Chunping (郭春平), a member of our senior management, and Beijing Xiaoqiao.
- (4) Xizang Jinchuan is an affiliate of Hexie Jinfeng, our Series Pre-A Investor and one of our Series Angel Investors, Series A+ Investors and Series B Investors.
- (5) Jiaxing Yilang is an affiliate of Shanghai Yilang, one of our Series B Investors.
- (6) Tianjin Jinmi is an affiliate of Shanghai Jiaozeng, one of our Series B-2 Investors, Series C Investors, Series C-1 Investors and Series C-2 Investors.
- (7) Suzhou Jiamu was previously an affiliate of Harvest Enrichment, one of our Series B-2 Investors. In February 2021, the beneficial owners of Harvest Enrichment changed, and Suzhou Jiamu divested its investment in our Group accordingly.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (8) Hangzhou Xingniu is an affiliate of 51CC Investment, one of our Series B-2 Investors.
- (9) Gaocheng Hongyi is an affiliate of (i) Shanghai Hongyan, one of our Series C Investors, (ii) GHSZ Holdings, one of our Series C-1 Investors and Series C-2 Investors, and (iii) GCHSZ Holdings, one of our Series C Investors and Series D Investors.

Offshore Reorganization

Incorporation and share sub-division of our Company

On July 14, 2021, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On the same day, one share was allotted and issued at par value to the initial subscriber, and was immediately transferred to Huisuanzhang Holding. Upon completion, our Company was wholly owned by Huisuanzhang Holding.

On November 1, 2021, the authorized share capital of our Company was subdivided from 50,000 shares with a par value of US\$1.00 each to 500,000,000 shares with a par value of US\$0.0001 each. As a result, the issued share capital of our Company became 10,000 shares of US\$0.0001 par value each, wholly owned by Huisuanzhang Holding.

Incorporation of offshore holding vehicles

From July 2021 to October 2021, we set up several wholly-owned offshore holding vehicles in the Cayman Islands, BVI and Hong Kong, respectively, details of which are as follows:

Name of subsidiary ⁽¹⁾	Date of incorporation	Place of incorporation	Authorized share capital	Shareholder	Percentage of shareholding
SATP Group Ltd.	July 29, 2021	Cayman Islands	50,000 shares of US\$1.00 par value each	Our Company	100%
Insight Tax Consulting Ltd	July 29, 2021	Cayman Islands	50,000 shares of US\$1.00 par value each	Our Company	100%
SME Services Ltd	August 12, 2021	BVI	50,000 shares of US\$1.00 par value each	SATP Group Ltd	100%
Triple Frontier Group Ltd	August 16, 2021	BVI	50,000 shares of US\$1.00 par value each	Insight Tax Consulting Ltd	100%
SME Services HK Limited	October 8, 2021	Hong Kong	N/A	SME Services Ltd	100%
Grand Keeper Limited	October 8, 2021	Hong Kong	N/A	Triple Frontier Group Ltd	100%

Note:

- (1) In 2021, we also set up (i) Global Partners Group Ltd and HUI Capital Ltd in the Cayman Islands, (ii) Global Partners (BVI) Holding Ltd and HUI Capital Management Ltd in the BVI, and (iii) Harmony Partners HK Limited and HUI Capital Management Co Limited in Hong Kong, all being holding vehicles directly or indirectly wholly owned by our Company. We are currently in the process of deregistering these holding vehicles, as they have no business operation since incorporation, and we have no development plan for them. As of the Latest Practicable Date, Global Partners Group Ltd, Global Partners (BVI) Holding Ltd had already been deregistered.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Flip-down of shareholding to our Company

To reflect the beneficial ownership and interest of the shareholders of Huisuanzhang Holding at the level of our Company, we conducted a share restructuring from March 2022 to August 2022, through which our Company issued and allotted the same number of (i) ordinary Shares to the respective ordinary shareholders of Huisuanzhang Holding (or their affiliates) at par value or original acquisition cost; (ii) Preferred Shares to the respective preferred shareholders of Huisuanzhang Holding (or their affiliates), who are also our [REDACTED] Investors, at considerations equal to the amount paid by them during the [REDACTED] Investments; and (iii) Preferred Shares to the warrant holders of Huisuanzhang Holding, who are early investors of our Group and Independent Third Parties, at par value. The details are set forth below:

Name of subscriber	Number of shares	Category of shares	Consideration ⁽¹⁾ (US\$)
Sparking Sky ⁽²⁾	5,500,599	ordinary Shares	550.0599
Shining Universe ⁽²⁾	1,109,773	ordinary Shares	110.9773
Grand Future ⁽²⁾	414,852	ordinary Shares	41.4852
Evergreen Oliver ⁽²⁾	148,128	ordinary Shares	14.8128
CE Fintech	223,127	ordinary Shares	2,000,000.00
Hexie Jinfeng	3,377,552	Series Angel Preferred Shares	29,740,548.48
	1,877,742	Series Pre-A Preferred Shares	
	344,253	Series A+ Preferred Shares	
	734,406	Series B Preferred Shares	
National Services ⁽³⁾	444,251	Series Angel Preferred Shares	44.4251
Spring Future ⁽³⁾	111,969	Series Angel Preferred Shares	11.1969
Yinxing Zhiyuan	1,147,509	Series A+ Preferred Shares	5,166,666.67
	734,406	Series B Preferred Shares	
Guotong Lianzhi	413,103	Series A+ Preferred Shares	1,900,000.00
	275,402	Series B Preferred Shares	
Guotong Huizhi	313,347	Series A+ Preferred Shares	1,349,333.33
	183,601	Series B Preferred Shares	
LIU Qian	38,556	Series A+ Preferred Shares	78,382.58
Tongdu Xincheng	688,505	Series B Preferred Shares	2,500,000.00
Shanghai Yilang	459,004	Series B Preferred Shares	1,666,666.67
Shanghai Jiaozeng	4,537,877	Series B-2 Preferred Shares	28,164,881.66
	1,810,104	Series C Preferred Shares	
	1,063,302	Series C-1 Preferred Shares	
	1,168,602	Series C-2 Preferred Shares	
Harvest Enrichment	1,377,011	Series B-2 Preferred Shares	4,665,629.86
51CC Investment	1,032,758	Series B-2 Preferred Shares	3,499,222.40
Shanghai Hongyan	3,577,519	Series C Preferred Shares	18,244,112.68
GCHSZ Holdings	2,776,737	Series C Preferred Shares	23,508,806.42
	1,115,641	Series D Preferred Shares	
Sunshine Life	1,772,169	Series C-1 Preferred Shares	21,311,593.02
	1,947,672	Series C-2 Preferred Shares	
GHSZ Holdings	1,136,539	Series C-1 Preferred Shares	13,645,583.46
	1,249,093	Series C-2 Preferred Shares	

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of subscriber	Number of shares	Category of shares	Consideration ⁽¹⁾ (US\$)
Metawit Capital	1,063,302	Series C-1 Preferred Shares	21,636,753.28
	1,168,602	Series C-2 Preferred Shares	
	1,115,641	Series D Preferred Shares	
Image Flag	5,020,387	Series D Preferred Shares	45,000,000.00
Starr Investments	1,673,463	Series D Preferred Shares	15,000,000.00
Total	53,146,504		239,078,953.4672

Notes:

- (1) The considerations had been fully settled by August 2022.
- (2) Each of Sparking Sky, Shining Universe, Grand Future and Evergreen Oliver is an investment holding company wholly owned by Mr. Zhang, Zhang Mingqi (張明淇), Zhou Zhibing (周志兵) and Wang Baoqing (王葆青), respectively. Ordinary Shares were issued and allotted to them at par value.
- (3) Each of National Services and Spring Future is an investment holding company wholly owned by Zhang Guoxiang (張國祥) and Wu Xianchun (吳顯春), both being early investors of our Group and Independent Third Parties. Prior to the Reorganization, Zhang Guoxiang (張國祥) and Wu Xianchun (吳顯春) were also limited partners of Zhuhai Gongjin, which was a shareholding platform of Beijing Gongjin Technology for management members and early investors of our Group.

On January 17, 2020, Huisuanzhang Holding granted Zhuhai Gongjin a warrant which was amended on June 30, 2020 and March 21, 2021. Pursuant to such warrant, Zhuhai Gongjin was entitled to subscribe for up to 556,220 series angel preferred shares of Huisuanzhang Holding at the exercise price of par value per share. On March 21, 2022, Zhuhai Gongjin assigned the aforesaid warrants to National Services and Spring Future, pursuant to which, each of National Services and Spring Future was entitled to subscribe for up to 444,251 and 111,969 series angel preferred shares of Huisuanzhang Holding at the exercise price of par value per share. As a part of the flip-down of beneficial ownership of Huisuanzhang Holding to our Company, 444,251 and 111,969 Series Angel Preferred Shares were issued and allotted at par value to National Services and Spring Future, respectively, on April 2, 2022.

On September 26, 2022, a share repurchase agreement was entered into between our Company and Huisuanzhang Holding, pursuant to which our Company repurchased all 10,000 Shares held by Huisuanzhang Holding at a consideration of US\$191,347,194.88, which equals to the principal amount of a loan previously extended by our Company to Huisuanzhang Holding, which was subsequently paid to the respective preferred shareholders of Huisuanzhang Holding (or their affiliates) in order for them to reinvest such funds into our Company as part of the flip-down of beneficial ownership of Huisuanzhang Holding to our Company. The consideration for the share repurchase was settled through offsetting the abovementioned loan on September 30, 2022.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Onshore Reorganization

Establishment of Onshore Operating Platforms

Our onshore operating platforms include Beijing Zijing, Beijing Demou, Boyan Ziming and Boyue Wenchang (collectively, the “**Onshore Operating Platforms**”). On July 20, 2021, each of Beijing Zijing and Beijing Demou was established as a limited liability company in the PRC. On July 21, 2021, each of Boyan Ziming and Boyue Wenchang was established as a limited liability company in the PRC. At the time of the establishment, each of the Onshore Operating Platforms was wholly owned by Beijing Gongjin Technology.

Conversion of Onshore Operating Platforms into foreign-invested enterprises

From November 2021 to January 2022, HSZ Angel HongKong Limited, an Independent Third Party, subscribed for 1% equity interest in each of the Onshore Operating Platforms at a consideration of RMB10,101, respectively. Such considerations were determined with reference to the registered capital of the Onshore Operating Platforms and had been fully settled as of March 31, 2022. Upon completion of such capital increase, each of the Onshore Operating Platforms became a foreign-invested enterprise and held by Beijing Gongjin Technology and HSZ Angel HongKong Limited as to 99% and 1%, respectively.

Transfer of operating subsidiaries

To optimize our corporate structure in line with our business development, from December 2021 to June 2023, we carried out a series of equity transfers of onshore operating subsidiaries from Beijing Gongjin Technology to the Onshore Operating Platforms for nominal value so that the operating entities for each of our business lines are integrated under the corresponding Onshore Operating Platforms, respectively. The details are listed below.

Transferee	Onshore subsidiary	Date of equity transfer	Percentage of shareholding	Business line
Boyan Ziming	Jinan Xiaoqiao	December 29, 2021	100%	Solutions based on SATP System under our Direct-to-Business Model
	Chongqing Gongjin	January 5, 2022	100%	
	Guangzhou Gongjin	January 5, 2022	100%	
	Nanjing Xiaoqiao	January 6, 2022	100%	
	Changzhou Xiaoqiao	January 13, 2022	100%	
	Tianjin Gongjin Finance	January 21, 2022	100%	
	Tianjin Gongjin Business	January 21, 2022	100%	
	Wuxi Gongjin	January 30, 2022	100%	
	Xuzhou HSZ	January 30, 2022	100%	
	Hangzhou Gongjin Finance	February 15, 2022	100%	
	Hangzhou HSZ ⁽¹⁾	February 15, 2022	100%	
	Hefei Gongjin	February 21, 2022	100%	
	Qingdao Gongjin	March 7, 2022	100%	
	Shanghai Gongjin	August 1, 2022	99% ⁽²⁾	
	Qingdao HSZ	August 8, 2022	100%	
	Zhongmou Jinan	August 8, 2022	100%	
	Guangxi HSZ	August 8, 2022	100%	

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Transferee	Onshore subsidiary	Date of equity transfer	Percentage of shareholding	Business line
	Hebei HSZ	August 8, 2022	100%	
	Dalian HSZ	September 30, 2022	100%	
	Ningbo Gongjin	October 11, 2022	60% ⁽³⁾	
	Beijing Gongjin Consulting	October 13, 2022	51% ⁽⁴⁾	
	Zibo Gongjin	January 18, 2023	100%	
Boyue Wenchang	Beijing Huichuang	December 17, 2021	100%	Solutions based on SATP System under our Licensing Model
	Suzhou Xiaoqiao	January 19, 2022	100%	
	Jiaxing Gongjin	December 13 2022	100%	
Beijing Zijing	Beijing Gongjin Education	October 9, 2022	100%	Research and development and administration supporting
Beijing Demou	Shijiazhuang Gongjin	May 29, 2023	60% ⁽⁵⁾	Solutions based on SATP System under our Direct-to-Business Model
	Nantong Gongjin	June 1, 2023	60% ⁽⁶⁾	
	Dalian KSZ	June 14, 2023	100%	
	Yantai HSZ	June 29, 2023	60% ⁽⁷⁾	

Notes:

- On March 28, 2024, Hangzhou HSZ was deregistered as it had no material business operation and we had no development plan for it.
- On August 1, 2022, the remaining 1% equity interest in Shanghai Gongjin was transferred to Boyan Ziming from Mr. Zhang during the process of our Reorganization.
- On October 1, 2022, Boyan Ziming entered into an equity transfer agreement with Ningbo Gongjin and Li Jiqui (李紀秋), a former employee of our Group and an Independent Third Party, pursuant to which Boyan Ziming agreed to acquire the remaining 40% equity interest in Ningbo Gongjin from Li Jiqui at a total consideration of RMB4.10 million, as downward adjusted based on any customer loss resulting from potential default of agreement by Li Jiqui. Such consideration was determined with reference to the total revenue generated by Ningbo Gongjin within a one-year period minus any third-party costs incurred within this period, which was fully settled by January 15, 2024.
- The remaining 49% equity interest in Beijing Gongjin Consulting is held by Changxing Youyang Enterprise Management Consulting Partnership (Limited Partnership) (長興悠揚企業管理諮詢合夥企業(有限合夥)), which has no other relationship with our Group except for its direct interest in Beijing Gongjin Consulting.
- The remaining 40% equity interest in Shijiazhuang Gongjin is held by Shaanxi Zhugeyun E-commerce Finance and Taxation Service Company Limited (陝西諸葛雲電商財稅服務有限公司), an Independent Third Party.
- The remaining 40% equity interest in Nantong Gongjin is held by Wu Mingtao (吳明燾), an Independent Third Party.
- On June 29, 2023, the remaining 40% equity interest in Yantai HSZ was transferred to Beijing Demou from Yang Minggui (楊明貴), an Independent Third Party, at a consideration of RMB1 as no registered capital of Yantai HSZ had been contributed at the time of such transfer, which was fully settled by June 29, 2023.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Establishment of new WFOEs

On August 4, 2022, Qingdao WFOE was established in the PRC as a wholly foreign-owned enterprise with limited liability. Since its establishment and up to the Latest Practicable Date, Qingdao WFOE had been wholly owned by Grand Keeper Limited.

On September 1, 2022, Dalian WFOE was established in the PRC as a wholly foreign-owned enterprise with limited liability. Since its establishment and up to the Latest Practicable Date, Dalian WFOE had been wholly owned by SME Services HK Limited.

Both Qingdao WFOE and Dalian WFOE are our new onshore holding companies to hold our business through our Onshore Operating Platforms.

Transfer of Onshore Operating Platforms

On October 17, 2022, Dalian WFOE acquired 99% equity interest in Beijing Zijing from Beijing Gongjin Technology for nominal value and acquired 1% equity interest in Beijing Zijing from HSZ Angel HongKong Limited at a consideration of RMB10,101 with reference to the registered capital of Beijing Zijing. Such consideration was fully settled on August 4, 2023.

On February 20, 2023, Qingdao WFOE acquired 99% equity interest in Boyue Wenchang from Beijing Gongjin Technology for nominal value and acquired 1% equity interest in Boyue Wenchang from HSZ Angel HongKong Limited at a consideration of RMB10,101 with reference to the registered capital of Boyue Wenchang. Such consideration was fully settled on September 8, 2023.

On February 20, 2023, Qingdao WFOE acquired 99% equity interest in Boyan Ziming from Beijing Gongjin Technology for nominal value and acquired 1% equity interest in Boyan Ziming from HSZ Angel HongKong Limited at a consideration of RMB10,101 with reference to the registered capital of Boyan Ziming. Such consideration was fully settled on September 8, 2023.

On June 25, 2023, Qingdao WFOE acquired 99% equity interest in Beijing Demou from Beijing Gongjin Technology for nominal value and acquired 1% equity interest in Beijing Demou from HSZ Angel HongKong Limited at a consideration of RMB10,101 with reference to the registered capital of Beijing Demou. Such consideration was fully settled on September 8, 2023.

Upon the completion of the abovementioned equity transfers by June 25, 2023, all Onshore Operating Platforms became our indirectly wholly-owned subsidiaries.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Entering into Contractual Arrangements

On August 7, 2020, Beijing Zhongmou was established as a limited liability company in the PRC and held by Mr. Zhang and Zhang Mingqi (張明淇) as to 99.99999% and 0.00001%, respectively. Beijing Zhongmou primarily engages in the provision of matchmaking services through our Huimeng Platform which falls within the scope of “value-added telecommunication service” and is subject to foreign investment restrictions.

In order to exercise our control over the business operation of Beijing Zhongmou, on July 21, 2021, Boyue Wenchang entered into the original contractual arrangements with Beijing Zhongmou and its then shareholders, namely Mr. Zhang and Zhang Mingqi (張明淇). After the execution of the original contractual arrangements, Beijing Zhongmou became our Consolidated Affiliated Entity.

To operate our business as narrowly tailored in accordance with the requirements of the Stock Exchange, Mr. Zhang and Zhang Mingqi (張明淇) transferred 49.99999% and 0.00001% equity interest in Beijing Zhongmou to Boyue Wenchang at nil consideration as no registered capital of Beijing Zhongmou had been contributed at the time of such transfer. Upon the completion of such transfer on February 3, 2023, Beijing Zhongmou was held by Mr. Zhang and Boyue Wenchang as to 50% and 50%, respectively. On the same day, Boyue Wenchang terminated the original contractual arrangements and entered into the Contractual Arrangements with Beijing Zhongmou and Mr. Zhang to keep exercising control over the business operation of Beijing Zhongmou. For details, see “Contractual Arrangements.”

Save for the differences in the parties to the relevant agreements and the shareholding structure of Beijing Zhongmou adjusted as detailed above, the salient terms of the original contractual arrangements and the Contractual Arrangements are substantially the same.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The following table sets out our shareholding structure as of the date of this document and upon the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options).

Shareholder	As of the date of this document										Immediately upon completion of the [REDACTED] ⁽¹⁾			
	Ordinary Shares	Series Angel Preferred Shares	Series Pre-A Preferred Shares	Series A+ Preferred Shares	Series B Preferred Shares	Series B-2 Preferred Shares	Series C Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series D Preferred Shares	Subtotal	Shareholding percentage	Aggregate of Shares	Shareholding percentage
Sparking Sky	5,500,599	—	—	—	—	—	—	—	—	—	5,500,599	[REDACTED]	[REDACTED]	[REDACTED]
Shining Universe	974,293	—	—	—	—	—	—	—	—	—	974,293	[REDACTED]	[REDACTED]	[REDACTED]
Grand Future	414,852	—	—	—	—	—	—	—	—	—	414,852	[REDACTED]	[REDACTED]	[REDACTED]
Altmack Holding ⁽²⁾	400,000	—	—	—	—	—	—	—	—	—	400,000	[REDACTED]	[REDACTED]	[REDACTED]
Evergreen Oliver	148,128	—	—	—	—	—	—	—	—	—	148,128	[REDACTED]	[REDACTED]	[REDACTED]
Universe Shining ⁽³⁾	135,480	—	—	—	—	—	—	—	—	—	135,480	[REDACTED]	[REDACTED]	[REDACTED]
YAA Holding ⁽⁴⁾	76,923	—	—	—	—	—	—	—	—	—	76,923	[REDACTED]	[REDACTED]	[REDACTED]
HSZ Alliance ⁽⁵⁾	1,773,870	—	—	—	—	—	—	—	—	—	1,773,870	[REDACTED]	[REDACTED]	[REDACTED]
HSZ Management ⁽⁶⁾	1,241,390	—	—	—	—	—	—	—	—	—	1,241,390	[REDACTED]	[REDACTED]	[REDACTED]
Taiwind Management ⁽⁷⁾	1,608,537	—	—	—	—	—	—	—	—	—	1,608,537	[REDACTED]	[REDACTED]	[REDACTED]
CE Fintech	223,127	—	—	—	—	—	—	—	—	—	223,127	[REDACTED]	[REDACTED]	[REDACTED]
National Services	—	444,251	—	—	—	—	—	—	—	—	444,251	[REDACTED]	[REDACTED]	[REDACTED]
Spring Future	—	111,969	—	—	—	—	—	—	—	—	111,969	[REDACTED]	[REDACTED]	[REDACTED]
Hexie Jinfeng	—	3,024,994	1,877,742	344,253	734,406	—	—	—	—	—	5,981,395	[REDACTED]	[REDACTED]	[REDACTED]
RJH Investment ⁽⁸⁾	—	352,558	—	—	—	—	—	—	—	—	352,558	[REDACTED]	[REDACTED]	[REDACTED]
Yinxing Zhiyuan	—	—	—	1,147,509	734,406	—	—	—	—	—	1,881,915	[REDACTED]	[REDACTED]	[REDACTED]
Guotong Entities	—	—	—	726,450	459,003	—	—	—	—	—	1,185,453	[REDACTED]	[REDACTED]	[REDACTED]
LIU Qian	—	—	—	38,556	—	—	—	—	—	—	38,556	[REDACTED]	[REDACTED]	[REDACTED]
Tongshu Xincheng	—	—	—	—	688,505	—	—	—	—	—	688,505	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yilong	—	—	—	—	459,004	—	—	—	—	—	459,004	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Jiaozeng	—	—	—	—	—	4,537,877	1,810,104	1,063,302	1,168,602	—	8,579,885	[REDACTED]	[REDACTED]	[REDACTED]
Harvest Enrichment	—	—	—	—	—	1,377,011	—	—	—	—	1,377,011	[REDACTED]	[REDACTED]	[REDACTED]
51CC Investment	—	—	—	—	—	1,032,758	—	—	—	—	1,032,758	[REDACTED]	[REDACTED]	[REDACTED]
Guocheng Entities	—	—	—	—	—	—	6,354,256	—	—	—	6,354,256	[REDACTED]	[REDACTED]	[REDACTED]
Sunshine Life	—	—	—	—	—	—	—	1,136,539	1,249,093	1,115,641	3,497,545	[REDACTED]	[REDACTED]	[REDACTED]
Meawit Capital	—	—	—	—	—	—	—	1,772,169	1,947,672	1,115,641	3,347,545	[REDACTED]	[REDACTED]	[REDACTED]
Image Flag	—	—	—	—	—	—	—	1,063,302	1,168,602	5,020,387	5,020,387	[REDACTED]	[REDACTED]	[REDACTED]
Starr Investments	—	—	—	—	—	—	—	—	—	1,673,463	1,673,463	[REDACTED]	[REDACTED]	[REDACTED]
Other [REDACTED] Shareholders	—	—	—	—	—	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]
Total	12,497,199	3,933,772	1,877,742	2,256,768	3,075,324	6,947,646	8,164,360	5,035,312	5,533,969	8,925,132	58,247,224	[REDACTED]	[REDACTED]	100%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Based on the assumptions that (i) the [REDACTED] is completed; (ii) all Preferred Shares are converted into ordinary Shares on a 1:1 basis upon the completion of the [REDACTED]; and (iii) no further Shares will be issued and allotted pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options.
- (2) Almanack Holding is an investment holding company wholly owned by Tian Li (田里), an executive Director. On November 1, 2021, Tian Li (田里) was granted 800,000 [REDACTED] Share Options. Upon the exercise of such [REDACTED] Share Options, 800,000 ordinary Shares were issued and allotted to Almanack Holding on January 18, 2023 at the exercise price of US\$0.01 per Share, which was fully settled on March 30, 2023. On January 18, 2023, 400,000 Shares were transferred to HSZ Management. See note (6) below for further details.
- (3) On January 18, 2023, Shining Universe transferred 135,480 Shares to Universe Shining, which is also an investment holding company wholly owned by Zhang Mingqi (張明淇), an executive Director.
- (4) YAA Holding is an investment holding company wholly owned by Yu Anan (余安安), a former management member of our Group. On November 1, 2021 and April 1, 2022, Yu Anan (余安安) was granted 76,923 [REDACTED] Share Options in aggregate. Upon the exercise of such options, 76,923 ordinary Shares were issued and allotted to YAA Holding on January 18, 2023 at the exercise price of US\$0.01 per Share, which was fully settled on March 27, 2023.
- (5) HSZ Alliance is a shareholding platform of our Company with ultimate beneficial owners being our current or former regional partners (or their affiliates) and our employees. On February 25, 2023, 1,773,870 Shares were issued and allotted to HSZ Alliance at a consideration of RMB1,773,870 which had been fully settled by June 13, 2023. As of the Latest Practicable Date, HSZ Alliance is wholly owned by Hangzhou Huihe Technology Partnership (Limited Partnership) (杭州慧闊科技合夥企業(有限合夥)) (“**Hangzhou Huihe**”). The general partner of Hangzhou Huihe is Beijing Zijing, holding RMB1 of the partnership interest, and the limited partners of Hangzhou Huihe are Shanghai Huimeng Technology Partnership (Limited Partnership) (上海薈檬科技合夥企業(有限合夥)) (“**Shanghai Huimeng**”), Shanghai Huilin Technology Partnership (Limited Partnership) (上海蕙霖科技合夥企業(有限合夥)) (“**Shanghai Huilin**”), Shanghai Huiying Partnership (Limited Partnership) (上海慧穎科技合夥企業(有限合夥)) (“**Shanghai Huiying**”), Shanghai Hemeng Technology Partnership (Limited Partnership) (上海闊盟科技合夥企業(有限合夥)) (“**Shanghai Hemeng**”), holding RMB62,524, RMB53,714, RMB77,578 and RMB613,082 of the partnership interest, respectively. Pursuant to the limited partnership agreement of Hangzhou Huihe among all its general and limited partners, the partnership interest of Hangzhou Huihe may be further increased by RMB966,971 as a way of our payment of consideration for our potential future business acquisitions after the [REDACTED].

The beneficial owners of Shanghai Hemeng are our employees, who hold the relevant partnership interest as restricted shares with performance conditions within a vesting period for the purpose of employee incentives. The beneficial owners of each of Shanghai Huimeng, Shanghai Huilin and Shanghai Huiying are our current or former regional partners (or their affiliates) (the “**Regional Partners Grantees**”), who hold the relevant partnership interest as our awards to them for their long-standing high-quality business cooperation with us, except that one of the limited partners of Shanghai Huimeng was Dalian Fuzhiyong Technology Company Limited (大連福至雍科技有限公司), which is an affiliate of Dalian Jiuqianzhang Enterprise Service Center (Limited Partnership) (大連九千章企業服務中心(有限合夥)) (“**Dalian Jiuqianzhang**”), an Independent Third Party, and held certain partnership interest in Shanghai Huimeng as part of the consideration for our acquisition from Dalian Jiuqianzhang of 10% equity interest in Dalian HSZ, a then 90%-owned subsidiary of our Group. For details of such acquisition, see “— Acquisition.” For further details of the Regional Partners Grantees, see “Appendix IV— Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 7. Further Information of Regional Partners Grantees.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (6) HSZ Management is a shareholding platform of our Company for management incentive purposes. HSZ Management is wholly owned by SATP Management, which is in turn wholly owned by ARK Trust (Hong Kong) Limited (方舟信託(香港)有限公司) (“ARK Trust”), the trustee of HSZ Best Talents Trust. This trust was established by our Company as the settlor, with Mr. Zhang as the administrator to determine all matters in the administration of the trust pursuant to the trust deed entered into between our Company and ARK Trust on January 18, 2023. The beneficiaries of this trust include Tian Li (田里), Guo Chunping (郭春平), Lei Lunguo (雷綸國), Liu Xiaoping (劉曉平), Lu Lin (陸琳) and Luo Yuan (羅媛), all being management members of our Group, and Luo Shifei (羅時飛), a former management member of our Group. The Shares held by HSZ Management were all transferred from the aforesaid management members as detailed below.
- (i) On January 17, 2020, Huisuanzhang Holding granted Zhuhai Gongjin, a shareholding platform of Beijing Gongjin Technology for management members and early investors of our Group, a warrant which was amended on April 16, 2021 and March 21, 2022. On March 21, 2022, Zhuhai Gongjin assigned the aforesaid warrant to HSZ Management. Pursuant to such warrant, HSZ Management was entitled to subscribe for up to 444,517 ordinary shares of Huisuanzhang Holding at the exercise price of par value per share. As a part of the flip-down of beneficial ownership of Huisuanzhang Holding to our Company, a total of 444,517 ordinary Shares were issued and allotted at par value to LSF Holding Limited and GCP Holding Limited on January 18, 2023. Each of LSF Holding Limited and GCP Holding Limited is an investment holding company wholly owned by Luo Shifei (羅時飛) and Guo Chunping (郭春平), both of whom were also limited partners of Zhuhai Gongjin prior to the Reorganization. On the same day, all the aforesaid Shares were transferred to HSZ Management.
- (ii) On November 1, 2021, Lei Lunguo (雷綸國), Liu Xiaoping (劉曉平), Lu Lin (陸琳) and Luo Yuan (羅媛) were granted 20,000, 72,462, 34,188 and 64,281 [REDACTED] Share Options. On April 1, 2022, Guo Chunping (郭春平), Lei Lunguo (雷綸國), Lu Lin (陸琳) and Luo Yuan (羅媛) were granted 137,877, 14,188, 41,235 and 12,642 [REDACTED] Share Options. Upon the exercise of such options, 137,877, 34,188, 72,462, 75,423 and 76,923 ordinary Shares were issued and allotted to the investment holding companies wholly owned by Guo Chunping (郭春平), Lei Lunguo (雷綸國), Liu Xiaoping (劉曉平), Lu Lin (陸琳) and Luo Yuan (羅媛), respectively, on January 18, 2023 at the exercise price of US\$0.01 per Share, which had been fully settled by March 2023. On January 18, 2023, all the aforesaid Shares were transferred to HSZ Management.
- (iii) On January 18, 2023, Almanack Holding, the investment holding company wholly owned by Tian Li (田里), transferred 400,000 Shares to HSZ Management. See note (2) above for further details.
- (7) Tailwind Management is a shareholding platform of our Company for management incentive purposes. Tailwind Management is wholly owned by Tailwind Holding, which is in turn wholly owned by ARK Trust, the trustee of HSZ Tailwind Trust. This trust was established by our Company as the settlor, with Mr. Zhang as the administrator and the authorized representative of our Company to give instructions or notices to the trustee for any matters in relation to the routine administration of the trust pursuant to the trust deed entered into between our Company and ARK Trust on November 22, 2023. The beneficiaries of the trust include Tian Li (田里), Guo Chunping (郭春平) and Luo Yuan (羅媛), all being management members of our Group. The Shares held by Tailwind Management were all issued and allotted by the Company on May 7, 2024 pursuant to the exercise of 371,201, 886,135 and 371,201 [REDACTED] Share Options by Tian Li (田里), Guo Chunping (郭春平) and Luo Yuan (羅媛), respectively, at the exercise price of US\$0.01 per Share, which had been fully settled by December 2023.
- (8) On January 18, 2023, Hexie Jinfeng transferred 352,558 Series Angel Preferred Shares to RJH Investment at a consideration of RMB19,999,764, which was determined with reference to the valuation of our Group in the Series D Investment and fully settled on January 18, 2023.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRINCIPAL SUBSIDIARIES

The follows are our principal subsidiaries that made a material contribution to our financial results during the Track Record Period:

<u>Name of subsidiary</u>	<u>Date and place of establishment</u>	<u>Principal business activities</u>
Beijing Gongjin Consulting . . .	October 22, 2015, PRC	Bookkeeping and tax filing services
Guangzhou Gongjin	April 6, 2016, PRC	Bookkeeping and tax filing services
Shanghai Gongjin	July 4, 2016, PRC	Bookkeeping and tax filing services
Beijing Zijing	July 20, 2021, PRC	Research and development and administration supporting
Boyue Wenchang	July 21, 2021, PRC	Bookkeeping and tax filing services
Boyan Ziming	July 21, 2021, PRC	Investment holding
Qingdao HSZ	November 4, 2021, PRC	Bookkeeping and tax filing services
Guangxi HSZ	November 9, 2021, PRC	Bookkeeping and tax filing services
Qingdao WFOE	August 4, 2022, PRC	Investment holding
Dalian WFOE	September 1, 2022, PRC	Investment holding

See Note 1 to the Accountant’s Report in Appendix I to this document and “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 5. Changes in the share capital of our subsidiaries” for further details.

ACQUISITION

Our Group did not have any acquisitions during the Track Record Period that would be considered as a material acquisition under Rule 4.05A of the Listing Rules.

Dalian HSZ was a previous regional partner of our Group held by us as to 15%. In line with our long-term customer acquisition strategies, from February 2021 to February 2022, we successively acquired 75% and 10% equity interest in Dalian HSZ from its then shareholder, Dalian Jiuqianzhang, an Independent Third Party, at a total consideration of RMB12.75 million, consisting of (i) RMB11.35 million in cash and (ii) equity interest in our Company equivalent to RMB1.40 million calculated with reference to the valuation of our Group in the Series D Investment. Such consideration was determined based on the customer base and local market share of Dalian HSZ and had been fully settled by February 25, 2023. Upon the completion of such acquisition, Dalian HSZ became an indirectly wholly-owned subsidiary of our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

Overview

We have received nine rounds of investments from our [REDACTED] Investors since our establishment, which are summarized below. The consideration for each of the [REDACTED] Investments was determined based on arm’s length negotiations with the [REDACTED] Investors after taking into account, among others, the timing of the investments, the illiquidity of the shares as a private company when the [REDACTED] Investments were entered into, our business performance, market conditions and our market position.

Round ⁽¹⁾	Date of relevant agreement(s)	Total number of Shares purchased ⁽²⁾	Total consideration paid ⁽³⁾	Date on which consideration was fully settled	Approximate cost per share paid	Discount/(premium) to the [REDACTED] ⁽⁴⁾	Post-money valuation of our Group
Series Angel.	July 14, 2015	16,887,760	RMB17,103,711.97	July 29, 2015	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series Pre-A.	May 26, 2016	9,388,710	RMB13,500,000.00	August 8, 2016	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series A+	March 13, 2017	11,283,840	RMB29,500,000.00	March 28, 2017	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series B	September 28, 2017	15,376,620	RMB67,000,000.00	October 25, 2017	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series B-2	December 29, 2017	34,738,230	RMB151,363,631.91	January 23, 2018	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series C	September 11, 2018	40,821,800	RMB259,542,680.00	August 12, 2019	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series C-1	December 6, 2019 and June 30, 2020	25,176,560	RMB167,882,513.25	December 22, 2020	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series C-2	December 6, 2019 and June 30, 2020	27,669,845	RMB237,279,191.12	December 22, 2020	HK\$[REDACTED]	[REDACTED]%	[REDACTED]
Series D	April 16, 2021 and April 19, 2021	44,625,660	US\$80,000,000	April 21, 2021	HK\$[REDACTED]	[REDACTED]%	[REDACTED]

Notes:

- (1) Although there was a Series A Investment undertaken by Zhoushan Chuanrong, Zhang Bingyue (張冰月) and Wu Jun (吳俊) with a total consideration paid of RMB50 million, these investors had divested all their investments in our Group subsequently.
- (2) Total number of Shares purchased represents the number of Preferred Shares attributable to each of the [REDACTED] Investors assuming that the [REDACTED] has been completed.
- (3) Total consideration paid represents the original acquisition cost for the relevant Preferred Shares during the relevant round of the [REDACTED] Investment.
- (4) Assuming the [REDACTED] is fixed at HK\$[REDACTED] being the mid-point of the indicative [REDACTED] range.

Use of proceeds from the [REDACTED] Investments

We utilized most of the proceeds from the [REDACTED] Investments for the development and operation of our principal business and other general working capital purposes. As of the Latest Practicable Date, we had utilized all proceeds from the [REDACTED] Investments.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Strategic benefits of the [REDACTED] Investors brought to our Company

Our [REDACTED] Investors primarily include private equity funds and strategic investors who are experienced in investing in TMT sector. They decided to invest in our Group out of their confidence in the operation and development of our Group. Their investments in our Group are an endorsement of our performance, strength and prospects. Our Directors believe that we could benefit from the investors’ industry insights and guidance in formulation of our business and expansion strategies.

Information about [REDACTED] Investors

We set out below a description of our [REDACTED] Investors.

Hexie Jinfeng

Hexie Jinfeng was incorporated as a business company in the BVI wholly owned by Shanghai Zhiyi Enterprise Management Consulting Partnership (Limited Partnership) (上海志禕企業管理諮詢合夥企業(有限合夥)), which is owned by Xizang Jinchuan and Xizang Jinlan Enterprise Management Co., Ltd. (西藏錦瀾企業管理有限公司), an Independent Third Party, as to 99.99% and 0.01%. Xizang Jinchuan is wholly owned by Sichuan Hexie Shuangma Co., Ltd. (四川和諧雙馬股份有限公司) (Stock Code: 000935.SZ).

RJH Investment

RJH Investment was incorporated as a business company in the BVI wholly owned by Beijing Rongjiahui Investment Company Limited (北京融佳匯投資有限公司), a wholly-owned subsidiary of Beijing Tianchang Jialun Investment Company Limited (北京天長嘉倫投資有限公司) (“**Tianchang Jialun**”). Tianchang Jialun is ultimately owned by Zhao Dongjie (趙東傑), Ba Zhengrong (巴嶧嶸), Pan Zhaohui (潘朝暉) as to 50%, 25% and 25%, all being Independent Third Parties.

Yinxing Zhiyuan

Yinxing Zhiyuan was established in the PRC as a limited partnership on September 28, 2021, with its general partner being Qingkong Yinxing Venture Capital Management (Nantong) Company Limited (清控銀杏創業投資管理(南通)有限公司) (“**Qingkong Nantong**”), holding 3.12% of the partnership interests, and its limited partner being Nantong Fund, holding the remaining 96.88% of the partnership interests in Yinxing Zhiyuan.

Qingkong Nantong is wholly owned by Qingkong Yinxing Venture Capital Management (Beijing) Company Limited (清控銀杏創業投資管理(北京)有限公司) (“**Qingkong Beijing**”), which is in turn owned by Qidi Yinxing, Qingkong Venture Capital Company Limited (清控創業投資有限公司) and Huakong Technology Transfer Company Limited (華控技術轉移有限公司) as to 85%, 10% and 5%. The general partner of Nantong Fund is Qingkong Beijing. The limited partners of Nantong Fund are Qingkong Yinxing Investment Center (Nantong Limited Partnership) (清控銀杏投資中心(南通有限合夥)) (“**Qingkong Yinxing**”), National MSE Development Fund

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Company Limited (國家中小企業發展基金有限公司), Xizang Longxin, Jiaying Qingyin Investment Partnership (Limited Partnership) (嘉興清銀投資合夥企業(有限合夥)), Xizang Qingkong Asset Management Company Limited (西藏清控資產管理有限公司) and Xizang Linzhi Qingchuang Asset Management Company Limited (西藏林芝清創資產管理有限公司), holding 51.11%, 24.44%, 7.45%, 5.99%, 5.00% and 5.00% of the partnership interests in Nantong Fund, respectively.

The ultimate beneficial owners of the limited partners of Yinxing Zhiyuan include (i) investment companies and venture capital funds; (ii) state-owned investment, finance and trust companies; and (iii) high net worth individuals. To the best knowledge of our Directors, each of Yinxing Zhiyuan and its general and limited partners is an Independent Third Party.

Guotong Entities

Guotong Lianzhi was established in the PRC as a limited partnership on April 28, 2016, with its general partner and fund manager being Beijing Guotong Qingyuan Venture Capital Management Partnership (Limited Partner) (北京國同清源創業投資管理合夥企業(有限合夥)) (“**Guotong Qingyuan**”) holding 1% partnership interests in Guotong Lianzhi. The limited partners of Guotong Lianzhi include Ping An Wealth Management Company Limited (平安財富理財管理有限公司), Hainan Ping An Private Fund Management Company Limited (海南平安私募基金管理有限公司), Wan Li (萬麗) and Pingyang Linnan No.2 Equity Investment Fund Management Center (Limited Partnership) (平陽林楠貳號股權投資基金管理中心(有限合夥)), holding 57.20%, 37.80%, 2.00% and 2.00% of the partnership interests in Guotong Lianzhi, respectively.

The general partner of Guotong Qingyuan is Beijing Guotong Zhonghe Consulting Company Limited (北京國同眾和諮詢有限公司) (“**Guotong Zhonghe**”), which is wholly owned by Xue Jun (薛軍). The limited partners of Guotong Qingyuan include Qingkong Beijing, Ningbo Meishan Bonded Port Area Guotong Qingyu Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區國同清裕企業管理合夥企業(有限合夥)), Zhongguancun Development Group Company Limited (中關村發展集團股份有限公司), and Lu Naijiang (陸乃將), holding 40.00%, 39.00%, 15.00% and 5.00% of the partnership interests in Guotong Qingyuan, respectively.

Guotong Lianzhi mainly invests in high-tech fields including intelligent internet sector. The ultimate beneficial owners of the limited partners of Guotong Lianzhi include venture capital funds, investment companies and high net worth individuals. To the best knowledge of our Directors, each of Guotong Lianzhi and its general and limited partners is an Independent Third Party.

Guotong Huizhi was established in the PRC as a limited liability company on December 11, 2015, owned by Beijing Qingxin Ruizhi Venture Capital Company Limited (北京清鑫睿智創業投資有限公司), Zhongguancun Development Group Company Limited (中關村發展集團股份有限公司), Beijing MSE Service Center (北京中小企業服務中心) and Guotong Qingyuan, all of which are Independent Third Parties, as to approximately 50.49%, 24.51%, 24.51% and 0.49%. The fund manager of Guotong Huizhi is Guotong Qingyuan. Guotong Huizhi mainly invests in high-tech fields including intelligent internet sector.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As Guotong Entities share the same fund manager, i.e. Guotong Qingyuan, they are regarded as a group of Shareholders.

LIU Qian

LIU Qian is a professor in the department of industrial engineering and decision analytics at Hong Kong University of Science and Technology, and an Independent Third Party. Her research primarily focuses on revenue management and pricing, consumer-driven operations management, and marketing-operations interfaces.

Tongdu Xincheng

Tongdu Xincheng was established in the PRC as a limited partnership on September 10, 2014, with its general partner being Tongdu Shicheng (Beijing) Investment Management Company Limited (同渡勢成(北京)投資管理有限責任公司) (the “**Tendence Capital**”) holding 1% of the partnership interests in Tongdu Xincheng. The limited partners of Tongdu Xincheng include Infotech Ventures Co., Ltd. (盈富泰克創業投資有限公司) and Beijing Municipal Engineering Consulting Co., Ltd. (北京市工程諮詢股份有限公司), both of which are state-owned companies, each accounting for 20% of the partnership interests in Tongdu Xincheng, and other non-state-owned investors, including Hangzhou Dingxian Venture Capital Partnership (Limited Partnership) (杭州鼎先創業投資合夥企業(有限合夥)), Zhejiang Yinjiang Equity Investment Management Company Limited (浙江銀江股權投資管理有限公司), Shanghai Moqin Intelligent Technology Co., Ltd. (上海摩勤智能技術有限公司), Beijing Zijing Huarong Equity Investment Company Limited (北京紫荊華融股權投資有限公司), Xinaote Investment Group Company Limited (新奧特投資集團有限公司), Changzhou Jiuyi Equity Investment Center (Limited Partnership) (常州市久益股權投資中心(有限合夥)), Shanghai Enmore Technology Holding Co., Ltd (上海易貿科技控股有限公司), Zhongjianxin Holding Group Company Limited (中建信控股集團有限公司) and Wang Tongyan (王彤彥), accounting for 11%, 10%, 8%, 8%, 6%, 4%, 4%, 4% and 4% of the partnership interests in Tongdu Xincheng, respectively.

Tongdu Xincheng has a total fund size of RMB250 million. Tendence Capital is a professional venture capital fund, mainly investing in deep technology sectors, including artificial intelligence, semiconductor, internet of things and robotics as well as medical technology. Tendence Capital is owned by Wu Qianfen (吳潛芬) and Beijing Ruihui Management Consulting Center (Limited Partnership) (北京睿輝管理諮詢中心(有限合夥)) (“**Beijing Ruihui**”) as to 60% and 40%, respectively. Beijing Ruihui is a shareholding platform of employees of Tendence Capital. The limited partners of Tongdu Xincheng include (i) state-owned investment companies; (ii) non-state-owned investment companies and fund managers; and (iii) high net worth individuals. To the best knowledge of our Directors, each of Tongdu Xincheng and its general and limited partners is an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shanghai Yilang

Shanghai Yilang was established in the PRC as a limited partnership on June 29, 2021, with its general partner being Tianjin Yilang Xize Corporate Governance Company Limited (天津宜朗熙澤企業管理有限公司) which is wholly owned by Xu Mei (徐梅), holding 0.0002% of the partnership interests in Shanghai Yilang, and its limited partner being Jiaxing Yilang, holding 99.9998% of the partnership interests in Shanghai Yilang.

The general partner of Jiaxing Yilang is Beijing Yuying Asset Management Company Limited (北京煜盈資產管理有限公司), which is owned by Zhao Mei (趙玫) and Tian Yan (田彥) as to 90% and 10%, respectively. The limited partner of Jiaxing Yilang is Zhehao Asset Management (Shanghai) Company Limited (喆顥資產管理(上海)有限公司), which is owned by Tang Ning (唐寧) and Tian Yan (田彥) as to 90% and 10%, respectively. To the best knowledge of our Directors, each of Shanghai Yilang and its general and limited partners is an Independent Third Party.

Shanghai Jiaozeng

Shanghai Jiaozeng was established in the PRC as a limited partnership on November 27, 2019, with its general partner being Beijing Xiaomi Software Co., Ltd. (北京小米軟件技術有限公司) (“**Xiaomi Software**”) holding approximately 0.09% of the partnership interests in Shanghai Jiaozeng, and its limited partner being Tianjin Jinmi holding approximately 99.91% of the partnership interests in Shanghai Jiaozeng. The general partner of Tianjin Jinmi is Tianjin Jinxing Venture Investment Co., Ltd. (天津金星創業投資有限公司) (“**Tianjin Jinxing**”), holding approximately 86.20% of its partnership interests, and the limited partner of Tianjin Jinmi is Tianjin Zhongmi Enterprise Management Partners (Limited Partnership) (天津眾米企業管理合夥企業(有限合夥)) (“**Tianjin Zhongmi**”), holding approximately 13.80% of its partnership interests. Tianjin Jinxing is wholly owned by Xiaomi Inc. (小米科技有限責任公司) (“**Xiaomi Inc.**”) which is a consolidated affiliated entity of Xiaomi Communications Co., Ltd. (小米通訊技術有限公司) (“**Xiaomi Communications**”). Both of Xiaomi Software and Xiaomi Communications are wholly owned by Xiaomi H.K. Limited, a wholly-owned subsidiary of Xiaomi Corporation (小米集團) (Stock Code: 1810.HK).

Harvest Enrichment

Harvest Enrichment was incorporated as a business company in the BVI, indirectly controlled by YUCHENG GP Limited, a limited liability company incorporated in the Cayman Islands, which is wholly owned by an Independent Third Party.

51CC Investment

51CC Investment was incorporated as a business company in the BVI indirectly owned by 51 Credit Card Inc. (51信用卡有限公司) (“**51CC**”). 51CC is a limited liability company established in the Cayman Islands with its shares listed on the Stock Exchange (Stock Code: 2051.HK), with its ultimate beneficiary being Sun Haitao (孫海濤). Both 51CC and Sun Haitao (孫海濤) are Independent Third Parties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Gaocheng Entities

GCHSZ Holdings is an exempted company with limited liability incorporated in the Cayman Islands on November 15, 2018 and wholly owned by Gaocheng Fund I, L.P. The general partner of Gaocheng Fund I, L.P. is Gaocheng Holdings GP, Ltd, which is ultimately controlled by Ms. Hong Jing (洪婧) (“**Ms. Hong**”), a former director of our Company. Gaocheng Fund I, L.P. has 57 limited partners, none of which holds more than one third of the partnership interest of Gaocheng Fund I, L.P. Both of GCHSZ Holdings and Gaocheng Fund I, L.P. are venture capital funds, primarily engaging in investment in enterprise software and technology-enabled services sector.

To the best knowledge of our Directors, except for Gaocheng Partnership, L.P., Gaocheng Feeder Fund I, L.P., Gaocheng Incentive Holdings, L.P., which are all ultimately controlled by Ms. Hong, each of the other 54 limited partners of Gaocheng Fund I, L.P. is an Independent Third Party.

GHSZ Holdings is an exempted company with limited liability incorporated in the Cayman Islands on April 2, 2019 and wholly owned by GHSZ CI Fund, LP. The general partner of GHSZ CI Fund, LP is Gaocheng Holdings GP, Ltd. GHSZ CI Fund, LP has six limited partners. Except for 57 Stars Global Opportunity Fund 3 (KIA), L.P., with a sovereign wealth fund holding its more than one third partnership interests, holding 36% partnership interests in GHSZ CI Fund, LP, none of the other five limited partners holds more than one third of the partnership interests in GHSZ CI Fund, LP.

To the best knowledge of our Directors, each of the limited partners of GHSZ CI Fund, LP is an Independent Third Party.

Shanghai Hongyan is a limited liability partnership incorporated in the PRC on September 23, 2021. The general partner of Shanghai Hongyan is Ningbo Gaocheng Houde Equity Investment Management Co., Ltd. (寧波高成厚德股權投資管理有限公司) (“**Gaocheng Houde**”, together with Gaocheng Holdings GP, Ltd, “**Gaocheng**”), which is also wholly owned by Ms. Hong. The limited partner of Shanghai Hongyan is Gaocheng Hongyi. The general partner of Gaocheng Hongyi is Gaocheng Houde and the limited partner of Gaocheng Hongyi is Suzhou Gaocheng Xingjian Equity Investment Fund Partnership (Limited Partnership) (蘇州高成行健股權投資基金合夥企業(有限合夥)) (“**Gaocheng Xingjian**”). The general partner of Gaocheng Xingjian is Ningbo Gaocheng Qingyuan Equity Investment Management Company Limited (寧波高成清源股權投資管理有限公司) (“**Gaocheng Qingyuan**”), which is controlled by Ms. Hong. Gaocheng Xingjian has 23 limited partners, none of which holds more than one third of the partnership interests in Gaocheng Xingjian.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

To the best knowledge of our Directors, except for Pingtan Gaocheng Deyuan Equity Investment Partnership (Limited Partnership) (平潭高成德遠股權投資合夥企業(有限合夥)), Ningbo Gaocheng Qingrun Equity Investment Management Partnership (Limited Partnership) (寧波高成清潤股權投資管理合夥企業(有限合夥)), Ningbo Gaocheng Honghao Equity Investment Partnership (Limited Partnership) (寧波高成泓皓股權投資合夥企業(有限合夥)), Pingtan Hongyuan Equity Investment Partnership (Limited Partnership) (平潭泓遠股權投資合夥企業(有限合夥)), which are all affiliates of Ms. Hong, each of the other 19 limited partners of Gaocheng Xingjian is an Independent Third Party.

As each of Gaocheng Entities is ultimately controlled by Ms. Hong, they are regarded as a group of Shareholders.

Sunshine Life

Sunshine Life is owned as to 99.9999% by Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司) (“**Sunshine Insurance**”), a joint stock company incorporated in the PRC with limited liability and listed on the Stock Exchange (Stock Code: 6963.HK) and an Independent Third Party. Sunshine Insurance provides comprehensive solutions focusing on professional risk protection and diverse service offerings to its customers.

Metawit Capital

Metawit Capital was incorporated as an exempted limited partnership in Cayman Islands on November 3, 2015, with its general partner being Metawit Management Limited, which is owned by Tseng Kuo-Lung Gordon, Leader Value Limited and Kindstart Limited as to 40%, 30% and 30%, respectively, and its limited partner being Habile Hero Limited, holding 100% of the partnership interests in Metawit Capital. Habile Hero Limited is wholly owned by Lindawood Limited, which is in turn wholly owned by Lu Yi-Ju. To the best knowledge of our Directors, each of Metawit Capital and its general and limited partners is an Independent Third Party.

Image Flag

Image Flag was incorporated as a limited liability company under the laws of Hong Kong on January 5, 2016. It is a wholly-owned subsidiary of Tencent Holdings Limited (騰訊控股有限公司), a company incorporated in the Cayman Islands and listed on the Stock Exchange (Stock Code: 0700.HK) and an Independent Third Party.

Starr Investments

Starr Investments was incorporated as an exempted company with limited liability incorporated in Cayman Islands on September 4, 2014 and wholly owned by Starr International Company, Inc., a company incorporated in Switzerland, which is wholly owned by Starr International Foundation, a charitable foundation which is also incorporated in Switzerland and an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special Rights of the [REDACTED] Investors

We granted customary special rights to the [REDACTED] Investors under the [REDACTED] Investments, among which, (i) the rights of first refusal, co-sale rights, pre-emptive rights, information and inspection rights, rights of election of directors and observers of the Board, veto rights against certain corporate actions, drag-along rights, most favorable treatments, registration rights, dividends rights and liquidation preferences will be automatically terminated immediately before the [REDACTED]; (ii) the redemption rights was terminated immediately before the submission of the first [REDACTED] application by our Company to the Stock Exchange, unless the [REDACTED] application is withdrawn, revoked or rejected for any reason or if the [REDACTED] application is not renewed within six months of expiration, in which case the redemption rights will be reinstated; and (iii) the conversion rights will be automatically exercised in full so that all the Preferred Shares will be converted into Shares on 1:1 basis upon the [REDACTED].

Public Float

Upon the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options), (i) Shanghai Jiaozeng will be interested in approximately [REDACTED]% of the total issued share capital of our Company and will be a substantial shareholder of our Company and (ii) Gaocheng will be interested in approximately [REDACTED]% of the total issued share capital of our Company through the equity interest held by GCHSZ Holdings, GHSZ Holdings and Shanghai Hongyan and will be a substantial shareholder of our Company. Therefore, the Shares held by Shanghai Jiaozeng, GCHSZ Holdings, GHSZ Holdings and Shanghai Hongyan will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the [REDACTED].

Other than the Shares held by (i) Sparking Sky and the Voting Grantors, the voting rights of which are controlled by Mr. Zhang, a core connected person of our Company, as detailed in “— Voting Agreements” below; and (ii) Shanghai Jiaozeng, GCHSZ Holdings, GHSZ Holdings and Shanghai Hongyan, each being a core connected person of our Company, Shares held by the other Shareholders upon the [REDACTED] will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the [REDACTED].

As a result, upon completion of the [REDACTED], an aggregate of [REDACTED] Shares or approximately [REDACTED]% of the total issued share capital of our Company (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options), which is more than 25% as required under Rule 8.08(1)(a) of the Listing Rules, will be counted towards the public float upon the [REDACTED].

Sole Sponsor’s Confirmation

The Sole Sponsor confirms that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

[REDACTED] SHARE OPTION PLAN

On November 1, 2021, our Company adopted the [REDACTED] Share Option Plan to attract and retain the best available personnel, provide incentives to Directors, senior management members, employees and consultants and promote the success of our business. Pursuant to the [REDACTED] Share Option Plan, the maximum number of Shares in respect of which [REDACTED] Share Options may be granted shall be 5,537,977 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), representing approximately [REDACTED]% of the total issued share capital of our Company immediately after completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options).

As of the Latest Practicable Date, [REDACTED] Share Options for a total of 5,445,237 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), representing approximately [REDACTED]% of the total issued share capital of our Company immediately after completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options), had been conditionally granted to 214 grantees, including Directors, senior management members and employees of our Group and other grantees, among which [REDACTED] Share Options to subscribe for 2,562,904 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had not been exercised and remained outstanding. Assuming full exercise of all outstanding [REDACTED] Share Options, the shareholding of our Shareholders immediately following the [REDACTED] and the [REDACTED] will be diluted by approximately [REDACTED]%, if calculated on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and assuming that the [REDACTED] is not exercised. No further [REDACTED] Share Options may be granted after the [REDACTED]. See “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan” and “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to the [REDACTED] Share Option Plan” for further details.

VOTING AGREEMENTS

Each of the following Voting Grantors entered into a Voting Agreement with Mr. Zhang and Sparking Sky (together with Mr. Zhang, the “**Entrustees**”), respectively. By entrusting their voting powers to the Entrustees, each of the Voting Grantors believes that the consistent leadership of Mr. Zhang with a stronger control in the voting rights is beneficial to the overall strategic planning and decision-making process of our Group. Each of the Voting Agreements became effective from the date of the agreement until the earlier of (i) the respective Voting Grantor cease to hold any Shares directly or indirectly and (ii) the Entrustees unilaterally terminate the Voting Agreement.

<u>Voting Grantor</u>	<u>Beneficial owners of Voting Grantors</u>	<u>Date of the Voting Agreement</u>
Shining Universe	Zhang Mingqi (張明淇), an executive Director	May 30, 2023
Universe Shining	Zhang Mingqi (張明淇), an executive Director	May 7, 2024

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Voting Grantor</u>	<u>Beneficial owners of Voting Grantors</u>	<u>Date of the Voting Agreement</u>
Almanack Holding	Tian Li (田里), an executive Director	May 30, 2023
YAA Holding	Yu Anan (余安安), a former management member of our Group	May 30, 2023
Evergreen Oliver	Wang Baoqing (王葆青), a non-executive Director	May 30, 2023
HSZ Alliance	Our employees and current or former regional partners (or their affiliates)	May 30, 2023
HSZ Management	Our current or former management members, namely Tian Li (田里), Guo Chunping (郭春平), Lei Lunguo (雷綸國), Liu Xiaoping (劉曉平), Lu Lin (陸琳), Luo Yuan (羅媛) and Luo Shifei (羅時飛)	May 30, 2023
Tailwind Management	Our current management members, namely Tian Li (田里), Guo Chunping (郭春平) and Luo Yuan (羅媛)	May 7, 2024
Grand Future	Zhou Zhibing (周志兵), an early investor of our Group and an Independent Third Party	May 30, 2023
National Services	Zhang Guoxiang (張國祥), an early investor of our Group and an Independent Third Party	May 30, 2023
Spring Future	Wu Xianchun (吳顯春), an early investor of our Group and an Independent Third Party	May 30, 2023

Pursuant to the Voting Agreements, each of the Voting Grantors has confirmed and agreed that (i) it had granted, since the date it became interested in our Company, either directly or indirectly, and shall continue to grant, the Entrustees, as its lawful attorney, an exclusive, irrevocable and unconditional voting proxy over all the relevant Shares held by it, either directly or indirectly; and (ii) the Entrustees have had, and shall continue to have, the right to vote all the relevant Shares held by each of the Voting Grantors, either directly or indirectly, in their sole discretion on all matters submitted to a meeting of the Shareholders and all written resolutions to be voted on by the Shareholders.

[REDACTED] AND REDESIGNATION

On [•], our Shareholders resolved to, among other things, conduct the [REDACTED] pursuant to which each share in our then issued and unissued share capital was split into [REDACTED] shares of the corresponding class with nominal of US\$[REDACTED] each effective upon the conditions of the [REDACTED] being fulfilled. For details, see “Share Capital.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Beijing Gongjin IP Service was established as a wholly-owned subsidiary of Beijing Babashuo Culture Medium Company Limited (北京叭說文化傳媒有限公司) (“**Beijing Babashuo**”) on April 23, 2021. The entire equity interest in Beijing Babashuo was transferred from He Jingping (賀敬平) and Li Jian (李劍), both being former employees of our Group and Independent Third Parties, to Beijing Zijing on January 11, 2022, at nil consideration as no registered capital of Beijing Babashuo had been contributed at the time of such transfer. Beijing Babashuo further transferred its entire equity interest in Beijing Gongjin IP Service to Beijing Zijing on April 19, 2023. Beijing Babashuo was deregistered on July 12, 2023 as it had no material business operation since incorporation and we had no development plan for it.
- (2) The remaining 49% equity interest in Beijing Gongjin Consulting is held by Changxing Youyang Enterprise Management Consulting Partnership (Limited Partnership) (長興悠揚企業管理諮詢合夥企業(有限合夥)), which has no other relationship with our Group except for its direct interest in Beijing Gongjin Consulting.
- (3) Other subsidiaries include Hangzhou Gongjin Finance, Qingdao HSZ, Guangxi HSZ, Hebei HSZ, Zhongmou Jinan, Shanghai Gongjin, Shanghai Huizhi, Ningbo Xiaoqiao, Tianjin Gongjin Business, Shijiazhuang HSZ, Nanjing Xiaoqiao, Wuxi Gongjin, Qingdao Gongjin, Ningbo HSZ, Jinan Xiaoqiao, Chongqing Gongjin, Ningbo Gongjin, Dalian HSZ, Guangzhou Gongjin, Tianjin Gongjin Finance, Hefei Gongjin, Shandong Gongjin, Changzhou Xiaoqiao, Xuzhou HSZ, Zibo Gongjin and Nantong Xiaoqiao, which are all directly or indirectly wholly owned by Boyan Ziming.

Among the aforesaid subsidiaries, Shijiazhuang HSZ, Ningbo HSZ, Shandong Gongjin and Nantong Xiaoqiao were newly established as wholly-owned subsidiaries of our Group during the process of the Reorganization.

Ningbo Xiaoqiao was newly established as a wholly-owned subsidiary of our Group on January 22, 2024 in order for our business development.

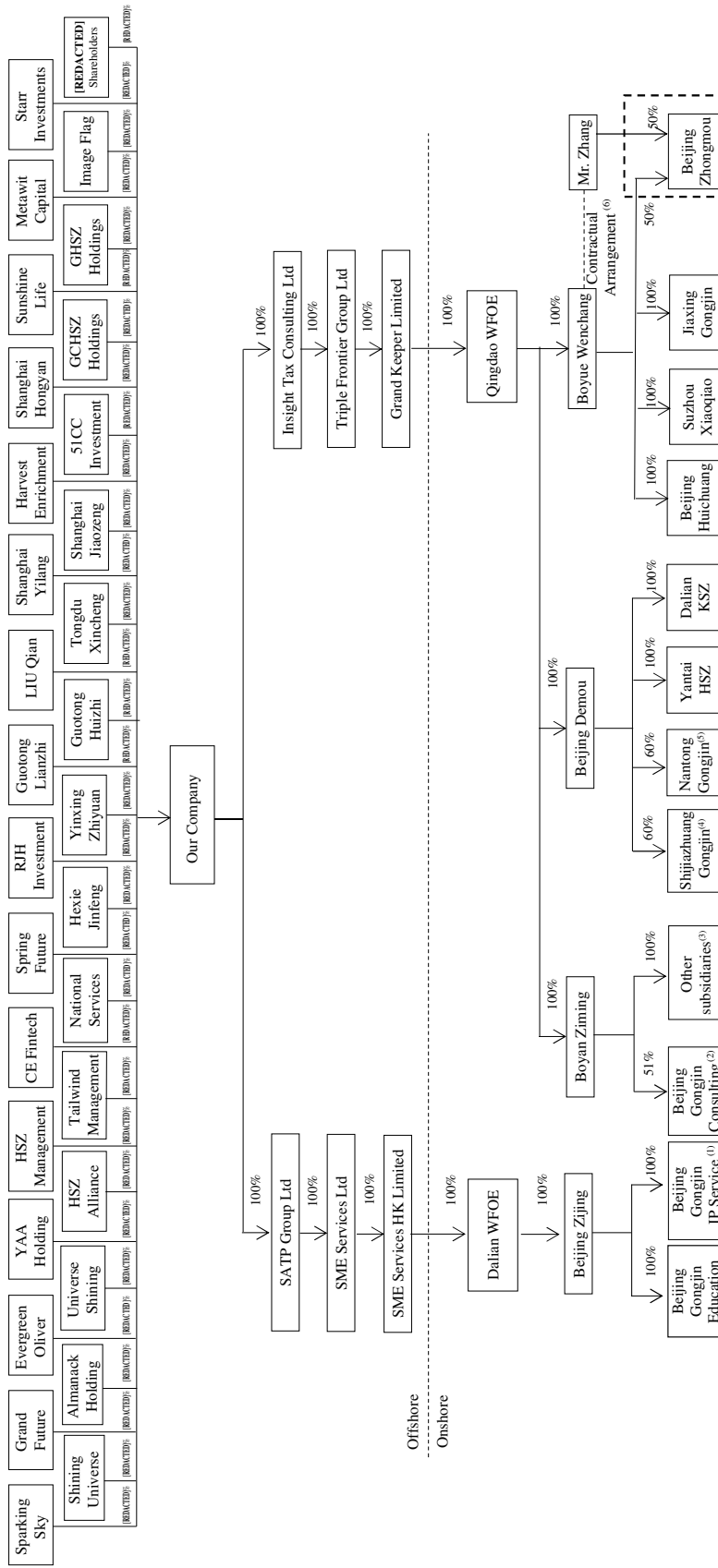
Shanghai Huizhi was established by some of our current or former management members and HUI Capital Management Co Limited on August 4, 2022 and was acquired by Shanghai Gongjin on December 26, 2023 for the purpose of SAFE registration for such management members to indirectly hold our Shares in compliance with SAFE Circular 37. The consideration was nil as no registered capital of Shanghai Huizhi had been contributed at the time of such acquisition.

- (4) The remaining 40% equity interest in Shijiazhuang Gongjin is held by Shaanxi Zhugeyun E-commerce Finance and Taxation Service Company Limited (陝西諸葛雲電商財稅服務有限公司), an Independent Third Party.
- (5) The remaining 40% equity interest in Nantong Gongjin is held by Wu Mingtao (吳明燾), an Independent Third Party.
- (6) We entered into the Contractual Arrangements with Mr. Zhang and Beijing Zhongmou. For details, see “Contractual Arrangements.”

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate Structure Immediately following the [REDACTED]

The following chart sets forth the shareholding structure of our Group immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options):



Direct legal and beneficial ownership in the equity interest
 Contractual relationships under the Contractual Arrangements
 Equity interests controlled by our Group under the Contractual Arrangements

Notes:

(1)-(6): Please refer to the corresponding notes to the chart set out in "— Corporate Structure Immediately before the [REDACTED]."

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, all required governmental approvals in relation to the equity transfers in the PRC and the onshore reorganization as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations in all material aspects. Our PRC Legal Advisors further confirmed that, except otherwise disclosed in this document, the equity transfers, disposals and capital contributions in the PRC as described above have been properly and legally completed in compliance with the applicable PRC laws and regulations in all material aspects.

M&A Rules

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that the prior CSRC approvals under the M&A Rules for the [REDACTED] is not required, considering that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the proposed [REDACTED] is subject to the M&A Rules, (ii) our foreign-invested enterprises were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules using equities or shares as consideration, and (iii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. However, our PRC Legal Advisors further advise that there is uncertainty as to how the M&A Rules and other related PRC laws and regulations will be interpreted or implemented and whether relevant government authorities would promulgate future requirements.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SAFE Registration in the PRC

Pursuant to the SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be subject to penalty and sanction and restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to the SAFE Circular 13, the power to accept SAFE registration was delegated from local SAFE to local banks under SAFE Circular 37.

As advised by our PRC Legal Advisors, our founder, Mr. Zhang, completed his initial foreign exchange registrations under SAFE Circular 37 in respect of the incorporation of Sparking Sky on January 26, 2022.

CONTRACTUAL ARRANGEMENTS

PRC LAWS AND REGULATIONS ON FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》) and the Catalogue of Encouraged Industries for Foreign Investment (2022 edition) (《鼓勵外商投資產業目錄(2022年版)》) (collectively, the “**Relevant PRC Regulations**”). Pursuant to the Relevant PRC Regulations, foreign investments in certain industries are subject to restriction or prohibition.

Pursuant to the Relevant PRC Regulations, provision of value-added telecommunication services falls within the “restricted” category, and foreign investors are not allowed to hold more than 50% equity interest in an enterprise conducting “value-added telecommunications services” business (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call center services). Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) and the Administrative Measures for Telecommunications Business Operating Licensing (《電信業務經營許可管理辦法》), a commercial operator of internet content provision services must obtain a value-added telecommunications business operating license for provision of Internet information services (the “**ICP License**”) from the appropriate telecommunications authorities. Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), foreign investor who invests in value-added telecommunications business in China requiring an ICP License to operate must possess prior experience in operating value-added telecommunication services and a proven track record of business operation overseas (the “**ICP Qualification Requirements**”). On March 29, 2022, the State Council issued the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》), which amended the FITE Regulations, including, among others, removing the ICP Qualification Requirements. The amended FITE Regulations took effect on May 1, 2022.

Beijing Zhongmou develops and operates Huimeng Platform, a consumer-facing e-commerce marketplace, allowing service providers to display and sell enterprise services to a wider range of customers who have online access to the platform. We provide online matchmaking services through Huimeng Platform, recommending enterprise service providers to SMBs in need. As advised by our PRC Legal Advisors, (i) the principal business of Beijing Zhongmou i.e. the matchmaking services provided through our Huimeng Platform, falls within the scope of “value-added telecommunication services”; (ii) Beijing Zhongmou must obtain and continue to hold an ICP License to display commercial Internet content, including information of enterprise services of enterprise service providers, on Huimeng Platform to carry out online matchmaking services in compliance with applicable PRC laws and regulations; and (iii) Beijing Zhongmou must obtain and continue to hold a Value-added Telecommunication Business License for Electronic Data Interchange (“**EDI License**”) under the applicable PRC laws and regulations to carry out online matchmaking. While businesses subject to an EDI license are not subject to any foreign investment restrictions under the applicable PRC laws and regulation, the function of our Huimeng Platform that requires the EDI License, i.e. online matchmaking, is inseparable from and inherently embedded into the platform and is critical for us to provide matchmaking services, it is therefore not possible for us to conduct such business through a separate entity.

CONTRACTUAL ARRANGEMENTS

As provision of value-added telecommunication services is subject to the aforesaid restrictions under the applicable PRC law and regulations, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold Beijing Zhongmou entirely through equity ownership. Instead, in order to comply with applicable PRC laws and regulations while availing ourselves of international capital markets, and in line with common practice in the industries which are subject to foreign investment restrictions, we carried out a series of reorganization activities to gain effective control over and receive all the economic benefits generated by Beijing Zhongmou through the Contractual Arrangements. See “History, Reorganization and Corporate Structure — Reorganization — Onshore Reorganization — Entering into Contractual Arrangements” for details. Following the Reorganization, Beijing Zhongmou is directly owned by Boyue Wenchang and Mr. Zhang as to 50% each, and Beijing Zhongmou obtained the new ICP License and EDI License with its new shareholding structure on May 4, 2023.

OUR CONTRACTUAL ARRANGEMENTS

Overview

On February 3, 2023, Boyue Wenchang entered into the Contractual Arrangements with Beijing Zhongmou and its remaining registered shareholder, namely Mr. Zhang. Pursuant to the Contractual Arrangements, Boyue Wenchang acquired effective control over the remaining 50% interest in Beijing Zhongmou, thereby maintaining 100% control over the financial and operational management of Beijing Zhongmou and 100% entitlement to the economic benefits derived from its operations. As such, our Company now holds the maximum equity interest in Beijing Zhongmou permitted under the currently applicable PRC laws and regulations, and controls the remaining interest in Beijing Zhongmou through the Contractual Arrangements.

On the basis of the foregoing, we are of the view that the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws and regulations to the maximum extent. Our Directors also believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between Boyue Wenchang, Beijing Zhongmou and its remaining registered shareholder, namely Mr. Zhang; (ii) by entering into the Exclusive Business Cooperation Agreement with Boyue Wenchang, which is a PRC subsidiary of our Company, Beijing Zhongmou will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED]; and (iii) a number of other companies in the same or similar industries to those in which we operate use similar arrangements to accomplish the same purpose.

For the years ended December 31, 2021, 2022 and 2023, the revenue generated from the matchmaking services provided through Huimeng Platform was nil, RMB11.0 million and RMB14.5 million, accounting for nil, 2.13% and 2.69% of our Group’s total revenue, respectively. Even though the revenue contribution of Beijing Zhongmou is insignificant, Beijing Zhongmou holds the ICP License and the EDI License required for us to carry out our business through Huimeng Platform. Therefore, maintaining effective control over Beijing Zhongmou is important to our Group’s smooth operations. As such, our Group holds 50% equity ownership in Beijing Zhongmou (which has minimized the potential conflict with relevant PRC laws and regulations to

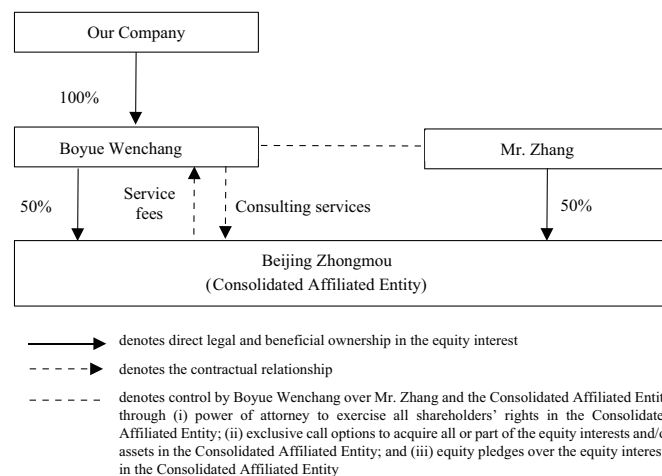
CONTRACTUAL ARRANGEMENTS

the maximum extent), and controls the remaining 50% interest through the Contractual Arrangements. For risks relating to the Contractual Arrangements structure, see “Risk Factors — Risks Relating to the Contractual Arrangements.”

We will unwind and terminate the Contractual Arrangements wholly or partially to the extent permissible once our businesses are no longer prohibited or restricted from foreign investment by the relevant PRC laws or regulations or the competent government authorities. If we engage in any new business that is not subject to any foreign investment restrictions under the applicable PRC laws and regulations, such new business will be carried out by the foreign-invested enterprises of our Group or their subsidiaries after the [REDACTED].

Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group under the Contractual Arrangements:



Exclusive Business Cooperation Agreement

Beijing Zhongmou entered into an exclusive business cooperation agreement with Boyue Wenchang on February 3, 2023 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which the Beijing Zhongmou agrees to engage Boyue Wenchang as its exclusive provider of business support, technical services and consulting services (including all or part of the services determined by Boyue Wenchang from time to time within the business scope of Beijing Zhongmou), in exchange for service fees. Under these arrangements, the service fees, subject to Boyue Wenchang’s adjustment, shall be equal to, after deducting the necessary costs, expenses and taxes for business operations, losses in previous years (if applicable) and statutory contributions (if applicable), all profits of a year of the Beijing Zhongmou. Boyue Wenchang may adjust the service fees at its sole discretion.

Beijing Zhongmou shall entrust the above services to Boyue Wenchang on an exclusive basis, which means that not only does Beijing Zhongmou agree to accept the above services provided by Boyue Wenchang, it also agrees that, during the term of the Exclusive Business Cooperation

CONTRACTUAL ARRANGEMENTS

Agreement, without prior written consent of Beijing Zhongmou, Beijing Zhongmou shall not accept any consultancy and/or services provided by any third parties and shall not cooperate with any third parties. Boyue Wenchang may appoint other entities, who may enter into certain agreements with Beijing Zhongmou, to provide Zhongmou with the services under the Exclusive Business Cooperation Agreement.

Pursuant to the Exclusive Business Cooperation Agreement, Boyue Wenchang will have the exclusive and proprietary rights to all intellectual properties developed by either Boyue Wenchang or Beijing Zhongmou during the performance of this Exclusive Business Cooperation Agreement.

Unless terminated in accordance with the provisions of the Exclusive Business Cooperation Agreement or other agreements signed between Boyue Wenchang and Beijing Zhongmou, the Exclusive Business Cooperation Agreement shall remain effective perpetually from February 3, 2023. Boyue Wenchang may, at its sole discretion, extend the effective period of the Exclusive Business Cooperation Agreement.

Exclusive Option Agreement

Beijing Zhongmou and Mr. Zhang entered into an exclusive option agreement with Boyue Wenchang on February 3, 2023 (the "**Exclusive Option Agreements**"), pursuant to which Boyue Wenchang or its designee(s) is granted an irrevocable and exclusive right to purchase all or part of the equity interest held by Mr. Zhang in and/or all or part of the assets of Beijing Zhongmou for RMB100 for each respective acquisition, or the lowest amount permissible under the applicable PRC laws and regulations. Unless otherwise agreed by the parties, such agreement shall prevail.

Upon Boyue Wenchang exercising its purchase right under the Exclusive Option Agreement, Mr. Zhang shall (as applicable) (i) cause the requisite shareholders' meeting to be held to approve the transfer of equity interest in and/or assets of Beijing Zhongmou to Boyue Wenchang (or its designee(s)), (ii) sign any agreement required for such transfer, and (iii) sign all such other agreements, obtain all such approvals from government authorities and take all such actions to effect such transfer free of any encumbrance on the equity interest and/or assets subject to the transfer.

Pursuant to the Exclusive Option Agreements, Beijing Zhongmou has covenanted to Boyue Wenchang that it must: (i) not amend its constitutional documents, increase or decrease its registered share capital, or alter the structure of its registered capital in any other way, without the prior written consent of Boyue Wenchang or the Company; (ii) remain as a going-concern and prudently conduct its business in accordance with good financial and commercial practices; (iii) not sell, transfer, mortgage or otherwise dispose of any of its assets, business, income or other interest, or permit the creation of any other security interest thereon, without the prior written consent of Boyue Wenchang or the Company; (iv) not incur, inherent, guarantee or allowable any debt or liability without the prior written consent of Boyue Wenchang or the Company (except indebtedness incurred in its ordinary course of business and not by way of borrowing; and indebtedness disclosed to and approved in writing by Boyue Wenchang); (v) operate all its businesses as usual, maintain the value of its assets, and avoid any act or omission that could affect its operations and asset value; (vi) not execute or terminate any material contract for a value

CONTRACTUAL ARRANGEMENTS

more than RMB500,000 without the prior written consent of Boyue Wenchang or the Company; (vii) not provide any loan, pledge or guarantees to any third party without the prior written consent of Boyue Wenchang or the Company; (viii) at the request of Boyue Wenchang, supply all information on its operations and financial conditions; (ix) maintain insurance from an insurance company accepted by Boyue Wenchang with the amount and type of insurance being comparable with those usually taken by companies operating similar businesses and possessing similar properties in the same region; (x) not enter into any consolidation or merger with any third party, or acquire or invest in any third party, without the prior written consent of Boyue Wenchang or the Company; (xi) promptly notify Boyue Wenchang of any litigation, arbitration or administrative proceedings that have occurred or may occur in relation to its assets, business and income; (xii) sign all necessary documents, take all necessary actions, file all necessary charges or defend all claims as necessary in order to protect its assets; (xiii) not distribute dividends to its shareholders in any form without the prior written consent of Boyue Wenchang or the Company (but upon Boyue Wenchang's request, it shall immediately distribute all its distributable profits to the respective shareholders); (xiv) appoint any person designated by Boyue Wenchang as a director; and (xv) not provide security or mortgage in any form to any third party.

Pursuant to the Exclusive Option Agreements, Mr. Zhang has covenanted to Boyue Wenchang that he must: (i) not sell, transfer, mortgage or otherwise dispose of any of his equity interest in Beijing Zhongmou, or permit the creation of any other security interest thereon, without the prior written consent of Boyue Wenchang or the Company (except for the pledge under the Equity Pledge Agreements below); (ii) not allow any shareholders' approval of the sale, transfer, mortgage or disposal of any equity interest in Beijing Zhongmou, or any other security interest to be created thereon, without the prior written consent of Boyue Wenchang or the Company (except for the pledge under the Equity Pledge Agreements below); (iii) not allow any shareholders' approval of the entry into any consolidation or merger with any third party, or acquire or invest in any third party, without the prior written consent of Boyue Wenchang or the Company; (iv) promptly notify Boyue Wenchang of any litigation, arbitration or administrative proceedings that have occurred or may occur in relation to his equity interest in Beijing Zhongmou; (v) procure the passing of the shareholders' resolution to approve the transfers contemplated under the Exclusive Option Agreements; (vi) sign all necessary documents, take all necessary actions, file all necessary charges or defend all claims as necessary in order to protect his or her equity interest in Beijing Zhongmou; (vii) appoint any person designated by Boyue Wenchang as a director; (viii) upon Boyue Wenchang's request at any time, unconditionally and promptly transfer his or her equity interest in Beijing Zhongmou to Boyue Wenchang (or its designee(s)) and waive any pre-emptive right in relation thereto; and (ix) strictly comply with the Exclusive Option Agreement and other contracts entered into with Boyue Wenchang, the Company, and Beijing Zhongmou (as applicable) and avoid any act or omission that could affect the validity and enforceability of such contracts.

In light of the relevant restrictive provisions in the agreements, the potential adverse effect on Boyue Wenchang and us in the event of any loss suffered from Beijing Zhongmou can be limited to a certain extent.

The Exclusive Option Agreement shall remain effective perpetually from February 3, 2023. Boyue Wenchang may, at its sole discretion, extend the effective period of the Exclusive Option Agreement.

CONTRACTUAL ARRANGEMENTS

Equity Pledge Agreement

Beijing Zhongmou, Boyue Wenchang and Mr. Zhang entered into an equity pledge agreement on February 3, 2023 (the “**Equity Pledge Agreements**”). Under the Equity Pledge Agreement, Mr. Zhang pledged all of his equity interest in Beijing Zhongmou to Boyue Wenchang as collateral security for any payments due to Boyue Wenchang under the Exclusive Business Cooperation Agreement. The Equity Pledge Agreement will not terminate until all payments of technology development and consulting services under the Exclusive Business Cooperation Agreement are paid and there are no outstanding obligations of Beijing Zhongmou under the Exclusive Business Cooperation Agreement. The equity pledge under the Equity Pledge Agreement shall take effect upon the completion of registration with the relevant administration for market regulation and shall remain valid for so long as the Equity Pledge Agreement remain in effect. The aforesaid registration of the equity pledge had been completed as of the date of this document.

Should an event of default (as provided in the Equity Pledge Agreement) occur, unless it is successfully resolved to Boyue Wenchang’s satisfaction, Boyue Wenchang may demand that all payments due or payable under Exclusive Business Cooperation Agreement be paid immediately, or dispose of the pledged equity interest and use the proceeds to repay in priority any outstanding payments due to Boyue Wenchang.

Power of Attorney

Pursuant to the power of attorney executed by Mr. Zhang on February 3, 2023 (the “**Power of Attorney**”), Mr. Zhang unconditionally and irrevocably appointed Boyue Wenchang and its designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those non-independent or who may give rise to conflict of interests) (the “**attorney**”) as his attorney-in-fact to exercise on his behalf, any and all right that he has in respect of his equity interest in Beijing Zhongmou, including, among others: (i) to attend shareholders’ meetings and sign shareholders’ resolutions; (ii) to exercise all shareholder’s rights in accordance with law and the constitutional documents of the Beijing Zhongmou, including but not limited to shareholder’s voting rights, the sale, transfer, pledge or disposal of any or all of his equity interests in Beijing Zhongmou, and to file documents with the relevant companies registry; and (iii) to nominate or appoint the legal representatives, chairman, directors, supervisors, general managers and other senior management members of Beijing Zhongmou. The Power of Attorney shall remain in effect so long as Mr. Zhang is a shareholder of Beijing Zhongmou.

During the term of the Power of Attorney, Mr. Zhang would not by himself exercise any of his rights in the equity interest of Beijing Zhongmou that the attorney has been authorized to exercise.

Dispute Resolution

Each of the Contractual Arrangements stipulates that any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“**CIETAC**”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration

CONTRACTUAL ARRANGEMENTS

ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of Beijing Zhongmou, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Beijing Zhongmou; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdiction (being the place of domicile of Beijing Zhongmou and where the principal assets of Beijing Zhongmou and the Company are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity or property interest of Beijing Zhongmou.

However, our PRC Legal Advisors have advised that (i) an arbitral tribunal does not have the powers to grant such kind of injunctive relief or winding up order of Beijing Zhongmou under PRC laws; and (ii) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Beijing Zhongmou or Mr. Zhang breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the remaining 50% interest in Beijing Zhongmou could be materially and adversely affected. See “Risk Factors — Risks Relating to the Contractual Arrangements — Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Beijing Zhongmou and its remaining registered shareholder, Mr. Zhang, may fail to perform their obligations under our Contractual Arrangements” for further details.

Confirmations from Mr. Zhang

Mr. Zhang has confirmed to the effect that (i) his equity interest in Beijing Zhongmou and any related entitlements do not form part of the community properties of the marriage and his spouse does not have any ownership in or powers to dispose of such interest; (ii) his spouse has no influence over the day-to-day management and voting matters of Beijing Zhongmou; (iii) in the event of divorce, he will take necessary actions to safeguard the performance of the Contractual Arrangements.

Spouse undertaking

Mr. Zhang’s spouse has signed an undertaking (the “**Spouse Undertaking**”) to the effect that (i) Mr. Zhang’s interests in Beijing Zhongmou and any related entitlements belong to him only and do not fall within the community properties of the marriage, the spouse does not have any claim in respect of such interests; (ii) Mr. Zhang may execute any of the Contractual Arrangements and amendment thereto which shall not require the consent of the spouse; (iii) if the spouse for whatever reason acquires all or part of Mr. Zhang’s equity interest in Beijing Zhongmou, she shall be bound by the Contractual Arrangements (as amended from time to time) as a registered shareholder of Beijing Zhongmou and enter into necessary agreements in substantially the same

CONTRACTUAL ARRANGEMENTS

form as the Contractual Arrangements; and (iv) in the event of the death, incapacity, divorce, or any circumstance that may affect Mr. Zhang's exercise of shareholder rights in Beijing Zhongmou, the spouse and her successors, guardians, creditors, or any other person claiming interests in Mr. Zhang's equity interest in Beijing Zhongmou shall not take any action that may affect or hinder the performance of Mr. Zhang's obligations under the Contractual Arrangements (as amended from time to time).

Our Directors believe that the above arrangements provide protection to our Group even in the event of death or divorce of Mr. Zhang.

Succession

The provisions set out in the agreements under the Contractual Arrangements are also binding on the successors of Mr. Zhang, as if the successors were signing parties to the agreements under the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents, and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the agreements under the Contractual Arrangements. In case of a breach, Boyue Wenchang can enforce its rights against the successors.

Conflicts of Interests

Mr. Zhang has undertaken that, during the period that the agreements under the Contractual Arrangements remain effective,

- (a) he shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into with Boyue Wenchang and its designees or Beijing Zhongmou, (b) he shall not commit or refrain from committing any act that may lead to any conflicts of interest between Mr. Zhang and Boyue Wenchang (including its shareholder), and (c) in the event of the occurrence of a conflict of interests (where Boyue Wenchang has the sole absolute discretion to determine whether such conflict arises), he shall take appropriate measures upon the consent of Boyue Wenchang and its designees to eliminate such conflicts, failing which Boyue Wenchang has the right to exercise the option under the Exclusive Option Agreement; and
- (b) he will not adopt any actions that may lead to any conflicts with the Contractual Arrangements.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or Boyue Wenchang is obligated to share the losses of Beijing Zhongmou, but if Beijing Zhongmou suffers any losses or material difficulties of business, Boyue Wenchang will provide financial support as permitted under PRC laws at its discretion to Beijing Zhongmou under the terms of the exclusive business cooperation agreement. Further, Beijing Zhongmou is a limited

CONTRACTUAL ARRANGEMENTS

liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company and Boyue Wenchang are not expressly required to share the losses of Beijing Zhongmou or provide financial support to Beijing Zhongmou. Despite the foregoing, given that we conduct relevant business in the PRC through Beijing Zhongmou which holds the requisite PRC license and approvals and that Beijing Zhongmou's results of operations and assets and liabilities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if Beijing Zhongmou suffered losses.

Termination

In the Power of Attorney, Mr. Zhang further confirmed that, when it becomes permitted under PRC laws for Boyue Wenchang to operate the relevant business operated by Beijing Zhongmou or invest in Beijing Zhongmou without the Contractual Arrangements, he will transfer, at the request of Boyue Wenchang, to Boyue Wenchang (or its nominee) all of his equity interest in Beijing Zhongmou and terminate the Contractual Arrangements. Subject to the applicable PRC laws, when the Contractual Arrangements are to be terminated, Mr. Zhang must return any consideration received in respect of the transfer of their equity interests in Beijing Zhongmou to Boyue Wenchang (or its nominee).

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Beijing Zhongmou under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements minimize the potential conflict with relevant PRC laws and regulations to the maximum extent and that:

- (i) each of Boyue Wenchang and Beijing Zhongmou is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws; Mr. Zhang is a natural person with full civil and legal capacity;
- (ii) parties to each of the agreements under the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the agreements under the Contractual Arrangements;

CONTRACTUAL ARRANGEMENTS

- (iii) none of the agreements under the Contractual Arrangements would violate the provisions of the PRC Civil Code including in particular “impairing others’ legitimate rights and interests with malicious collusion” and “concealment of illegal intentions with a lawful form” or fall within any of the circumstances under which a contract may become invalid pursuant to the PRC Civil Code;
- (iv) none of the agreements under the Contractual Arrangements violates any provisions of respective articles of association of Boyue Wenchang and Beijing Zhongmou;
- (v) the execution and performance of the Contractual Arrangements do not require any approval from the PRC government authorities, except that (a) the pledges under the Equity Pledge Agreement are required to be registered with the relevant local SAMR; (b) the exercise of the option by Boyue Wenchang of its right under Exclusive Option Agreement to all or part of the equity interests and/or the assets in Beijing Zhongmou is subject to the approvals of, consent of, filing with and/or registration with the PRC government authorities; and (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement;
- (vi) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are valid and legally binding under the current PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Beijing Zhongmou, injunctive relief and/or winding up of Beijing Zhongmou, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, our PRC Legal Advisors have advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. For further details, see “— Our Contractual Arrangements — Dispute Resolution.”

However, we have been advised by our PRC Legal Advisors that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisors.

Based on the above analysis and advice from our PRC Legal Advisors, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See “Risk Factors — Risks Relating to the Contractual Arrangements — If the PRC government deems that the Contractual Arrangements do not comply with the PRC regulatory restrictions on foreign investment in the relevant industries, or if we fail to respond to evolution of these regulations or the interpretation of existing regulations in the future, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements” for further details.

CONTRACTUAL ARRANGEMENTS

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and [has been granted] by the Stock Exchange, details of which are disclosed in “Connected Transactions — Non-exempt Continuing Connected Transactions.”

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign-Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but it does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and Potential Consequences of the Foreign Investment Law on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the contractual arrangements to establish control of Beijing Zhongmou, through which we operate our business in the PRC. As advised by our PRC Legal Advisors, contractual arrangements are not specified as foreign investment under the Foreign Investment Law. In this regard, if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “— Legality of the Contractual Arrangements.” Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors — Risks Relating to the Contractual Arrangements” for further details.

CONTRACTUAL ARRANGEMENTS

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted but not limited to the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Boyue Wenchang and Beijing Zhongmou to deal with specific issues or matters arising from the Contractual Arrangements.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Boyue Wenchang, Beijing Zhongmou shall pay service fees to Boyue Wenchang. The services fee shall equal to, after deducting the necessary costs, expenses and taxes for business operations, losses in previous years (if applicable) and statutory contributions (if applicable), all profits of a year of the Beijing Zhongmou. Boyue Wenchang has the right to periodically receive or inspect the accounts of Beijing Zhongmou.

In addition, under the exclusive option agreement, Boyue Wenchang has absolute contractual control over the distribution of dividends or any other amounts to Mr. Zhang as Boyue Wenchang's prior written consent is required before any distribution can be made. If Mr. Zhang receives any income, profit distribution or dividend, he shall promptly transfer or pay, as part of the services fee under the exclusive business cooperation agreement, such income, profit distribution or dividend to Boyue Wenchang or any other person designated by Boyue Wenchang to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangements among Boyue Wenchang, Beijing Zhongmou and Mr. Zhang, Boyue Wenchang is able to effectively control, recognize and receive substantially all the economic benefits of the business and operations of Beijing Zhongmou. Accordingly, Beijing Zhongmou is treated as controlled structured entity of our Company and consolidated by our Company. The basis of consolidating the results of Beijing Zhongmou is disclosed in Note 1 to the Accountant's Report set out in Appendix I of this document.

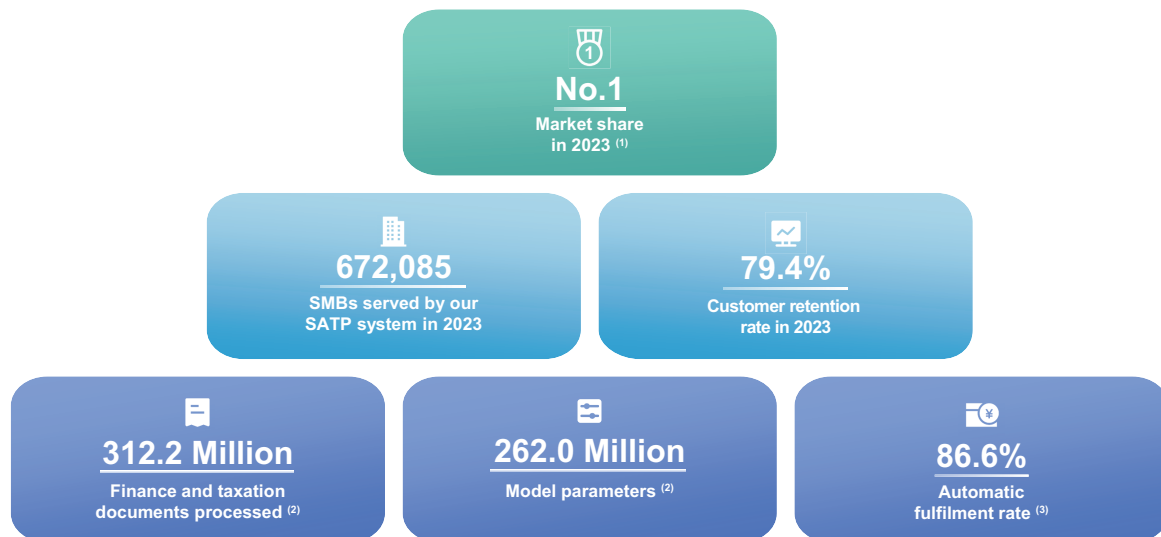
BUSINESS

OVERVIEW

Who We Are

We are the largest SMB finance and taxation solution provider in China in terms of total revenue for each of the year from 2021 to 2023, according to Frost & Sullivan. We operate in a fragmented market undergoing the early stage of digitalization, holding a market share of 0.5% by revenue in 2023, which is nearly five times that of the second largest competitor. Understanding the distinctive growth challenges faced by SMBs, and their struggles to get access to cost-effective and high-quality advice for finance and compliance issues, we offer AI-augmented finance and taxation solutions that encompass accounting, invoicing, tax compliance and comprehensive financial management.

The following diagram illustrates our operational highlights:



Notes:

- (1) We ranked first in terms of total revenue in 2023 with a market share of 0.5% in the highly fragmented and competitive SMB finance and taxation solution industry in China, according to Frost & Sullivan.
- (2) We had processed more than 312.2 million finance and taxation documents and amassed approximately 262.0 million multi-dimensional model parameters related to SMBs’ business, finance and taxation process as of the Latest Practicable Date, representing the industry’s largest parameter sets, according to Frost & Sullivan.
- (3) Our automatic fulfilment rate reached 86.6% for our SMB customers that subscribed for our SaaS-based solutions during the latest tax period from January to March 2024.

BUSINESS

Our outstanding operational performance is built upon our exceptional proprietary technologies, preeminent brand, and extensive customer base.

- **Proprietary Technologies.** At Huisuanzhang (慧算賬), we are embracing the transformative power of AI to enhance the customer experience and achieve our mission. Our focus is capitalizing on this revolutionary opportunity to help SMBs succeed, while investing in our company’s reputation and sustainable growth in the future. As the trailblazer in China’s SMB finance and taxation solution industry, we are at the forefront of utilizing proprietary machine learning models (the “**ML models**”) to construct the backbone of our accounting engine, which is a critical component of our core finance and taxation SaaS system, namely Smart Accounting and Tax Program, i.e., the SATP[®] system. Through our direct engagement with SMBs, our SATP system has amassed an extensive and diverse set of model parameters, all pertinent to key facets of the finance and taxation domain. Had we not been in close contact with SMBs, listening to their needs and observing their challenges, we would not have been able to refine our system at such a rapid pace. Guided by our massive model parameter sets, this hands-on approach directly contributes to the continuous improvement in the efficiency and accuracy of our solutions. We are steadfast in our commitment to perpetually upgrade our technologies towards greater automation and intelligence. One recent example is that our automatic fulfilment rate reached 86.6% for our SMB customers that subscribed for our SaaS-based solutions during the latest tax period from January to March 2024.
- **Preeminent Brand.** Our strong brand presence and industry recognition have led to multiple accolades, reinforcing our position as a leader in China’s SMB finance and taxation solution market. For example, we were recognized as “WISE 2020 Enterprise Service Gold List — Best Finance and Taxation Management Solution (WISE2020企服金榜財稅管理最佳解決方案)” in 2020. We were awarded “2021–2022 Most Investment-worthy Enterprise Service Company (2021–2022年度企業服務最具投資價值公司)” in 2022. In 2024, our “Huisuanzhang” brand was accredited as “2023 Beijing Famous Trademark Brand (2023年度北京知名商標品牌)” by Beijing Trademark Association (北京商標協會), among the first batch of enterprises in Beijing to gain such accreditation. Please see “— Awards and Recognitions” for details of our major recognitions. Benefiting from customer satisfaction and preeminent brand recognition in the industry, we achieved a customer retention rate of 79.4% in 2023, which was higher than the industry average, according to Frost & Sullivan.
- **Extensive Scale.** We have established a nationwide service network, which underpins our ability to effectively acquire, retain and cultivate long-term customer relationships, fostering operational efficiency and customer success. Leveraging a combination of our sales and marketing initiatives, alongside our preeminent brand recognition, our SATP system served 672,085 SMBs in 2023. According to Frost & Sullivan, we were the largest provider of finance and taxation solutions for SMBs in China, in terms of the number of SMBs directly served by us in 2023, which amounted to 211,158. Our close proximity to customers and extensive industry experience of nearly a decade enabled us to amass approximately 262.0 million multi-dimensional model parameters related to

BUSINESS

SMBs’ business, finance and taxation process from more than 312.2 million documents as of the Latest Practicable Date, representing the industry’s largest parameter sets, according to Frost & Sullivan.

Our commitment to innovation and excellence in the SMB finance and taxation solutions landscape has enabled us to maintain a competitive edge in the market, serving as a valuable partner for SMBs throughout China.

Whom We Serve

We primarily focus on serving SMBs across various growth stages and industry verticals throughout China. SMBs in China have experienced consistent growth over the past decades. According to Frost & Sullivan, the number of SMBs in China had been increasing and surged from 34.2 million in 2018 to 54.9 million in 2023, with a CAGR of 9.9%. This upward trend is expected to continue, reaching 74.7 million in 2028.

PRC laws and regulations require accurate record-keeping and tax filing for businesses. SMBs traditionally relied on in-house staff or third-party providers. We have identified several common struggles faced by SMBs under these traditional approaches:

- ***Cost and Quality Conundrum.*** According to Frost & Sullivan, nearly 20% of SMBs choose to hire accounting and tax professionals, but the annual cost, typically ranging from RMB100,000 to RMB150,000 in 2023, can be a burden for SMBs. Furthermore, the increasing complexity of industries and businesses strains the efficiency and quality of individual accounting and tax professionals.

Consequently, most SMBs opt to outsource tax filing and financial management to third-party providers, according to Frost & Sullivan. While generally more cost-effective, these service providers often lack internal R&D capability and have to rely on basic and external financial software. Significant reliance on external financial software can hinder in-depth understanding of customer businesses, potentially leading to overlooked crucial details and ultimately impacting the quality of their solutions.

- ***Premium Service Demand Unsatisfied.*** Growing business complexity necessitates comprehensive financial management for SMBs. However, their reliance on multiple siloed software tools creates a critical need for seamless data integration. Real-time access to financial and operational data is momentous for SMBs’ performance analysis, resource allocation optimization and informed decision-making. Unfortunately, conventional solution providers lack the infrastructure to process and integrate data from disparate sources. This impedes insightful analysis, ultimately leading to operational inefficiencies and potential profit erosion for SMBs. Such fragmented landscape underscores the need for solutions that cater to SMBs’ evolving needs and provide a unified platform for SMBs’ strategic decision-making.

Please see “Industry Overview — Competitive Landscape of China’s SMB Finance and Taxation Solution Industry” for further discussion of solution providers.

BUSINESS

Our Industry Opportunities

Rapid Technological Innovations Improve Service Efficiency and Quality

Technology is rapidly transforming the future of finance and taxation solutions in various ways, enabling more efficient, accurate, and secure solutions for businesses. Some of the key technological advancements impacting this industry include:

- *AI technologies.* AI technologies, such as ML and NLP, enable SaaS systems to automate repetitive tasks, provide data-driven insights, and adapt to distinctive customer needs. By incorporating AI, finance and tax software can offer predictive analytics, anomaly detection, and intelligent recommendations, streamlining financial processes and improving decision-making.
- *Cloud computing and big data analytics.* Cloud-based finance and tax software provides increased accessibility, scalability, and security. Cloud infrastructure allows for seamless updates and improvements, ensuring SaaS systems keep updated with the latest features and security measures. The ability to process and analyze vast amounts of data enables finance and tax software to uncover trends, patterns, and insights that can help businesses make informed decisions. Advanced analytics can also help with risk management, tax optimization, and identifying potential fraud.

National Taxation Informatization Creates Market Opportunities for China’s SMB Finance and Taxation Solution Providers

In an effort to improve taxation management capability and efficiency, China is advancing its national taxation digitalization through the development of the “Golden Tax system (金税工程).” The implementation of the “Golden Tax System (Phase III)” has standardized tax filing and administration processes across the country, enabling them to be completed online under a comprehensive set of clear rules and regulations. This has laid a solid foundation for the growth of SMB finance and taxation solutions in China. With the full deployment of the “Golden Tax System (Phase IV),” the digitalization of tax administration in China has been improved. The upgraded system promotes full coverage of the government’s electronic tax filing systems and fully digitalized electronic invoices (全電發票), expanding market opportunities for finance and taxation solution providers to serve a wider customer base through their SaaS systems. The enhanced system also incorporates information technologies such as big data analytics, enabling smart tax administration, fostering digital transformation in companies, improving awareness of tax compliance and ultimately propelling growth and prosperity in China’s SMB finance and taxation solution market.

Furthermore, the “Golden Tax System (Phase IV)” requires accurate and consistent recording of transaction-level information. Traditional financial software tools with limited data integration functions have difficulties in helping SMBs meet heightened regulatory scrutiny. As market demands for premium solutions increase, smaller solution providers with less distinguishable technologies and/or limited service offerings may face rising challenges in China’s SMB finance and taxation solution industry from technical, brand, and operational aspects, leading to a reduced

BUSINESS

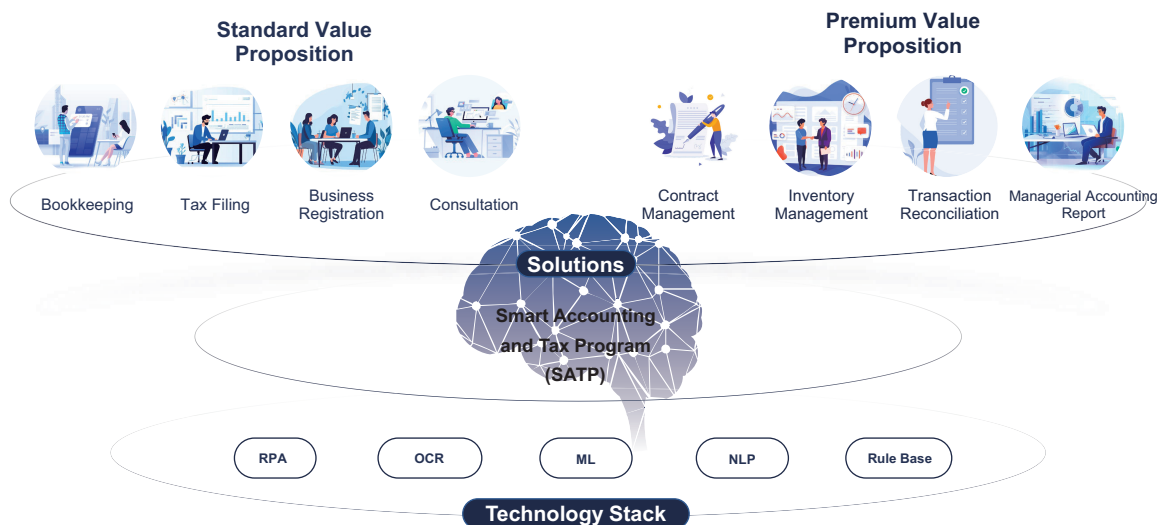
market share. In contrast, larger solution providers with advanced technologies, strong brands and extensive operating history are better positioned to capitalize on these market opportunities. According to Frost & Sullivan, we are one of the few solution providers that have built a comprehensive industrial ecosystem, integrating finance, taxation and internal enterprise management functions, providing us with a unique competitive edge in China’s SMB finance and taxation solution industry.

We believe the combination of favorable macro environment with innovated technologies creates a massive opportunity for China’s SMB finance and taxation solution industry. According to Frost & Sullivan, China’s SMB finance and taxation solution industry is projected to grow from approximately RMB115.1 billion in 2023 to approximately RMB166.8 billion by 2028, implying a CAGR of 7.7%.

Our Value Proposition

Recognizing the common struggles faced by SMBs, we offer a suite of AI-augmented solutions tailored to help SMBs streamline their business operations, analyze performance and drive significant efficiency gains and cost savings, while facilitating SMBs’ compliance with applicable regulations.

Each offering grants access to our proprietary Smart Accounting and Tax Program (the “SATP system”), an AI-augmented system integrating machine learning capabilities, allowing it to conform to evolving regulations and specific business scenarios. Meanwhile, a dedicated team of accounting and tax professionals is available to deploy the SATP system adeptly. This cohesive blend of technology and human expertise replaces traditional finance and accounting functions, eliminates the need for additional staff or for the SMB owners to manipulate the software themselves. The following diagram illustrates SMBs’ diverse needs and our corresponding solutions:



BUSINESS

Assuring Compliance

Our bookkeeping and tax filing services address SMBs’ essential accounting and tax demands while ensuring compliance with applicable tax laws and regulations.

- The SATP system automates data gathering, validation and generation of accounting records based on its pre-configured accounting rules.
- Robotic process automation (the “**RPA**”) bots are programmed to extract, organize and populate tax forms with data from various sources. Our automatic fulfilment rate, representing the number of SMB customers for which services are fulfilled using the automatic bookkeeping or automatic tax filing features during a tax period as a percentage of the total number of SMB customers subscribed for our SaaS-based solutions for the same tax period, rose to 86.6% during the latest tax period from January to March 2024.
- AI-augmented risk assessment algorithm checks tax filings for compliance with applicable tax laws and regulations, for the purpose of identifying red flags or anomalies.
- Upon completion and review of tax forms, RPA bots facilitate the submission to the government’s electronic tax filing systems, and also capture and store the confirmation of the submission.
- A dedicated fulfilment team of accounting and tax professionals stands ready to step in when manual intervention is required during the process and advises our customers on potential compliance risks.

This AI-augmented automation streamlines the bookkeeping and tax filing process, minimizes the risk of human errors, releasing SMB customers from handling the software themselves.

Enabling Advanced Business Management

Our SaaS-based solutions assist SMBs with necessary procurement and inventory management demands, and leverage comprehensive data within our SATP system to provide actionable insights, from high-level summaries to transaction-specific details.

- During the procurement process, we help SMBs forecast inventory needs, issue procurement orders, receive and inspect goods or services delivered, manage inventory levels, verify invoices and initiate payments. As for the sales process, we assist SMBs with contract signing, order entry and fulfilment, invoice issuance and payment collection.

BUSINESS

- Our proprietary optical character recognition (the “OCR”) and RPA automate identification and validation of key information from original documents generated from multiple disparate systems. Natural language processing (the “NLP”) is utilized to decipher and interpret unstructured data, such as text messages and notes, stored within different software systems. As of the Latest Practicable Date, approximately 98% of the bank slips (銀行回單) and approximately 99% of the invoices could be accurately recognized by our OCR.
- Our SATP system utilizes AI models to automate data classification and tailor reports specifically for different roles, such as CEOs, sales managers and accountants, making the analysis process more precise and efficient. As of the Latest Practicable Date, over 94% of the bank slips and over 93% of the invoices could be accurately classified, analyzed, and accounted by our ML models, demonstrating recognition rates and accuracy rates higher than the industry average level, according to Frost & Sullivan.
- Prebuilt, industry-standard reports alongside no-code customization capabilities empower SMBs to access the information they need promptly. With a complete integration of financial and operational data, time needed to consolidate and reconcile information can be reduced.

Please see “— Our Solutions — Our SaaS-Based Solutions — Enabling Advanced Business Management” for details.

Our advanced technological capabilities, coupled with a sweeping set of customer parameters accumulated from our direct engagement with SMBs, allow us to:

- **Offer high-quality solutions to SMBs at a fraction of what it would cost to hire a full-time in-house accounting and tax employee, to complete the tasks as an alternative for an internal accounting and tax function.** Our fulfilment labor cost per SMB customer in 2023 was as low as RMB807, compared to the fulfilment labor cost of approximately RMB2,550 per annum for the conventional solution providers, or to the average annual cost to hire an accounting and tax professional of RMB100,000 to RMB150,000 in the same year as per Frost & Sullivan, representing a material cost reduction of over 60% compared to the conventional solutions and over 99% compared to an in-house staff.
- **Reduce potential risks caused by employee turnover or malpractices.** Combining advanced technologies and professionals’ knowledge, our integrated solutions offer superior efficiency and accuracy, putting forward a viable and effective solution to the cost and quality conundrum.

BUSINESS

- **Enhance the customer experience through prompt responses and timely reminders.** Exceptional customer reward and experience contribute to customer satisfaction and loyalty, as evidenced by our higher-than-industry-average customer retention rate and optimized ARPU.

Please see “— Our Core Technological Capabilities” for more details.

Our Revenue Source and Key Financial Performance

During the Track Record Period, we generated revenue primarily from (i) SaaS-based solutions empowered by our SATP system; and (ii) non-subscription-based professional services, primarily including consultation services and matchmaking services. We had achieved significant growth during the Track Record Period. Our revenue for the years ended December 31, 2021, 2022 and 2023 was RMB346.8 million, RMB516.0 million and RMB538.8 million, respectively, representing a CAGR of 24.6% from 2021 to 2023, which outpaced the industry average of 8.5%, according to Frost & Sullivan. In 2021, 2022 and 2023, our gross profit amounted to RMB171.3 million, RMB268.2 million and RMB315.5 million, respectively, representing a CAGR of 35.7% from 2021 to 2023.

OUR STRENGTHS

We believe that our sustainable growth in the SMB finance and taxation solution industry in China can be propelled by the following competitive strengths:

Distinguished leadership in the broad and constantly growing SMB finance and taxation solution industry in China

Our company has established remarkable leadership within China’s SMB finance and taxation solution industry. According to Frost & Sullivan, we have achieved the following noteworthy accomplishments within the SMB finance and taxation solution industry in China:

- (i) we are the largest solution provider in terms of total revenue in 2020, 2021, 2022 and 2023, respectively;
- (ii) we are the largest solution provider in terms of SMBs directly served in 2023;
- (iii) we have the highest customer retention rate in 2023 among the top five largest solution providers by revenue;
- (iv) we have amassed the industry’s largest parameter sets containing approximately 262.0 million multi-dimensional model parameters related to SMBs’ business, finance and taxation process as of the Latest Practicable Date; and

BUSINESS

- (v) as of the Latest Practicable Date, we established a direct-to-business service network containing 90 front offices spanning 46 cities in China, where were generally economically active. Our offline business presence allows convenient face-to-face communication with local government authorities when required and helps us better understand SMB customers’ distinctive demands and foster trust.

According to Frost & Sullivan, the total number of SMBs accounted for over 90% of the total number of China’s registered businesses in 2023, underscoring the importance of SMBs in driving the national economy. The rapid growth of SMBs in China, coupled with our leading position among the SMB finance and taxation solution providers in China, provide us with a competitive advantage in capturing growth opportunities in this industry.

Preeminent brand recognition and strong influence

Our superior brand recognition and influence have played a significant role in cultivating our success. Over the years, our reputation for exceptional service quality and customer service has earned us high brand awareness and loyalty among industry professionals and customers. We recorded a net promoter rate of 56.2% among over 1,000 SMB customers in the NPS survey conducted in 2022. Thanks to the word-of-mouth referrals from our existing customers, our customer base has grown steadily throughout the years.

We have a customer base with high loyalty. Our customer loyalty and customer retention rate have performed tremendously during the Track Record Period. For instance, our customer retention rate reached 79.4% in 2023, higher than the industry average level of 60% to 70%, according to Frost & Sullivan. Our ability to maintain high customer retention rate is attributed to the breadth of our solution offerings, coupled with our internally-developed SATP system that has undergone continuous refinement over the years through our direct service to SMBs.

Proven research and development capabilities and continuous technological innovations, helping customers achieve better cost-efficiency

Cost and Quality Optimization

Our technological advancements are designed around the core principles of cost control and efficiency enhancement. This is best exemplified by our proprietary intelligent accounting engine, which utilizes AI models to understand complex accounting and tax rules and automate workflows. Furthermore, our self-developed OCR system streamlines the bookkeeping process, digitizing key documents for enhanced accuracy and productivity. Together, these tools present a powerful, customer-centric solution that significantly reduces time and costs, while ensuring quality of services.

BUSINESS

Improved Compliance and Risk Management

We have utilized advanced technology to create a comprehensive solution for finance and taxation compliance and risk management, which is generally posed as a major challenge for SMBs. Our extensive model training and use of real-world parameters specific to finance and taxation provide more assurance and distinguish us from other solution providers that either lack internal R&D capabilities, or meaningful data derived from directly serving SMBs. Our self-developed RPA, the first of its kind in the SMB finance and taxation solution industry in China, handles preparations and filings across all types of taxes, fees, and financial statements, taking the burden of compliance off our customers. Alongside this, our risk assessment algorithms constantly scrutinize operational and financial data for potential anomalies, cross-checking internal logics between different numbers and enabling early detection and mitigation of financial and tax risks.

Scalability and Adaptability

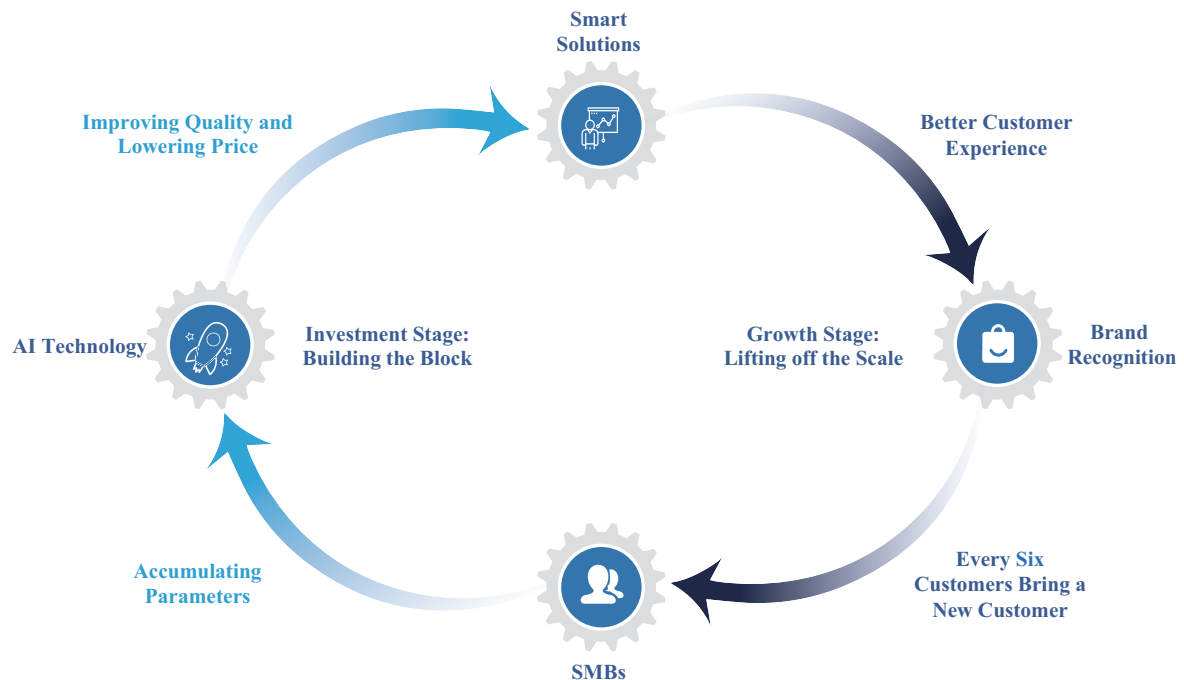
The bedrock of our services is the ability to scale and adapt with customer needs. Our technology, underpinned by ML models, learns from and adapts to new data and evolving business scenarios, preserving its efficacy even as our SMB customers grow or their business model change. This scalability and adaptability are further supported by our research and development team, who continuously develop and upgrade new functionalities in anticipation of customers’ complex and emerging demands. As such, our services are well positioned to provide value regardless of company size or industry, consolidating our competitive position in the industry.

A rich collection of customer parameters to continuously improve our SATP system

Established in 2015, our company has been dedicated to providing finance and taxation solutions to SMBs through our SATP system and professional services. As the trailblazer in the SMB finance and taxation solution industry in China, we have acquired unmatched expertise and an extensive customer base over the years. Through our customers’ feedback, we have gathered a diverse set of customer parameters, unparalleled among SMB finance and taxation solution providers in China. As of the Latest Practicable Date, we had accumulated approximately 262.0 million model parameters related to SMBs’ business, finance and taxation process from more than 312.2 million documents during years of serving SMBs, including orders, trade bills, invoices, bank slips, bank statements (銀行對賬單) and other documents. Among the approximately 80,000 solution providers in China’s SMB finance and taxation solution industry, we are one of the few solution providers holding more than 100 million customer parameters, according to Frost & Sullivan.

BUSINESS

Leveraging our abundant customer parameters, we can generate a self-sustaining and self-reinforcing cycle of enhancement via the “customer-technology-solution-brand” flywheel, promoting our success. Employing the expertise of our accounting and tax professionals along with AI models, we devise intricate rules that address every possible transaction-matching scenario, taking into account our customers’ business nature, operations and industry practice. These rules refine our SATP system to deliver reduced costs, enhanced accuracy, and improved customer experience, leading to further expansion of our customer base and increased customer loyalty. A stronger brand awareness further helps us connect with potential customers and be top-of-mind for them. The following diagram demonstrates our flywheel effect:



OUR BUSINESS STRATEGIES

We are committed to harnessing the full potential of advanced technologies to empower SMBs to succeed. To fulfill this, we plan to implement the following strategies.

Continue to expand our operation, increase market penetration, and explore strategic partnerships with leading players across diverse industries.

We are committed to deepening our market penetration and expanding our market share. By leveraging our established brand, we aim to attract and retain more SMBs across various regions in China through both online and offline marketing and customer acquisition approaches. Furthermore, we strive to expand our market share by catering to SMBs from a wide range of industries, including but not limited to wholesale and retail, e-commerce, modern business services, manufacturing, information technology and software. Proactively exploring strategic partnerships with leading players in diversified industries will help us further develop finance and taxation expertise tailored to different sectors.

BUSINESS

Expand solution offerings to cater to various customer needs, optimize ARPU and enhance customer retention.

We believe offering tailored finance and taxation solutions is crucial to address customers’ diverse demands and increase customer value.

For SMBs’ standard service demands, we will continue to upgrade our SATP system with better functionalities, targeting full automation to improve cost efficiency and profitability. For SMBs’ premium service demands, we aim to innovate and develop synergistic solutions such as management reporting with comprehensive analysis, and transaction reconciliation across multiple data sources, enabling us to optimize ARPU and enhance customer satisfaction.

Increase investment in technological innovations and our SATP system upgrades to improve operational efficiency and cost-effectiveness.

In the future, we plan to continue investing in technological innovations and bolstering the competitiveness of our SATP system and solutions. By applying AI technologies, such as generative AI (生成式AI), we can enhance our internal working efficiency and the standardization capability of our SATP system to tackle tasks under complex and diversified scenarios. Technological innovations will allow us to meet customized demands on a larger scale in a cost-effective manner.

Broaden our service network through strategic acquisitions.

We intend to explore cooperation with solution providers along the industry chain or acquisition opportunities of other market participants to leverage their considerable customer base, extensive experience in customer service and deep knowledge in specific industry verticals. We believe such strategic acquisitions will solidify and further strengthen our competitive strengths. As of the Latest Practicable Date, we had not identified any definite acquisition targets.

See “Future Plans and Use of [REDACTED]” for further details of our future business strategies.

OUR BUSINESS MODEL

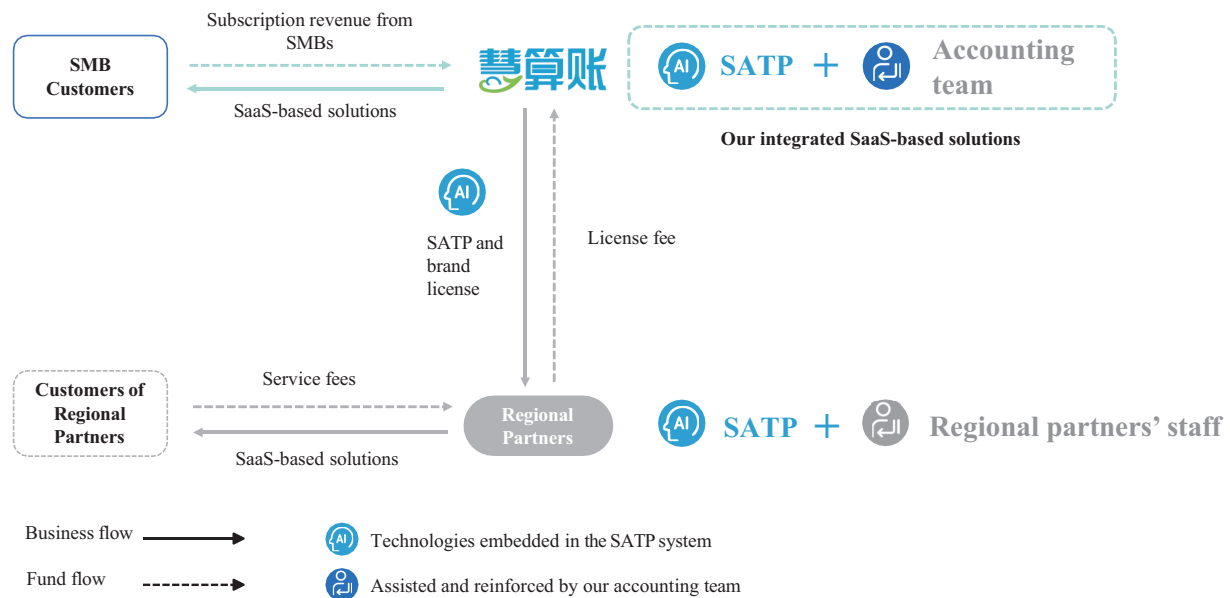
We are dedicated to empowering SMBs throughout China by delivering trustworthy and efficient finance and taxation solutions, powered by our exclusive advanced technology.

Our SaaS-Based Solutions: Harnessing the Power of Technology

Our core business is anchored in developing and offering innovative solutions, primarily through our proprietary SATP system. This system is designed to tackle the long-standing challenges that SMBs face in searching for cost-effective and quality finance and taxation solutions. In 2021, 2022 and 2023, our SaaS-based solutions generated revenue of RMB308.6 million, RMB452.6 million and RMB464.0 million, which accounted for 89.0%, 87.7% and 86.1% of our total revenue, respectively. We employ two strategic models, namely the Direct-to-Business Model and the Licensing Model, serving SMBs and regional partners, respectively.

BUSINESS

The following table sets forth the business flows of our SaaS-based solutions:



The Direct-to-Business Model: Direct Delivery of Finance and Taxation Solutions

Under the Direct-to-Business Model, we provide SMBs with integrated solutions, underpinned by our SATP system and supplemented by our accounting team. Given the operational and financial limitations typically encountered by SMBs, striking a balance between service costs and quality is often a challenge. To address this, we have strategically developed our SATP system by incorporating automated workflows underpinned by sophisticated rule base. When any workflow is disrupted, our dedicated accounting team takes over to intervene and troubleshoot the issues. Customers enjoy the benefit of both an automated tool and a dedicated service team in a one-stop manner at reasonable prices, releasing themselves from the tedious finance and taxation work. This meticulously crafted approach ensures us to meet customer requirements effectively, thereby enhancing customer value and fostering enduring customer loyalty. This allows us to deliver a comprehensive range of solutions, addressing both standard and customized demands at the same time. Under this model, we generate revenue from the subscription fees paid by SMBs for our SaaS-based solutions. In 2021, 2022 and 2023, revenue generated under our Direct-to-Business Model amounted to RMB243.0 million, RMB393.7 million and RMB413.8 million, respectively, contributing to 70.1%, 76.3% and 76.8% of our total revenue, respectively.

Our Direct-to-Business Model presents several key features. It enables us to establish close relationships with our customers through frequent interactions, and provides insights into local markets from years of operation. This model also improves our brand exposure across various geographic regions in a cost-effective manner. Initiated in 2015 with our first front office in Beijing, our direct-to-business service network had expanded to 90 front offices across 46 cities in China as of the Latest Practicable Date. These front offices facilitate offline services, such as receiving original documents, filing application materials, and conducting face-to-face consultations with government authorities when necessary.

BUSINESS

The location for front offices is selected considering factors such as the local economy, rent levels, local industrial structure, competitive landscape, and coverage of our existing front offices. We mostly locate our front offices in cities where were generally economically active. All of our front offices are operated under the “Huisuanzhang (慧算賬)” brand, which we present uniformly across our nationwide service network to maintain our brand image.

Staff management in our front offices is dynamic, adjusting to the number and types of existing customers. We arrange regular trainings for our staff regarding practical skills and necessary knowledge, such as the latest upgrades in our SATP system and regulatory development. Performance reviews are conducted periodically to ensure service quality.

We have implemented centralized solution fulfilment for our front offices to pursue standardization and improve efficiency. This helps customers enjoy qualified solutions cost-effectively, reduces risks arising from employee turnover, and improves simultaneous and cross-regional service capabilities. As a result, we can accelerate solution delivery and save operating costs under our Direct-to-Business Model. It also takes into account the changing regulatory environment and economic conditions, allowing quick replication of our success in new regions. We will continue to optimize our Direct-to-Business Model and expand our service network. See “— Our Front Offices” for details.

The Licensing Model: Expanding Reach via Regional Partnerships

Simultaneously, we license our brand and SATP system to selected third-party bookkeeping agencies (the “**regional partner(s)**”) across China, who use our SATP system to serve their SMB customers, enabling more SMBs to benefit from our advanced SATP system and enjoy the high-quality, efficient, and affordable finance and taxation solutions. This Licensing Model benefits our regional partners by granting them access to our well-recognized brand, operational expertise, advanced SATP system, and rich knowledge base. In return, regional partners help magnify our brand awareness, extend the customer reach of our SATP system, and provide valuable insights into SMBs across diverse regions and industries. Under this model, regional partners are our licensees instead of distributors and we generate revenue from (i) initial service fees; and (ii) license fees calculated as a percentage of the contractual amount paid by customers served by regional partners utilizing our SATP system. In 2021, 2022 and 2023, revenue generated under the Licensing Model amounted to RMB65.6 million, RMB58.9 million and RMB50.1 million, respectively, contributing to 18.9%, 11.4% and 9.3% of our total revenue, respectively.

Our Licensing Model offers certain key benefits. It primarily enhances our brand awareness in fast-growing non-top-tier cities in China at lower costs, enables faster regional penetration with lower risks, and diversifies parameter accumulation, further driving the upgrades of our SATP system. In turn, regional partners can leverage our well-established brand and advanced SATP system to attract and serve SMB customers at a lower cost.

BUSINESS

Our licensing agreements with regional partners specify key terms, including a one-year term (renewable by mutual agreement), designated geographic areas, non-exclusivity, the nature of the cooperation, intellectual property arrangement and data protection measures. Regional partners are required to protect our intellectual property and ensure data collected and stored in our SATP system is accurate, reliable, and legal. We maintain stable relationships with our regional partners through detailed cooperation manuals and management measures. These measures include qualification reviews, on-site visits, trainings, evaluations of operating performance, prevention of excessive competition, and strict anti-bribery obligations. As of December 31, 2023, the majority of our regional partners with revenue contribution had licensed from us for over four years. Please see “— Our Regional Partners” for details.

Our Professional Services: Meeting Diverse Business Needs

Beyond our SaaS-based solutions, we also offer a variety of professional services to support SMBs’ diversified demands throughout their growth journey. These professional services are not dependent upon our SATP system, and primarily include (i) consultation services, such as business registration and qualification-related services and (ii) matchmaking services. We generate revenue primarily from service fees paid by SMBs, which may vary depending on the type of services provided. In 2021, 2022 and 2023, these professional services generated revenue of RMB38.2 million, RMB63.3 million and RMB74.8 million, which accounted for 11.0%, 12.3% and 13.9% of our total revenue, respectively.

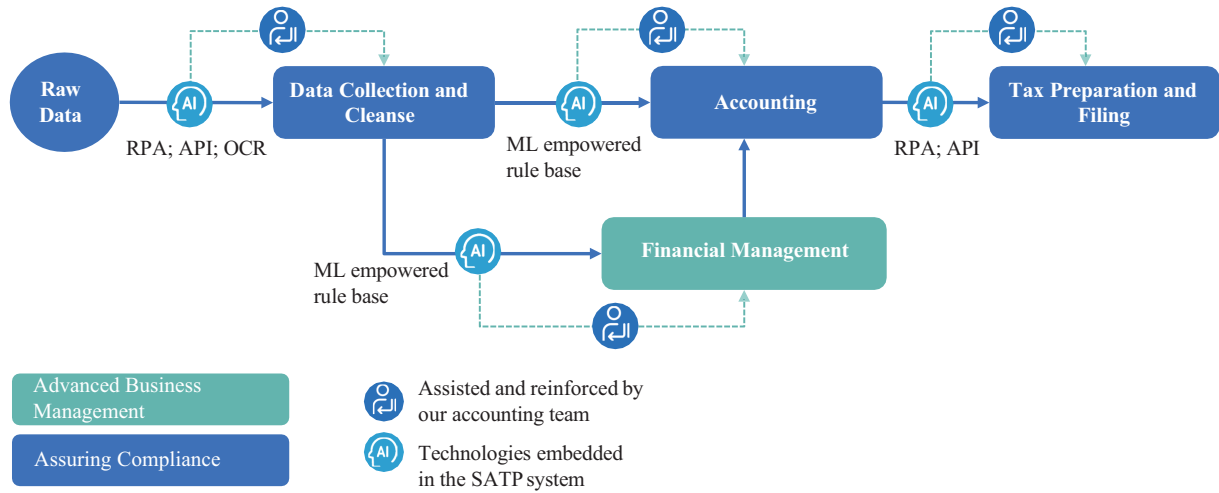
OUR SOLUTIONS

Our solutions evolve around the creation and delivery of innovative SaaS-based solutions to meet SMBs’ business, finance and taxation needs. We offer standardized bookkeeping and tax filing services to SMBs for hassle-free compliance and risk management. Additionally, we offer comprehensive operational management services and managerial accounting services to SMBs who desire to run their business with a greater degree of precision. We also provide a variety of auxiliary professional services such as consultation and matchmaking services to further support SMBs’ business growth.

BUSINESS

Our SaaS-Based Solutions

Harnessing the power of our proprietary SATP system, we provide exhaustive finance and taxation solutions. The following table sets forth the business flows of our SaaS-based solutions under the Direct-to-Business Model:



Assuring Compliance

Our SaaS-based solutions aim to meet the fundamental compliance requirements of SMBs in finance and taxation. Our services cover standardized bookkeeping and taxation services, ensuring customers remain within the boundaries of laws and regulations while focusing on their business growth.

Bookkeeping Services

Our digitalized bookkeeping services replace the laborious and monotonous manual work associated with traditional approach. We ensure thorough understanding of customers’ accounting habits, financial management performance and industrial characteristics through systematic screening of their historical books, accounting records and non-compliance records from publicly available official information. We provide suggestions for rectification measures, and tag customers for personalized service experience.

BUSINESS

Our technology stack integrates RPA, OCR, application programming interface (the “API”) connections, and various document submission methods to efficiently collect necessary information from diverse documents for bookkeeping. Our SATP system enhances the efficiency and accuracy of information collection, significantly reducing the need of manual document delivery. For paper-based documents, we offer convenient choices for customers, including scanning and taking photos. The following demonstration illustrates uploading original documents through mobile App:



BUSINESS

Next, information collected is further collected, organized and fed into our intelligent accounting engine, known as the “fully-automated bookkeeping” feature, which enables the automatic generation of accounting journal entries, vouchers and financial statements in accordance with applicable accounting guidance. Set forth below is the system demonstration illustrating the automatic generation of an accounting voucher:

Our SATP system automatically generates accounting vouchers

日期	凭证字	凭证号	生成方式	制单人	来源	附件	借方金额	贷方金额
2023-03-31	记-001	自动生成	自动生成	符**	销售发票	附件: 6张		
1					北京***科技有限公司销售收入	1122 应收账款 (WL044 北京***科技有限公司)	20,409.00	
2					商品销售	5001 主营业务收入		20,206.93
3					商品销售	221101 应交税费-应交增值税		202.07
合计							20,409.00	20,409.00

To maintain bookkeeping quality, our SATP system performs automatic internal reviews on the financial statements to highlight potential errors and financial risks. The internal review generally assesses 56 operational risks and 78 accounting risks. Depending on the severity of the risks detected, further actions are discussed with the customer and taken to mitigate the risks. Set forth below is the system demonstration illustrating the automatic internal review results on the financial statement:

Automatic internal review covering completeness of financial statement, abnormal amounts and discrepancies, aging analysis of receivables and payables, business interconnections, and other key indicators

Tiered risk reminders

Detailed clarification on identified risks

指标名称	业务类型	检查结果	详情及建议
操作异常	查看详请>	无异常	
共检查14项			
高风险提醒 (0)			
共检查1项			
中风险提醒 (2)			
往来挂账超过6个月	往来账龄分析	【2241-其他应付款】科目【WL006-冀**】余额超过6个月未变动	详情
三项费用变动异常	关键指标检查	本月三项费用大于营业成本, 超过风险预警值	详情
低风险提醒 (3)			
毛利率	关键指标检查	毛利率为11.27%, 偏低 (正常范围: 13.36%-22.26%)	设置
资产负债率	关键指标检查	资产负债率为81.30%, 偏高 (正常范围: 20.0%-80.0%)	设置
长期亏损	关键指标检查	连续6个月亏损	详情

BUSINESS

Taxation Services

We rely on accounting records and financial statements to provide essential tax form preparation and tax filing services to SMBs. Our SATP system automatically generates tax forms for each applicable tax category and conducts automatic internal reviews to ensure accuracy. It also screens the customer’s historical taxation information to check for violations or delays and provides rectification suggestions for unresolved issues.

Our SATP system is directly connected with the government’s electronic tax filing systems through tax filing interfaces, significantly improving the tax filing efficiency. We automate filing for all types of taxes, social insurance premiums, and various fees across China. Our SATP system automatically saves the screenshots of tax-paid proof for record, ensuring comprehensive and compliant tax management for our customers.

Moreover, for SMBs with more stringent risk control requirements and attach higher importance to their compliance performance relating to finance and taxation, we are set to utilize our upgraded SATP system, which provides incremental tax risk alerts and comprehensive risk assessment reports. Such risk evaluation is executed through our sophisticated, multi-dimensional tax risk model, leveraging a vast array of diversified parameter sets, and meticulously catering to the precise operational and tax landscape typical of SMBs.

Customers typically subscribe to both our bookkeeping and taxation services as they can enjoy a seamless and convenient experience of receiving accounting records and completing corresponding tax filings. This comprehensive suite of services underscores our commitment to delivering a customer-centric experience while ensuring strict compliance with finance and taxation regulations.

Enabling Advanced Business Management

Building on our foundational SaaS-based solutions and to create more value propositions to SMBs, we have upgraded our SaaS-based solutions to go beyond the basics, providing comprehensive operational management services and managerial accounting services, tailored to meet the needs of SMBs with relatively matured business model and complex business operations. Although such solution offering upgrade is still at its early stage since its debut, we are dedicated to continuing refining and developing the solution offering as our strategic focus for future growth.

We engage in in-depth conversations with SMBs to comprehend their businesses’ operating scale, growth stage, and unique business logic. Leveraging our unified SATP system, we utilize all available data to derive actionable insights, saving SMBs’ precious time otherwise spent on data consolidation and reconciliation.

BUSINESS

Operational Management Services

Our operational management services cover major process of procurement and sales during SMBs’ daily operations. In particular:

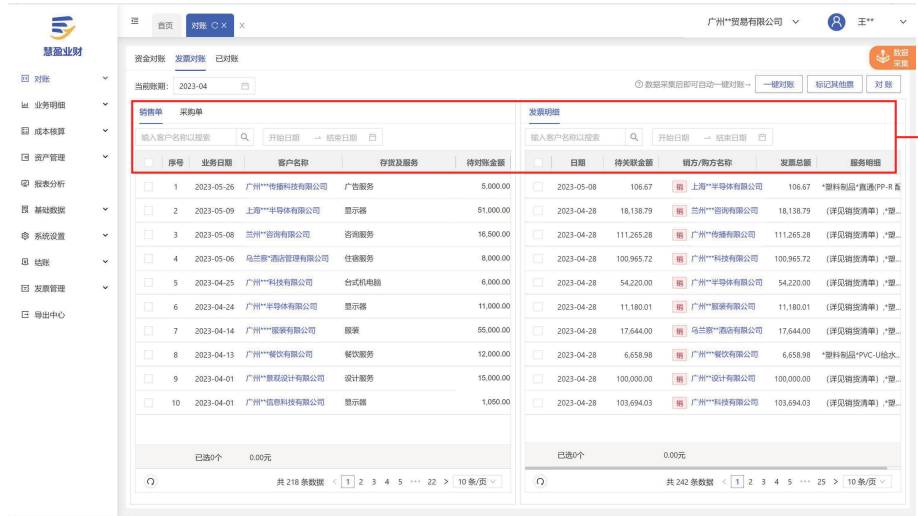
- *Procurement process.* We help SMBs procure products or services from external sources. This involves analyzing the quantity of each item needed in the future based on past sales data, trends and other relevant factors captured in our SATP system. A purchase order is issued to the supplier by our SATP system detailing the quantity needed, product specifications, delivery date, and agreed price. The quantity and quality of the goods are checked against the purchase order upon the goods’ arrival. The received goods are then added to inventory, properly stored, and tracked. The supplier’s invoice is checked against the purchase order and the goods received. If key information matches, the invoice is approved for payment. Journal entries are automatically generated by our SATP system to properly account for every step throughout the procurement process and inventory management.
- *Sales process.* We also assist SMBs with a series of steps that a company goes through to sell its products or services to customers. The contract management module in our SATP system allows SMBs to draw sales contracts detailing the terms of the sale, including price, quantity, delivery date, and other conditions, to be signed electronically by both parties. Details of the order are subsequently recorded in our system, including customer information, the products or services ordered, pricing, and delivery information. An invoice is issued to the customer with details on what the customer ordered, the price, any taxes or additional charges, the total amount due, and payment date. When the customer pays the invoice, the payment is recorded, matched with order details and invoices, all of which are empowered by our distinguished “fully-automated reconciliation (一鍵對賬)” feature.

Comprehensive Managerial Accounting Services

In the wake of the “Golden Tax System (Phase IV)” implementation, regulatory requirements for multiple reconciliations escalated. We meticulously reconcile business transaction records with accounting records under our managerial accounting services, addressing SMBs’ needs for streamlined contract flow, fund flow, product or service flow and invoice flow during their daily operations. Our SATP system performs “fully-automated reconciliation” based on information collected, checking consistency of transaction details such as parties involved, products or services details, transaction amount and time, among various documents. Our fully-automated reconciliation feature is honed by algorithmic precision, enabling a customized rule base and operational processes, individually tailored to each customer’s distinct needs. This technological design improves reconciliation efficiency, and substantially mitigates the risk of manual errors and

BUSINESS

oversights. As a result, we are empowered to deliver precise, and trustworthy managerial accounting services to our customers. Furthermore, we identify potential operating and financial risks during the reconciliation process, such as overdue account receivables. Set forth below is a system demonstration for business and finance reconciliation function of our managerial accounting services:



Our SATP system automatically checks the consistency of transaction details among invoices and sales orders

Our SATP system generates custom managerial accounting reports for our customers, encapsulating operating results, financial analysis, and other vital performance indicators. These reports can be visualized, and are reviewed by our experienced accounting and tax professionals. The timely managerial accounting analysis empowers SMBs to better comprehend their operational performance, facilitating informed decision-making and resource allocation, ultimately driving profitability. Set forth below is a system demonstration showing the illustrations for managerial accounting analysis:



Our SATP system automatically generates visualized illustrations for further managerial analysis

BUSINESS

We typically charge SMBs fixed subscription fees based on the itemized services and subscription period for our SaaS-based solutions. In 2021, 2022 and 2023, revenue generated from SaaS-based solutions contributed 89.0%, 87.7% and 86.1% of our total revenue, respectively. Our value-driven pricing model underscores our commitment to providing customer-centric services that directly contribute to the growth and success of our customers’ businesses.

Our Professional Services

Beyond our SaaS-based solutions, we extend our reach through nationwide front offices, delivering professional services to directly serve SMBs, such as consultation and matchmaking services to meet SMBs’ diverse needs across different growth stages. These enterprise professional services are not dependent upon our SATP system.

Consultation Services

Our consultation services focus on business registration, qualification-related and other offline services, with the aim of promoting compliance consciousness for SMBs in finance and taxation affairs.

Business Registration Services

We offer comprehensive business registration services to simplify the complexities of starting and running a business:

- *Industrial and commercial registration.* We guide customers through the initial steps of starting a new business. From collecting and reviewing registration materials, business name verification and application, to applying for the business license (營業執照) and choosing the appropriate tax filer status, we make the process seamless.
- *Change of industrial and commercial registration.* Businesses evolve, and we are here to facilitate any changes in registered industrial and commercial information. We ensure a smooth transition, adhering to all relevant laws and regulations.
- *Business deregistration.* When it comes to deregistering a business, we offer comprehensive support throughout the deregistration process, ensuring all obligations are met and no unresolved issues remain.

Qualification-related Services

We provide qualification-related services to assist SMBs in obtaining necessary certificates and licenses. Additionally, we provide services related to intellectual properties, including but not limited to trademark registration, transfer and deregistration services. We guide our customers through the application process, ensuring all materials meet the requirements of competent government authorities and applicable laws and regulations.

BUSINESS

Additionally, our consultation services for SMBs also include finance and taxation training, tax consultation on specific issues. As consultation services are typically non-recurring, we generally charge SMBs an one-off fixed service fee.

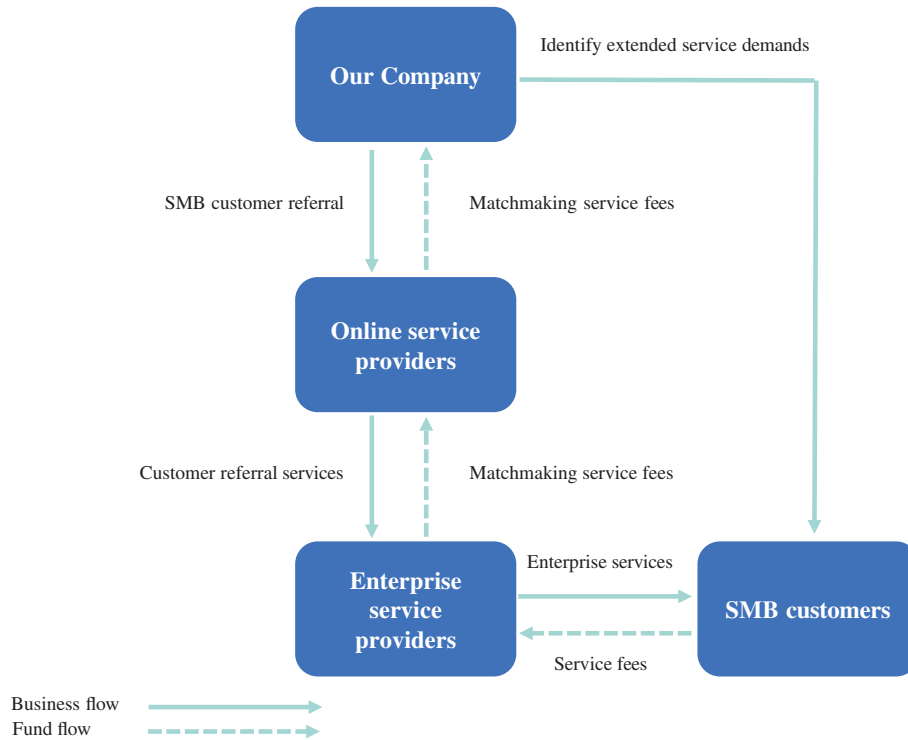
Matchmaking Services

As enterprise service demands increased, many SMB solution providers began offering matchmaking services. This move aimed to monetize service demands related to but beyond their existing major business scope or regional reach, improving customer satisfaction and retention. Such solution providers earn referral fees when SMBs are successfully matched with relevant enterprise service providers or platforms.

Historically, during our daily operations, we received sporadic requests from our SMB customers for audit, tax planning, and human resource services. Over time, our management recognized that given our accumulated vast SMB customer base, such broader demands beyond our service scope or regional reach can be facilitated via matching SMB customers in need with qualified enterprise service providers. In April 2022, we initiated a collaborative relationship with an online service provider operating a leading marketplace for flexible employment, earning fees from such online service provider for successful referrals. Having noticed the business potential, we launched our own matchmaking marketplace to serve broader tax and audit needs. Instead of separately establishing direct partnerships with individual enterprise service providers for auditing and tax planning services, we carefully select and collaborate with online service providers with knowledge and established enterprise service provider networks relating to SMBs' extended demands in specific sub-sector. This approach boosts operational efficiency and reduces costs at the early stage of launching our own matchmaking services, by virtue of liaising with selected online service providers. Online service providers are our customers under our matchmaking services, who choose to collaborate with us as they are appealed to our massive SMB customer base. These online service providers attract enterprise service providers to register as supplier-end users and post their qualifications and service offerings on the marketplace, connecting enterprise service providers with SMBs referred by us. SMBs can view and choose enterprise service providers on the marketplace, and we earn fees from successful matches. In 2023, our collaborations have increased with different online service providers either on the third-party or our own e-commerce marketplace. The number of our customers under our matchmaking services increased from two in 2022 to seven in 2023. All of our matchmaking service customers during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties.

BUSINESS

Set forth below is the illustration of business flows and fund flows of our matchmaking services:

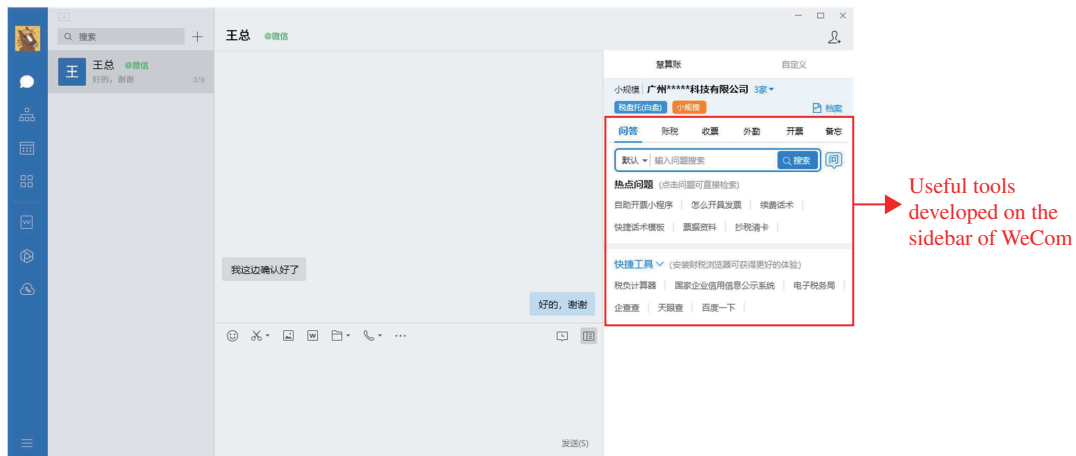


To avoid potential competition with our own service offerings, we only recommend SMBs with demands that extend beyond our existing business scope or geographic coverage to online service providers. As of the Latest Practicable Date, the number of SMBs bridged with suitable enterprise service providers through our matchmaking services amounted to over 5,000.

In 2021, 2022 and 2023, our professional services contributed to 11.0%, 12.3% and 13.9% of our total revenue, respectively, further underlining our commitment to diversifying our offerings and delivering comprehensive solutions to SMBs.

BUSINESS

We place customer experience at the forefront of our service delivery. We differentiate ourselves by providing satisfactory customer experience throughout the entire process of our solutions. We strive to be responsive to our customers. Our operating systems, including our SATP system and CRM system, are designed for real-time monitoring, enabling us to shorten the response time and enhance customer experience. Our systems automatically send reminders to our staff if customer enquiries are not responded to within five minutes. Moreover, the integration of our operating systems with WeCom and the development of useful tools in the sidebar of WeCom support our staff during customer interactions, enabling us to promptly and accurately answer customer enquiries in relation to basic concepts or regulatory requirements on accounting or tax issues. Set forth below is a system demonstration of useful tools integrated by us in the sidebar of WeCom:



Frequent daily interactions are not only beneficial for targeted marketing and broadening our service offerings to existing customers, but also contribute to customer satisfaction, increasing the likelihood of our customers recommending us to their acquaintances and industry peers. Our customer referral rate increased from 16.7% in 2022 to 16.9% in 2023, underlining our commitment to customer satisfaction and quality solution delivery.

BUSINESS

Key Operational Data

The following table sets forth certain operational data of our SaaS-based solutions for the years indicated:

	Year ended/As of December 31,		
	2021	2022	2023
Direct-to-Business Model			
Number of customers ⁽¹⁾	154,174	211,909	211,158
Revenue (RMB'000)	242,991	393,712	413,822
ARPU (RMB) ⁽²⁾	1,576	1,858	1,960
Customer retention rate (%) ⁽³⁾	85.2	84.9	79.4
Licensing Model			
Number of customers ⁽⁴⁾	432	409	395
Revenue (RMB'000)	65,594	58,904	50,130

Notes:

- (1) Number of customers under the Direct-to-Business Model refers to the number of SMB customers who subscribed for our SaaS-based solutions during the relevant year. The number of customers subscribed for our SaaS-based solutions slightly decreased from 211,909 in 2022 to 211,158 in 2023, primarily due to certain of our SMB customers did not renew their subscription upon termination of the service agreements, due to their tight budgets or business deregistration after the COVID-19 pandemic.
- (2) ARPU refers to average revenue per user, calculated based on dividing the revenue generated from our Direct-to-Business Model for the relevant year by the number of SMB customers subscribed for our services for the same year. Our ARPU increased from RMB1,576 in 2021 to RMB1,858 in 2022, and further increased to RMB1,960 in 2023, primarily due to (i) reduced promotional offerings with relatively lower prices since the second half of 2022, as we focused more on attracting new customers through customer referral program; and (ii) the upgraded SaaS-based solutions to cover diverse demands arising from SMBs' business management.
- (3) Customer retention rate is calculated by using the number of SMB customers who subscribed for our SaaS-based solutions during both the current 12-month-period and the previous 12-month-period as the numerator, and using the total number of SMB customers subscribed for our SaaS-based solutions during the previous 12-month-period as the denominator, expressed as a percentage. Our customer retention rate decreased from 85.2% in 2021 to 84.9% in 2022, and further decreased to 79.4% in 2023. The main reason for such decrease was that certain of our SMB customers did not renew their subscription upon termination of the service agreements, due to their tight budgets or business deregistration during and immediately after the COVID-19 pandemic. For the retention of regional partners under the Licensing Model, see “— Our Regional Partners.”
- (4) Number of customers under the Licensing Model refers to the number of regional partners that had valid contractual relationships with us and contributed revenue as of the end of the relevant year. The number of our regional partners with revenue contribution fluctuates during the normal operations of our Licensing Model throughout the Track Record Period. Such number decreased from 432 as of December 31, 2021 to 409 as of December 31, 2022, and further decreased to 395 as of December 31, 2023, primarily as (i) some licensing agreements were terminated by us or our regional partners based on the evaluation of each others' demands; and (ii) we constantly streamline the structure of our regional partners for better growth potentials.

BUSINESS

OUR CORE TECHNOLOGICAL CAPABILITIES

Advanced technologies constantly fuel our development and competitiveness. By combining our proprietary technologies with real-world parameters and accountants’ feedback, we continually enhance our operating systems. Leveraging AI technologies such as ML and NLP, we have developed our core technological capabilities, primarily including intelligent accounting engine, OCR, RPA, and short speech recognition, each of which is utilized to substitute labor intense procedures along the process of delivering solutions to our customers.

Proprietary Intelligent Accounting Engine

Our proprietary intelligent accounting engine automatically classifies and matches document information with relevant business scenarios. Utilizing rule base, our accounting engine analyzes and classifies a vast array of documents originating from daily operations. This allows our SATP system to process large volume of documents efficiently, generate journal entries and finish bookkeeping with accuracy.

Meanwhile, our intelligent accounting engine consistently upgrades from real-world parameters during daily operations, refining ML models and improving its performance over time, thereby achieving a feature we term as “fully-automated bookkeeping.” For instance, our intelligent accounting engine automates the classification of cash flows stated in the bank statements, such as customer payment, repayment for borrowings or deposit withdrawal, and matches these classifications with corresponding journal entries and chart of accounts. This automation enhances the efficiency and accuracy of bookkeeping procedures, optimizing our solution delivery.

Underpinned by our proprietary ML models, our intelligent accounting engine achieved desirable performance with massive model training and accounting rules accumulation. As of the Latest Practicable Date, we had trained our bank document classification ML model based on approximately 89.8 million bank slips and bank statements, accumulating approximately 48.0 million model parameters. Consequently, our bank document classification ML model could handle automatic bookkeeping for over 800 business scenarios across 21 industries, reaching an accuracy rate of over 94%. Similarly, up to the Latest Practicable Date, we had trained our invoice classification ML model with approximately 197.8 million invoices and accumulated approximately 83.0 million model parameters, enabling automatic bookkeeping for over 1,000 business scenarios with an accuracy rate of over 93%. According to Frost & Sullivan, both accuracy rates surpass the industry average level, which was approximately 80%. Our proprietary ML models largely enhanced the accuracy and efficiency of processing documents originating from daily operations. For instance, we previously automated the invoice classification by manual code writing, applying the preset rules to restricted business scenarios of bookkeeping. Invoice classification solely through the manual preset rules faced an accuracy rate of approximately 12% in August 2020, implicating unsolved requirements for numerous manual review and correction. Since September 2020, we have started to apply invoice classification ML model, enabling our SATP system to process large volume of invoices accurately. The accuracy rate reached approximately 63% soon after such application and remained above 90% consistently since April 2022.

BUSINESS

Proprietary OCR

We developed OCR for automatic information collection. Our proprietary OCR could precisely identify and extract the key information from nearly 4,000 types of bank slips and bank statements issued by over 17,000 banks (including branches) as of the Latest Practicable Date. Such intelligent information collection underpins the quality and efficiency of our solutions.

We use convolutional recurrent neural network (the "CRNN") model to detect and recognize text from images and leverage key information extraction technology to perform structured processing on the recognized text, collecting necessary information for bookkeeping. We verify the recognized information from original documents to ensure the reliability of collected information and then tag the validated parameters according to verification results. Based on the abundant validated parameters, we keep optimizing the generalization and accuracy of OCR, achieving a recognition rate of approximately 98% and approximately 99% for key information in bank slips and invoices, respectively, as of the Latest Practicable Date, far ahead of the industry average level.

Set forth below are the system demonstrations illustrating selected information identified and extracted by OCR from an invoice and a bank slip:



BUSINESS



Compared with traditional OCR that recognizes and extracts text through template matching and rule-based matching, our proprietary OCR empowered by AI proficiently utilizes deep learning and CRNN model to recognize text and detect keywords. The following table sets forth the performance of our proprietary OCR, traditional OCR and the traditional manual information input during collecting information from invoices and bank slips:

	Proprietary OCR empowered by AI	Traditional OCR	Traditional manual information input
Invoices	Takes less than one second to recognize all mainstream types of invoices with an accuracy rate of approximately 99%	Takes approximately one second to recognize limited preset types of invoices with an accuracy rate of less than 90%	Even skilled staff needs 15 to 20 seconds on average to input the key information from invoices into the system
Bank slips	Takes approximately one second to recognize nearly 4,000 types of bank slips issued by over 17,000 banks (including branches) with an accuracy rate of approximately 98%	Takes approximately two seconds to recognize bank slips issued by limited banks with an accuracy rate of less than 90%	Even skilled staff needs 15 to 20 seconds on average to input the key information from bank slips into the system

Proprietary RPA

Our proprietary RPA bots automate the entire filing process, covering system logging-ins, collecting information, filling in tax forms, adapting to the latest development in taxation policies, filing tax in bulk and monitoring the filing status. Once we have obtained the necessary account information from our customers, RPA simulates logging into the government’s electronic tax filing systems, and automatically collects necessary information for their tax filing.

BUSINESS

With our comprehensive self-developed components, our RPA demonstrates the following automation capabilities:

- *Customized.* Leveraging our in-depth insights into the industry and customer demands, we customized our RPA to accommodate the complex application scenarios and meet customers’ requirements on tax filing. According to Frost & Sullivan, we are the first solution provider that developed the RPA for intelligent tax filing in China’s SMB finance and taxation solution industry.
- *High efficiency.* Our efficient RPA simultaneously processes massive tasks to underpin timely tax filing during the business peak. We keep optimizing task processing algorithms and improving parallel processing mechanism to further shorten the processing time.
- *High reliability and stability.* Our RPA has high reliability and stability. We closely monitor system performance, flexibly allocate workloads and schedule tasks among various servers, aiming to mitigate the risks arising from RPA’s single-point failure or delayed responses.
- *Low cost.* We benefit from our industry-leading high-density RPA to enhance capabilities for simultaneous task processing, accelerate solution delivery and reduce the costs for system deployment and maintenance.

Our proprietary RPA enables the “fully-automated filing,” increasing our processing efficiency and showcasing our potential to serve the growing SMB finance and taxation solution market in China.

NLP and Automatic Short Speech Recognition

We tailored automatic short speech recognition function on WeCom for finance and taxation services to efficiently recognize the content of voice messages, convert the voice messages into text, and respond promptly to customer inquiries. We train third-party model for speech recognition with abundant training parameters derived from our daily operations, improving the automatic short speech recognition function on WeCom, which reached a content recognition accuracy rate of 94% as of the Latest Practicable Date, higher than the industry average, according to Frost & Sullivan.

Supported by NLP, we have established a reliable knowledge base in the field of finance and taxation, better utilizing the in-depth insights and extensive experience of our proficient professionals. Our NLP-driven intelligent customer services optimize the customer experience by shortening response time and improving the accuracy of our responses specialized in finance and taxation. NLP also facilitates our internal review of customers’ feedback through precise language processing, to monitor our staff’s performance and further enhance customer services. We trained the NLP model for better intelligent customer services and accumulated approximately 120.0 million model parameters as of the Latest Practicable Date.

BUSINESS

The following table sets forth our major technological advantages that differentiate us from our industry peers:

	<u>Our Company</u>	<u>Industry players in China’s SMB finance and taxation solution industry</u>
OCR’s recognition rate	Achieved a recognition rate of approximately 98% and approximately 99% for key information in bank slips and invoices, respectively, as of the Latest Practicable Date.	The industry average level is approximately 80%. Some solution providers still rely on manual recognition and proofreading.
RPA customized for tax filing	Developed the first RPA customized for intelligent tax filing in China’s SMB finance and taxation solution industry. Our automatic fulfilment rate reached approximately 86.6% for our SMB customers that subscribed for our SaaS-based solutions during the latest tax period from January to March 2024.	Substantially all solution providers use general RPA, which is less likely to accommodate the complex application scenarios and meet customers’ specific requirements on tax filing. Leading conventional finance and taxation solution providers typically take approximately 2,500 minutes on average to finish data collecting, bookkeeping and tax filing.
ML model’s accuracy rate	Bank document classification ML model reached an accuracy rate of over 94% as of the Latest Practicable Date. Invoice classification ML model reached an accuracy rate of over 93% as of the same date.	The industry average level is approximately 80%.
Parameter accumulation	Accumulated approximately 262.0 million model parameters from more than 312.2 million documents as of the Latest Practicable Date.	Few solution providers in the industry hold more than 100 million customer parameters. Most solution providers only collect data in single type and limited amount, which can hardly support multi-dimensional analysis and broad parameter accumulation.

BUSINESS

	<u>Our Company</u>	<u>Industry players in China’s SMB finance and taxation solution industry</u>
Short speech recognition technology’s accuracy rate	Automatic short speech recognition function achieved a content recognition accuracy rate of 94% as of the Latest Practicable Date.	The industry average level is approximately 80%. Most solution providers rely on short speech recognition technology from third parties.

We are dedicated to further strengthening our core technological capabilities and leveraging the advantages of advanced technologies to empower our business growth. We closely monitor rapid technological development in the field of AI and automation, and expect to continue diversifying the application scenarios of technologies and exploring cooperation with third parties when appropriate opportunities arise. For more details, please see “— Our Business Strategies — Increase investment in technological innovations and our SATP system upgrades to improve operational efficiency and cost-effectiveness.”

OUR FRONT OFFICES

To stay in proximity to our customers and efficiently respond to customer demands for offline services, we supplement our SATP system with offline front offices, achieving high synergies between online and offline channels. We establish front offices to facilitate our offline services to our customers, such as receiving original documents, filing the hard copies of application materials and conducting face-to-face consultations with government authorities when required. Such front offices are not point of sales in nature, considering we primarily use them for office premises instead of customer acquisition or marketing and promotional activities.

Key Features

As of the Latest Practicable Date, we had 90 front offices spanning 46 cities in China, where were generally economically active, facilitating our operations under Direct-to-Business Model. Although a substantial portion of our solutions can be fulfilled remotely, we consider a nationwide service network necessary from the following aspects: (i) according to PRC laws and regulations, bookkeeping agencies are required to submit the information of their physical locations in local regions in their annual reports to the local authorities; (ii) close and intimate customer relationships as our local staff stays in proximity to our nationwide customers, enabling customers to conduct on-site visits and face-to-face consultation in offline offices, where they observe and understand our solution offerings in person; (iii) necessary offline activities to provide our professional services, primarily including receiving and archiving original documents, filing the hard copies of application materials and conducting timely face-to-face consultations with government authorities; (iv) precise parameter accumulation and optimization enabling us to understand different regions and industries to constantly refine our solutions; and (v) business presence in the local market that cost-effectively increases our brand exposure. According to Frost & Sullivan, maintaining offline front offices in addition to online service offering is in line with the industry norm in China’s SMB finance and taxation solution industry. To complement our

BUSINESS

operations under Direct-to-Business Model, we also deploy the Licensing Model by granting non-exclusive licenses to third-party bookkeeping agencies as our regional partners. Please see “— Our Regional Partners.”

We will continue to expand our service network through both organic growth and acquisitions in the coming five years. We expect to establish new front offices when appropriate opportunities arise. We also intend to explore acquisition opportunities of other market participants to leverage their strong customer base, extensive experience in customer service and deep knowledge in specific industry verticals to efficiently obtain or enrich knowledge and resources for serving SMBs in selected industries. We systematically review and screen potential acquisition targets based on multiple factors, including but not limited to (i) geographic location, such as the local economy and rent levels; (ii) existing customer base and operating performance; (iii) number and expertise of accounting and tax professionals; (iv) requisite licenses and permits for operations; (v) estimated initial investment amount, ongoing operating expenses and capital requirements; and (vi) compatibility with our existing service network. We plan to finance the intended expansion primarily by [REDACTED] from the [REDACTED], and, if necessary or desirable, with our internal resources and/or bank borrowings. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. For more details, please see “— Our Business Strategies — Broaden our service network through strategic acquisitions” and “Future Plans and Use of [REDACTED].” We may face several challenges in implementing our expansion plans. Our expansion plans are inevitably subject to our operations and the market conditions from time to time. We may adjust our expansion plans accordingly for our best interests. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such transactions. Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.”

OUR REGIONAL PARTNERS

We grant non-exclusive licenses to third-party bookkeeping agencies as our regional partners to serve SMBs in designated geographic regions. Our regional partners, as independent legal entities, enter into contracts with their SMB customers at their own discretion and are responsible for their day-to-day operations and decision-making process. As of December 31, 2021, 2022 and 2023, we had 432, 409 and 395 regional partners with revenue contribution, respectively. The revenue contribution of our regional partners mainly consists of (i) initial service fees; and (ii) license fees calculated as a percentage of the contractual amount paid by customers served by regional partners utilizing our SATP system.

Traditional or initial third-party bookkeeping agencies may face growth constraints due to the absence of advanced system and well-recognized brand. They may also face development restrictions due to insufficient management expertise. Through licensing our advanced system and brand, and introducing operational knowledge during daily operations to such regional partners, we have cultivated stable and mutual beneficial business relationships with them. As of December 31, 2023, the majority of our regional partners with revenue contribution had licensed from us for over four years.

BUSINESS

Key Arrangement with Regional Partners

We enter into standardized licensing agreements in written with regional partners. Key terms of our licensing agreements include:

- *Term.* Typically one year. The term is generally determined by the parties upon negotiation and may be renewed upon mutual agreement. To pursue sustainable cooperation with regional partners, we may enter into licensing agreements with an open-end date based on good standing with regional partners that have stable cooperation with us for years.
- *Designated geographic area.* Regional partners can only use our brand and our SATP system when providing solutions to their customers registered in the designated geographic region. Regional partners are not allowed to use other finance and taxation SaaS systems when providing finance and taxation solutions to their SMB customers.
- *Nature of the cooperation.* The nature of the cooperation is non-exclusive license, which does not constitute a joint venture, partnership or franchise, etc.
- *Fees and payment.* Regional partners shall pay initial service fee within three working days after the agreement becomes effective. The initial service fee is determined based on the geographic locations of the regional partners, generally ranging from RMB20 thousand to RMB30 thousand. In addition, regional partners shall prepay license fees to us before providing solutions to their SMB customers through our SATP system. For each of the existing SMB customers of the regional partners at the time they entered into the licensing agreements with us, we charge regional partners fixed license fees of RMB100 for each of their SMB customers. For regional partners’ new SMB customers after they entered into the licensing agreements with us, the license fees are determined based on the operating scale and historical revenue contribution of the regional partners, which are calculated based on a percentage, generally ranging from 6% to 12%, of the contractual amount actually paid or payable by such new SMB customers. Regional partners are not allowed to return any services rendered and we do not refund any license fees charged.
- *Liabilities.* Regional partners shall bear our losses and losses of their customers caused by suspension or termination of solutions, customer complaints, government investigations, administrative penalties or civil or criminal liabilities due to the breach of contract or violation of applicable laws and regulations by regional partners.
- *Intellectual property.* We own and retain all intellectual property rights relating to our SATP system and our brand. We license our brand and SATP system to regional partners on a non-exclusive basis. Without our written consent, regional partners are prohibited from reverse engineering, decompiling, or disassembling the licensed system, or modification, upgrading, transformation, or development of other new software or technology based on the licensed system.

BUSINESS

- *Confidentiality and data protection.* Both parties must not disclose any of the trade secrets, including but not limited to customers’ information, to any third party. Regional partners are responsible for the accuracy, reliability, legality and applicability of the data collected from their SMB customers and stored in our SATP system during their operations, and ensure that relevant data collection and storage obtained full authorization. For the information of SMB customers served by our regional partners in our SATP system, we process such information only for the purpose of fulfilling the licensing agreements under applicable PRC laws and regulations.

As advised by our PRC Legal Advisors, the standardized licensing agreements that we have entered into with regional partners are legally binding and enforceable under the applicable PRC laws and regulations.

We do not participate in the customer acquisition process of our regional partners. As agreed in the licensing agreements, regional partners can not serve SMBs registered outside the designated geographic regions or misuse the licensed SATP system to provide services to customers for illegal or criminal conducts, as we highly value our brand image and aim to mitigate risks under the Licensing Model. Meanwhile, as a SaaS system, our SATP system has its limitations in nature and may not be able to properly address SMB customers’ exceeding demands. Except for the above, we generally do not interfere with our regional partners’ selection or acceptance of their SMB customers.

According to Frost & Sullivan, it is common for companies providing enterprise services, including finance and taxation services, to license out their system and brand, and obtain a broader range of customer reach for their systems. In addition, the fee arrangement under the licensing agreements and the pricing of our license are generally in line with the industry practice of China’s SMB finance and taxation solution industry. Our annualized average price for SMB customers, calculated based on dividing the total amount received from the SMB customers subscribed for our SaaS-based solutions during the relevant year by the total number of months subscribed by such customers, multiplied by 12, amounted to RMB2,394 in 2023. The annualized average price charged by regional partners to their SMB customers, calculated based on dividing the total amount received from the SMB customers subscribed for regional partners’ solutions leveraging the SATP system during the relevant year by the total number of months subscribed by such customers, according to the record in the SATP system, and then multiplied by 12, amounted to RMB2,650 in 2023. The annualized average price charged by our regional partners to their SMB customers was slightly higher than the average price we charged SMB customers for our SaaS-based solutions, primarily due to (i) the relatively fierce competition among SMB finance and taxation solution providers in the economically active regions where most of our front offices located; and (ii) our optimized operating efficiency and cost-effectiveness enabling us to offer competitive prices to SMB customers.

BUSINESS

The Background and Composition of Our Regional Partners

Our regional partners are generally third-party bookkeeping agencies providing bookkeeping and tax filing services to SMBs in less economically active regions. Our regional partners have a nationwide geographical presence covering every province in China. The composition of our regional partners during the Track Record Period remained relatively stable.

Among the 395 regional partners with revenue contribution to us as of December 31, 2023, 104 regional partners are located in East China, 78 regional partners are located in Central China, 57 regional partners are located in Southwest China, 51 regional partners are located in North China, 49 regional partners are located in Northwest China, 37 regional partners are located in South China, and 19 regional partners are located in Northeast China.

The following table sets forth the composition of the regional partners with revenue contribution to us as of December 31, 2023 by their years of establishment as of the same date:

Years of establishment	Number of regional partners	% of total
Less than one year	31	7.8%
One year to two years	45	11.4%
Two years to three years	34	8.6%
Over three years	285	72.2%
Total	395	100.0%

The following table sets forth the composition of the regional partners with revenue contribution to us as of December 31, 2023 by their scale of operations in terms of registered capital:

Registered capital	Number of regional partners	% of total
Less than RMB0.5 million	95	24.1%
RMB0.5 million to RMB1.0 million	65	16.5%
RMB1.0 million to RMB5.0 million	202	51.1%
Over RMB5.0 million	33	8.4%
Total	395	100.0%

As of the Latest Practicable Date, to the knowledge of the Company, all of our regional partners we collaborated during the Track Record Period were Independent Third Parties.

There were no material disputes or litigations between the regional partners and us during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Our Major Management Measures under Licensing Model

We believe establishing and maintaining stable relationships with our regional partners is critical to our reputation and market penetration. We carefully select qualified regional partners based on multiple factors, including but not limited to: (i) necessary qualifications for finance and taxation businesses; (ii) registered capital and financial conditions; (iii) staffing status, especially the management team and accounting team, and the relevant expertise; (iv) local knowledge and customer base; and (v) office premise and facilities.

We prohibit regional partners from promoting or providing solutions to SMBs registered outside the designated geographic areas. We prudently arrange the geographic layout of regional partners, considering local economy, population density, local industrial structure, competitive landscape and the coverage and operation of our existing regional partners. In a few cases, we grant licenses to regional partners in regions that we have already established front offices. We believe proper competition among regional partners and us is inevitable and could be advantageous for activating business operations under our Licensing Model, and such arrangement will not cause unhealthy competition or adversely affect our operations, considering the broad unserved SMBs in the fragmented SMB finance and taxation solution industry in China. We endeavor to cultivate stable and mutual beneficial business relationships with our regional partners. We have adopted a series of measures to mitigate the potential malicious competition in the same regions under the Licensing Model. We from time to time communicate with regional partners on their marketing and promotional activities to avoid excessive competition caused by their unreasonable pricing or promotion. Moreover, we have established a mechanism for reporting, determining and restricting the malicious competition among regional partners, or between our regional partners and us, including but not limited to prohibition of maliciously defaming one another and deliberately poaching the employees or SMB customers from one another. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material competition among our regional partners, or between the regional partners and us, within the same geographic region. Our Directors are of the view that measures taken by us are sufficient to mitigate potential competition under our Licensing Model. To protect data privacy and security, we process the information of SMB customers served by our regional partners only for the purpose of fulfilling the licensing agreements under applicable PRC laws and regulations and enabling regional partners to provide bookkeeping and tax filing services to their customers through the SATP system. Regional partners can only access information of their SMB customers in our SATP system and have no access to those of other regional partners or our front offices even within the same region. Apart from the provisions of confidentiality and data protection in the licensing agreements, we have adopted multiple internal control measures for safeguarding the data privacy and protection policy under the Licensing Model, including but not limited to (i) utilizing firewall, threat detection platform and data leakage prevention platform to effectively mitigate the main network security risks of our operating systems; (ii) establishing multi-layer security defense system to protect data in our operating systems, including the information of SMB customers served by our regional partners in our SATP system; (iii) identifying and labeling sensitive data with higher security level from the information of SMB customers served by our regional partners; and (iv) conducting security test on each of the updated versions of our SATP system to spot and fix the system bugs and vulnerabilities.

BUSINESS

However, we cannot assure you that our existing and prospective regional partners will comply with the provisions of licensing agreement or follow our management measures. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — We face risks under the Licensing Model. If our regional partners fail to perform their contractual obligations pursuant to our licensing agreements or fail to meet the demands of their customers by virtue of our SATP system and our services, our reputation, results of operations and financial condition could be adversely affected.”

Key Features

We strive to maximize the untapped commercial value of our advanced SATP system and strong brand established over years of operations. Following common industry practice, we deploy the Licensing Model to capitalize the market opportunities in less economically active regions at lower operating costs and faster pace, while expanding our brand influence and diversifying our model parameters. In particular, we primarily benefit from the following key features of the Licensing Model:

- *Strengthened brand awareness.* Collaborating with our regional partners helps us scale up our local presence and enhance brand recognition in fast-growing non-top-tier cities in China at lower costs.
- *Faster regional penetration at lower costs with lower risks.* Leveraging the existing local customer base, local knowledge and resources of our regional partners, we expand the customer reach of our SATP system to regions that are less economically active smoothly and efficiently without incurring significant costs. Compared to directly serving SMBs, we are exposed to few operating risks under the Licensing Model as our regional partners operate as independent legal entities and keep separate accounts to assume the responsibilities for their own profits and losses.
- *Diversified parameter accumulation.* Our SATP system obtains access to SMBs across broader regions and industries through the Licensing Model. In 2021, 2022 and 2023, our regional partners served 524,660 SMBs, 499,350 SMBs and 461,930 SMBs, respectively, through our SATP system. SMB customers served by our regional partners primarily consist of SMBs operating in multiple industries, such as retail and wholesale, e-commerce, professional services and manufacturing, spanning across various regions in China, primarily including less economically active regions in Hunan province, Henan province, Jiangsu province, Jiangxi province and Hubei province. We accumulate broader application scenarios and diversified customer parameters through the Licensing Model. Such accumulation further improves our model training and accelerates the amassment of our model parameters, which drives the upgrades of our SATP system.

BUSINESS

OUR CUSTOMERS

Our customers primarily consist of SMBs operating in a wide array of industry verticals, primarily including retail and wholesale, e-commerce, professional services, manufacturing, scientific and technical services, information, accommodation and food services. In addition, our customers also include regional partners as we license our SATP system and brand to them for initial service fees and license fees. Please see “— Our Regional Partners” for details. Through our advanced SATP system and broad service network, we provide effective and efficient solutions to SMBs, catering to their distinct needs and enabling them to achieve better resource allocation, more efficient decision-making, and greater profitability. As a testament to our customer satisfaction and loyalty, we recorded a customer retention rate of 79.4% in 2023, which was higher than the industry average level, which generally ranged from 60% to 70%, according to Frost & Sullivan.

Based on their tax filer status, SMBs served by us can be categorized into small-scale taxpayers (小規模納税人) and general taxpayers (一般納税人). Among SMBs served by us as of the Latest Practicable Date, approximately 80% were small-scale taxpayers, while the remaining approximately 20% were general taxpayers.

Service Agreements with SMBs

Set forth below is a summary of key terms of our service agreements with SMBs:

- *Term.* For subscription services, such as bookkeeping and tax filing services, we typically enter into subscription agreements with our customers with a term of one to two years. For non-subscription-based services, such as business registration, qualification-related services and matchmaking services, unless specified otherwise, the service agreements expire upon completion of the relevant services.
- *Pricing.* We typically charge our customers fixed service fees based on the type of services we provide.
- *Payment and credit terms.* Customers are typically required to settle payment after signing the service agreements. For matchmaking services, we generally grant our customers a credit term of 30 days.
- *Intellectual property.* We retain all our intellectual property rights with respect to our solutions and our SATP system under the service agreements.

BUSINESS

- *Customer information.* We collect, store, analyze and use customer information provided by the customers or formulated during our services in order to provide our services and improve our service quality. In particular, in the case that the customers subscribe for tax filing services from us, the customers agree to provide original documents and invoices of the previous month necessary for us to conduct tax filing by the fifth day of each month. In the case that the customers subscribe for escrow services for their tax control disk, social insurance account and housing provident fund account, we collect the associated information of tax control disk and account information necessary for us to provide customers with escrow services after they entered into the agreements with us.
- *Liability.* We provide bookkeeping and tax filing solutions under the applicable laws and regulations and the accounting guidance based on the information and materials provided by the customers. We are not responsible for any liability arising from the customers’ failure to provide true and accurate, legal, complete and valid information.
- *Confidentiality.* Both parties to the service agreements shall treat all trade and technological secrets made known to it by the other party in confidence during and after the agreement terms.

We did not experience any material breach of service agreements during the Track Record Period and up to the Latest Practicable Date.

The duration of our SaaS-based solutions is generally three years on average, generally ranging from one year to over five years. The typical sales cycle of our SaaS-based solutions is generally around 50 days, from our sales and marketing employees’ approaching a potential SMB customer to entering into the service agreement with such SMB. The duration and sales cycle of our professional services vary broadly as such services are generally non-recurring in nature and the type of such services varies.

The following table sets forth the remaining terms of service agreements of our SaaS-based solutions for SMB customers and the corresponding number of our SMB customers and the remaining contract amount as of December 31, 2023:

	Number of SMB customers	Remaining contract amount
		<i>(RMB’000)</i>
Remaining terms of service agreements		
Less than six months.	163,346	180,336
Six months to 12 months.	122,973	121,765
Over 12 months.	77,271	152,765

Our SaaS-based solutions under the Direct-to-Business Model and the Licensing Model are recurring in nature. In 2021, 2022 and 2023, revenue contributed by such solutions amounted to RMB308.6 million, RMB452.6 million and RMB464.0 million, respectively, representing 89.0%, 87.7% and 86.1% of our total revenue for the same years.

BUSINESS

Payment Methods

SMBs are generally required to settle the payment in cash, electronic transfer using bank cards or online payments via third-party online payment platforms, such as UnionPay (銀聯), WeChat Pay (微信支付) or Alipay (支付寶), for the amount enclosed in the service agreement, before we start to provide services. Regional partners are generally required to settle the payment by electronic transfer using bank cards or UnionPay.

Management of Customer Complaints from SMBs

We place significant emphasis on delivering professional, efficient and seamless customer experience. We believe collecting customers’ real-time comments and ascertaining customers’ expectations can enhance customer loyalty and satisfaction. To obtain customers’ real-time feedback, we maintain active interactions with our customers during the entire process of our services. For more details, please see “— Our Solutions — Customer Experience and Our Internal Management Mechanism.”

Due to the nature of our business, we receive customer complaints from time to time. Customer complaints typically include the complaints on longer waiting time than expected and perceived errors during our solution delivery. To ensure customer complaints are handled properly and timely, we adopted strict internal supervision and implemented internal SOP. We have a working team monitoring whether customer complaints have been properly and timely handled. We also arranged a hotline specifically for receiving the customer complaints. We require our staff to report the progress of handling customer complaints through our CRM system within one working day upon receiving the complaints. For perceived errors, our sales and marketing staff, finance and taxation consultants and accounting staff maintain close communication with each other to ensure complaints are addressed accurately. Our accounting managers from time to time review the communication records to ensure all complaints are handled properly without delay. Our SATP system also scans through communications from customers and alerts our staff if certain words that could indicate customer’s frustration are detected. To mitigate the risks of customer loss due to the unresolved customer complaints and maximize retention efforts, we require our staff to resolve the complaints by no later than six months before the end of our service term with such customers.

Customers generally accept apologies, clarification or revisions on the perceived errors or monetary compensation. During the Track Record Period, the total amount of monetary compensation paid to settle customer complaints was approximately RMB192.4 thousand, which was negligible to our Group as a whole. We maintain detailed records of the customer complaints. We from time to time hold discussions to review complaints and optimize our internal measures for rectification when appropriate and necessary.

BUSINESS

Our Five Largest Customers

We do not have substantial reliance on any single customer. The following tables set forth certain information of our five largest customers in each year during the Track Record Period:

Year Ended December 31, 2023

Customer	Service nature	Credit terms and payment method	Revenue	As a percentage of our total revenue	Length of relationship with us	Background
			<i>(RMB'000)</i>	<i>(%)</i>		
Customer A.	Matchmaking services	30 days; bank transfer	9,072	1.7	Since 2022	an online service provider established in 2022, primarily providing business management consulting and technical services, such as information consulting, technical consulting and technology development with a registered share capital of RMB1.0 million, located in Fangshan district, Beijing
Customer B.	Matchmaking services	30 days; bank transfer	5,389	1.0	Since 2023	an online service provider established in 2021, primarily provides business management consulting and information consulting services, with a registered share capital of RMB10.0 million, located in Fengtai district, Beijing
Customer C.	Matchmaking services	30 days; bank transfer	5,182	1.0	Since 2023	an online service provider established in 2023, primarily provides business management consulting and information consulting services, with a registered share capital of RMB0.3 million, located in Hangzhou, Zhejiang province
Wan Zhong Group (萬眾集團).	Licensing our brand and SATP system	Prepayment; bank transfer	2,255	0.4	Since 2016	a group ultimately controlled by an individual, comprising 11 third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
Customer D.	Licensing our brand and SATP system	Prepayment; bank transfer	1,894	0.3	Since 2016	a group ultimately controlled by an individual, comprising seven third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
			<u>23,792</u>	<u>4.4</u>		

BUSINESS

Year Ended December 31, 2022

Customer	Service nature	Credit terms and payment method	Revenue	As a percentage of our total revenue	Length of relationship with us	Background
			(RMB'000)	(%)		
Customer A.	Matchmaking services	30 days; bank transfer	10,971	2.1	Since 2022	an online service provider established in 2022, primarily providing business management consulting and technical services, such as information consulting, technical consulting and technology development with a registered share capital of RMB1.0 million, located in Fangshan district, Beijing
Wan Zhong Group . . .	Licensing our brand and SATP system	Prepayment; bank transfer	3,461	0.7	Since 2016	a group ultimately controlled by an individual, comprising 11 third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
Customer E.	Matchmaking services	30 days; bank transfer	3,307	0.6	Since 2022	an online service provider established in 2017, primarily operating a leading e-commerce marketplace for flexible employment. Customer E primarily provides outsourcing services relevant to financial information technology and technical services, such as information consulting, technical consulting and technology development, with a registered share capital of RMB10.0 million, located in Suqian, Jiangsu province
Customer D.	Licensing our brand and SATP system	Prepayment; bank transfer	1,931	0.4	Since 2016	a group ultimately controlled by an individual, comprising seven third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
Hefei Huizhong (合肥慧眾)	Licensing our brand and SATP system	Prepayment; bank transfer	1,309	0.3	Since 2017	a group ultimately controlled by an individual, comprising three third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
			20,979	4.1		

BUSINESS

Year Ended December 31, 2021

Customer	Service nature	Credit terms and payment method	Revenue	As a percentage of our total revenue	Length of relationship with us	Background
			<i>(RMB'000)</i>	<i>(%)</i>		
Wan Zhong Group . . .	Licensing our brand and SATP system	Prepayment; bank transfer	3,628	1.0	Since 2016	a group ultimately controlled by an individual, comprising 11 third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
Customer D.	Licensing our brand and SATP system	Prepayment; bank transfer	1,989	0.6	Since 2016	a group ultimately controlled by an individual, comprising seven third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
Hefei Huizhong	Licensing our brand and SATP system	Prepayment; bank transfer	1,351	0.4	Since 2017	a group ultimately controlled by an individual, comprising three third-party bookkeeping agencies, primarily providing accounting services, agency bookkeeping services and business registration services
Customer F.	Licensing our brand and SATP system	Prepayment; bank transfer	1,151	0.3	Since 2017	a third-party bookkeeping agency primarily providing accounting services, agency bookkeeping services and business registration services; our regional partner
Customer G.	Licensing our brand and SATP system	Prepayment; bank transfer	1,063	0.3	Since 2016	a third-party bookkeeping agency primarily providing accounting services, agency bookkeeping services and business registration services; our regional partner
			9,182	2.6		

BUSINESS

All of our five largest customers in each year during the Track Record Period were Independent Third Parties as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

Our suppliers primarily consist of (i) public cloud service providers of cloud-based infrastructure; (ii) software service providers or software distributors of ERP system, intelligent speech interaction system, short message service system, invoicing system and electronic agreement signing system, etc.; (iii) third-party human resource service providers; and (iv) online marketing solution providers. We typically enter into collaboration framework agreements with our public cloud service providers and software service providers or software distributors with terms of one to three years and place purchase orders under such framework agreements. We typically enter into collaboration agreements with third-party human resource service providers with terms of one to two years and place orders with specifications and standards based on our actual daily work requirements. Moreover, we generally enter into promotion framework agreements with our online marketing solution providers and place promotion orders. We generally do not enter into long-term supply agreements with our suppliers. We select suppliers based on multiple factors, including but not limited to our operation needs and standards, suppliers' qualifications and certificates, historical performance, technical capabilities, prices, service quality and reputation in the industry. We routinely review and assess the terms of agreements with our existing suppliers. We communicate with suppliers who fail to meet our standards or requirements during our operations and terminate our business relationships with those suppliers that refuse to or fail to make timely adjustments. We believe we are not dependent on any single supplier and can locate alternative suppliers as needed.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers, nor did we experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or shortage or delay in delivery of services from our suppliers.

BUSINESS

Our Five Largest Suppliers

We do not have substantial reliance on any single supplier. The following tables set forth certain information of our five largest suppliers in each year during the Track Record Period:

Year Ended December 31, 2023

Supplier	Major services purchased by us	Credit terms and payment method	Purchase amount <i>(RMB'000)</i>	As a percentage of our total purchases <i>(%)</i>	Length of relationship with us	Background
Supplier A	Human resource outsourcing services	30 days; bank transfer	46,848	36.4	Since 2022	a third-party human resource service provider primarily providing labor outsourcing services with a registered share capital of RMB2.0 million, located in Wuhu, Anhui province
HiJoy Enterprise Service Co., Ltd.	Human resource outsourcing services	30 days; bank transfer	35,862	27.9	Since 2021	a third-party human resource service provider primarily providing labor outsourcing services with a registered share capital of RMB50.0 million, located in Qingdao, Shandong province
Supplier B	Human resource outsourcing services	30 days; bank transfer	20,425	15.9	Since 2023	a third-party human resource service provider primarily providing labor outsourcing services with a registered share capital of RMB2.0 million, located in Qingdao, Shandong province
Beijing Lihui Huanchen Enterprise Management Co., Ltd. (北京麗輝環晨企業管理有限公司)	Registration address services	30 days; bank transfer	1,869	1.5	Since 2020	a management consulting and technical consulting service provider with a registered share capital of RMB5.0 million, located in Huairou district, Beijing
Supplier C	Cloud services	30 days; bank transfer	1,578	1.1	Since 2021	a leading domestic cloud service provider primarily providing cloud services, software development and other technical services with a register share capital of RMB1,042.5 million, located in Haidian district, Beijing
			106,582	82.8		

BUSINESS

Year Ended December 31, 2022

Supplier	Major services purchased by us	Credit terms and payment method	Purchase amount <i>(RMB'000)</i>	As a percentage of our total purchases <i>(%)</i>	Length of relationship with us	Background
HiJoy Enterprise Service Co., Ltd.	Human resource outsourcing services	30 days; bank transfer	31,474	37.5	Since 2021	a third-party human resource service provider primarily providing labor outsourcing services with a registered share capital of RMB50.0 million, located in Qingdao, Shandong province
Supplier A	Human resource outsourcing services	30 days; bank transfer	19,870	23.7	Since 2022	a third-party human resource service provider primarily providing labor outsourcing services with a registered share capital of RMB2.0 million, located in Wuhu, Anhui province
Nanjing Mengbai Information Industry Co., LTD. (南京蒙柏信息產業有限公司)	Software services	five days; bank transfer	2,618	3.1	Since 2021	a software service provider primarily providing software development and other technical services with a registered share capital of RMB8.9 million, located in Nanjing, Jiangsu province
Huayuan Xinrui International Enterprise Management (Beijing) Co., Ltd. (華源鑫瑞國際企業管理(北京)有限公司)	Registration address services	30 days; bank transfer	1,671	2.0	Since 2020	a management consulting and technical consulting service provider with a registered share capital of RMB1.0 million, located in Chaoyang district, Beijing
Beijing Lihui Huanchen Enterprise Management Co., Ltd.	Registration address services	30 days; bank transfer	1,475	1.7	Since 2020	a management consulting and technical consulting service provider with a registered share capital of RMB5.0 million, located in Huairou district, Beijing
			57,108	68.0		

BUSINESS

Year Ended December 31, 2021

Supplier	Major services purchased by us	Credit terms and payment method	Purchase amount <i>(RMB'000)</i>	As a percentage of our total purchases <i>(%)</i>	Length of relationship with us	Background
HiJoy Enterprise Service Co., Ltd.	Human resource outsourcing services	30 days; bank transfer	3,488	11.3	Since 2021	a third-party human resource service provider primarily providing labor outsourcing services with a registered share capital of RMB50.0 million, located in Qingdao, Shandong province
Beijing Lihui Huanchen Enterprise Management Co., Ltd.	Registration address services	30 days; bank transfer	1,634	5.3	Since 2020	a management consulting and technical consulting service provider with a registered share capital of RMB5.0 million, located in Huairou district, Beijing
Huayuan Xinrui International Enterprise Management (Beijing) Co., Ltd.	Registration address services	30 days; bank transfer	1,403	4.6	Since 2020	a management consulting and technical consulting service provider with a registered share capital of RMB1.0 million, located in Chaoyang district, Beijing
Supplier D.	Registration address services	30 days; bank transfer	1,117	3.6	Since 2020	a management consulting and technical consulting service provider with a registered share capital of RMB5.0 million, located in Miyun district, Beijing
Huizhi Xingtai (Beijing) Intellectual Property Agency Co., Ltd. (匯智興泰(北京)知識產權代理有限公司)	Intellectual property services	30 days; bank transfer	784	2.6	Since 2021	a service provider primarily providing trademark agency services, copyright agency services and advertising services with a registered share capital of RMB5.0 million, located in Dongcheng district, Beijing
			8,426	27.4		

BUSINESS

Both HiJoy Enterprise Service Co., Ltd. and Supplier A are our independent third-party human resource outsourcing service providers. We increased our procurement from third-party human resource service providers in 2022 and 2023, as part of our holistic strategy to optimize our operations and focus on important core demands with a more nimble and lean organization. Our early investment in automation and AI technologies allows us to build a powerful SATP system embedded with complex rules and workflows, enabling repetitive and standard tasks to be completed by outsourced staff from human resource service providers. Therefore, we increased our purchase amount from existing human resource service provider, HiJoy Enterprise Service Co., Ltd., the purchase amount from which increased significantly from RMB3.5 million in 2021 to RMB31.5 million in 2022, and further to RMB35.9 million in 2023. Moreover, in 2022, we also engaged a new human resource service provider, Supplier A, the purchase amount from which amounted to RMB19.9 million in 2022 and RMB46.8 million in 2023. To the extent we are not able to maintain a cooperative relationship with HiJoy Enterprise Service Co., Ltd. or Supplier A, we believe that we will be able to source other human resource outsourcing service providers with similar service quality and commercial terms in a timely manner. All of our five largest suppliers in each year during the Track Record Period were Independent Third Parties as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

PRICING

There are no prescribed mandatory pricing mechanisms set by regulatory authorities on our solutions hence we are entitled to set the prices of our services at our own discretion. Our pricing is typically based on certain factors, including the type and range of services that the targeted customers require, the spending power of the targeted customers, our operating costs, the competitiveness of our services in the local market, local market condition and pricing of our industry peers.

Leveraging our deep insights into SMBs in different growth stages with diverse service demands, we adopt differentiated pricing strategies for our SaaS-based solutions based on our value proposition to the SMBs:

	<u>Standard value proposition</u>	<u>Premium value proposition</u>
Target customers	SMBs that are in their initial growth stages with small operating scale and high price sensitivity	SMBs with relatively matured or complex business operations that have stringent compliance demands and wish to mitigate operational risks, or aim to enhance business efficiency and profitability through detailed insights

BUSINESS

	<u>Standard value proposition</u>	<u>Premium value proposition</u>
Service offerings	Fundamental bookkeeping services and taxation services by entity, tailored to assist SMBs in fulfilling their essential mandatory obligations	Operational management services and managerial accounting services by business segment or even by order for SMBs’ precise finance and taxation management and advanced customer experience
Pricing	Competitive prices in the most cost-effective manner. Our brand awareness, technological capabilities and customer experience enable us to price competitively	Reasonable prices that generally higher than those for standardized finance and taxation solutions
Major pricing basis	Customers’ tax filer status (small-scale or general taxpayers), the service complexity based on customers’ industry verticals and business models, subscription period, our operational costs and prevailing market conditions	Service intricacy, the degree of customization taking into account the customer’s industry vertical, business model and operating scale, along with subscription duration, our operational costs and market conditions

As to our consultation services, which are generally non-recurring, we typically charge SMBs an one-off fixed service fee, which is primarily determined based on our operational costs and market conditions. For matchmaking services, we utilize a performance-based pricing model. We reconcile our service fees with the online service providers on a monthly basis, primarily considering the contract value of the successful matches on the associated e-commerce marketplaces.

Our differentiated pricing strategies precisely ease the budget concerns of initial SMBs, while exploring the market potential of our customized solutions and enhancing our profitability. Our regional partners can set the prices for their solution offerings to their customers at their own discretion. We only provide our pricing suggestions on the lowest selling prices for regional partners’ reference, aiming to protect our brand image and avoid vicious price competition among regional partners.

According to Frost & Sullivan, the pricing of our solutions is generally consistent with the industry norm of SMB finance and taxation solution industry in China.

MARKETING AND PROMOTION

Our marketing and promotional efforts primarily comprise (i) maintaining close business relationships with existing customers to encourage the renewal of subscriptions by our customers; (ii) identifying existing customers’ evolving demands arising from business expansion or the latest regulatory development to explore up-selling opportunities; and (iii) attracting new customers. Our sales and marketing staff are responsible for (i) reaching out to potential customers across different

BUSINESS

regions in China and obtaining latest insights into customer demands through observation and interaction with SMBs; (ii) accumulating first-hand knowledge in market trend and local regulatory environment; and (iii) promoting our brand and delivering differentiated solutions to enhance the service experience and encourage word-of-mouth referrals among SMBs.

Benefiting from the increased market demands stimulated by the national taxation digitalization, the increased demands for effective financial and risk management during the post-pandemic recovery and our broad customer base, we gradually transitioned our customer acquisition strategy to focus more on customer relationship management, leveraging the cost-effective customer referral program to acquire new customers cost-efficiently. Accordingly, we streamlined our selling and marketing team since the second quarter of 2022 to cater to our optimized customer acquisition strategy for better selling and marketing efficiency. As of December 31, 2023, our sales and marketing team comprises 594 employees. We expect our sales and marketing team to remain in a similar size in the foreseeable future. As confirmed by Frost & Sullivan, maintaining sufficient sales and marketing employees in proximity to local customers is in line with the industry norm of China’s SMB finance and taxation solution industry.

Customer Outreach and Acquisition

Since inception, we have been focused on growing our customer base and expanding our business presence in different regions for our business growth. We implement our long-term customer acquisition strategies encompassing a multi-pronged approach that targets prospective customers from various fronts. These strategies include direct outreach through customer referral programs, both online and offline advertising campaigns, time-limited promotional offerings, service agreement acquisitions, and strategic business acquisitions, which are in line with the industry norm, according to Frost & Sullivan.

Our customer referral programs have been instrumental in acquiring new customers. With well-established brand awareness among SMBs, we benefit from the word-of-mouth referrals by our existing customers. We have adopted a customer referral program to expand our customer base among numerous SMBs in China. To encourage our existing customers to recommend our finance and taxation solutions to their acquaintances and industry peers, for each successful referral, we offer existing customers discount coupons that can be used for their future purchase from us. In 2021, 2022 and 2023, discounts offered by us to SMBs under such customer referral program amounted to RMB36.3 million, RMB25.6 million and RMB16.5 million, respectively, which were deducted from our sales revenue.

Our advertising efforts span across various online and offline channels. For online channels, we have leveraged search engine optimization, pay-per-click advertising, and social media marketing to increase our digital visibility. In particular, we have increasingly enhanced our brand recognition and promoted our solutions through (i) popularizing the basic knowledge of industrial and commercial registration and taxation among potential customers through online channels, such as WeChat public account, WeChat mini-program, corporate website, mobile App and registered accounts on popular social media platforms with vast customer traffic; and (ii) collaborating with third-party social media platforms that offer online marketing solutions, to obtain abundant customer traffic and better utilize the online traffic entry points to efficiently enhance our exposure

BUSINESS

to a broader market. When it comes to offline channels, we have capitalized on print ads, telemarketing and local event sponsorships. We from time to time organize or participate in offline conferences to continuously enhance our exposure to our existing and potential customers and our regional partners and introduce our brand to leading players in the general internet industry. For instance, we organized the forum *Looking towards “Golden Tax System (Phase IV)”: Solutions for Finance and Taxation Compliance for Enterprises* (展望金税四期：企業財稅如何合規發展) in April 2023. These advertising efforts through both online and offline channels have effectively expanded our reach and heightened brand awareness, translating into tangible customer acquisition.

Promotional offerings, specifically those with a time limitation, have been used to encourage potential customers to try our services. We have tactfully timed these offerings to align with periods of high customer demand or peak holiday season, and have seen a substantial uptick in customer acquisition rates during these promotional periods.

Expansion of business presence by way of service agreement acquisition is also a common market practice seen among industry peers in the China’s SMB finance and taxation solution industry, according to Frost & Sullivan. Similarly, we have also implemented a strategic service agreement acquisition approach, acquiring service agreements from other finance and taxation solution providers to expand our customer base in non-top tier cities swiftly. Although it necessitates upfront investment, careful financial and business due diligence to ensure the quality of the acquired agreements and a retention strategy to maintain loyalty from these newly onboarded SMB customers, this method offers efficient customer growth and the potential for up-selling additional services.

Business acquisition allows us to acquire entire businesses, inclusive of their customers, technology, intellectual properties and talents. This strategy, while complex and resource-intensive, has facilitated accelerated growth and market penetration. We had historically implemented this business strategy through equity acquisition prior to the Track Record Period. From February 2021 to February 2022, we also acquired an aggregate of 85% equity interest in Dalian HSZ, which was one of our regional partners at the time of acquisition and became our wholly-owned subsidiary upon the completion of such acquisition. Dalian HSZ is a finance and taxation solution provider providing bookkeeping and tax filing services to SMBs. The cash consideration for our acquisitions of equity interest in Dalian HSZ was determined based on the customer base and local market share of Dalian HSZ. Please see “History, Reorganization and Corporate Structure — Acquisition” for the background of Dalian HSZ and the relevant acquisition. Our acquisition of Dalian HSZ met the concentration tests and has been accounted for as asset acquisition. Please see Note 30 to the Accountant’s Report in Appendix I to this document. Please see “Risk Factors — Risks Relating to Our Business and Industry — We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such transactions. Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.”

BUSINESS

While these long-term strategies have proven successful to date, we remain committed to refining and diversifying our customer acquisition methods to foster continuous growth. Please see “Risk Factors — Risks Relating to Our Business and Industry — If we are unable to attract new customers and expand sales to existing customers, our business growth could be slower than we expected and our business may be harmed.”

Service Agreement Acquisition during the Track Record Period

When proper opportunities arise during the ordinary course of our business operations, we conduct service agreement acquisition to efficiently expand our business presence and broaden our customer base in non-top tier cities swiftly. During the Track Record Period, we acquired from certain of our regional partners or their affiliates and other SMB finance and taxation solution provider (the “**Selling Parties**”) service agreements relating to their SMB customers’ subscription of SaaS-based solutions. All of the Selling Parties are solution providers providing finance and taxation solutions, primarily including bookkeeping and tax filing services to SMBs. All of the Selling Parties were Independent Third Parties at the time of the acquisition.

- *Service agreement acquisitions in 2021*

Having noticed expanding business presence by way of service agreement acquisition is also a common market practice among industry peers, we conducted two service agreement acquisitions in 2021. The total number of customer service agreements acquired in such acquisitions amounted to 22,566 with a remaining contract value of RMB66.5 million, which were recognized as contract liabilities in the consolidated statements of financial position. Please see Note 30 to the Accountant’s Report in Appendix I to this document for details.

The following table sets forth the background information of the Selling Parties in such acquisitions in 2021:

Acquisition	Time of acquisition agreements	Background information of the Selling Parties		
		Years of establishment	Locations	Registered capital
1	November 2021	2021	Shandong province	RMB1.0 million
2	December 2021	2021	Shandong province	RMB3.0 million

- *Service agreement acquisitions in 2022*

We further enlarge our customer base by service agreement acquisitions in 2022. We had five customer service agreement acquisitions in this year. The total number of customer service agreements acquired in such acquisitions amounted to 23,891 with a remaining contract value of RMB58.9 million, which were also recognized as contract liabilities in the consolidated statements of financial position.

BUSINESS

The following table sets forth the background information of the Selling Parties in such acquisitions in 2022:

Acquisition	Time of acquisition agreements	Background information of the Selling Parties		
		Years of establishment	Locations	Registered capital
1	January 2022	2022	Guangxi Zhuang autonomous region	RMB0.3 million
2	January 2022	2018	Shandong province	RMB3.0 million
3	February 2022	From 2013 to 2019	Shandong province	From RMB0.5 million to RMB10.0 million
4	March 2022	2017	Guangxi Zhuang autonomous region	RMB2.0 million
5	April 2022	From 2016 to 2021	Shandong province	From RMB1.0 million to RMB5.0 million

The consideration for such acquisitions during the Track Record Period was primarily determined based on the total amounts that are paid or payable by the SMB customers for the acquired services in the preceding 12 months, minus third-party costs of delivering certain offline services. Such consideration was also influenced by the relevant size and market share of the acquired customer base in the local market, and was adjusted to include a one-time cash bonus to the Selling Parties, consistent with common practice in the industry. Please see Note 30 to the Accountant’s Report in Appendix I to this document for details of our consideration for acquisitions and cash incentives.

For Selling Parties who were our then regional partners, their service offerings transferred to us without any material interruption to their customers as they had been serving customers through our SATP system and under our brand. Benefiting from our strong customer relationship management capabilities and premium service quality, SMB customers under the service agreement acquisitions during the Track Record Period have become our loyal customers. As of April 30, 2024, the total amounts paid to us by such customers for renewal of subscriptions amounted to RMB189.7 million.

Customer Relationship Maintenance

We realize efficient customer outreach and acquisition, electronic contract signing, customer profile maintenance and other customer relationship management based on our proprietary CRM system. Leveraging our online and offline marketing efforts, we offer multiple options for SMBs to access to our solutions. Our CRM system records the information of potential customers that approached us through multiple channels, such as phone calls, online consultations and appointments, and categorizes them with different tags, such as industries, geographic regions, taxpayer types and purchase intention. Based on such information, our CRM system automatically

BUSINESS

assign potential customers to our sales and marketing staff based on their locations and industry experiences for their follow-ups through phone calls or WeCom. Our sales and marketing staff can identify, understand and address the potential customers’ enquiries in a timely manner through reviewing potential customers’ basic information and records of their previous consultation with us in our operating systems. Our sales and marketing staff can precisely introduce our solutions to cater to potential customers’ demands and convert them into our customers seamlessly and efficiently.

Electronic Contract Signing

Our customers can enter into service agreements with us either in paper-based form or through electronic signing process. We preset solution types that can be included in the solution packages in our CRM system based on the types and geographic regions of the taxpayers. During the Track Record Period, most of our customer agreements are signed through electronic contract signing process. We may make variations on the preset contract terms to offer favorable prices within a reasonable range or customized services to our customers based on negotiation. Our CRM system automatically triggers our internal contract review and approval process on such variations to control the risks during marketing and promotion.

Customer Profile Maintenance

Our potential customers are converted into customers once they signed the service agreement. Apart from the signed agreement, we maintain basic customer information, including but not limited to their names, unified social credit code (統一社會信用代碼), types of taxpayers, industries and account information, such as social insurance account, housing provident fund account and taxation account, etc., as well as information from customers’ documents or application materials, depending on the type of solutions that customers choose. We also record the financial and operating risks identified during provision of our solutions in the customer profile. Our CRM system updates such information on a real-time basis during our daily operations and share such information among our sales and marketing team and customer service team. Our finance and taxation consultants keep frequent communication with customers to offer customer-centric experience and timely identify customers’ potential demands on value-added services. Through regularly reviewing and analyzing information collected in the operating systems, we accumulate insights into SMBs in different industry verticals and growth stages. By virtue of the detailed insights and abundant parameters accumulated in our operating systems, we offer refined solutions to proactively explore up-selling opportunities and increase subscription renewals and ARPU of our existing customers. We highly value the data security of the customers’ information. For more details, please see “— Cybersecurity and Data Privacy and Protection.”

In 2021, 2022 and 2023, our selling and marketing expenses amounted to RMB363.7 million, RMB380.8 million and RMB302.7 million, respectively.

BUSINESS

RESEARCH AND DEVELOPMENT

We believe integrating our SATP system with the latest technology is critical to maintaining our competitiveness. Our research and development activities are centered on demands arising from our business operations. We also keep a close eye on the latest technological development in the industry to capture the timing of our innovation.

Our Research and Development Team and Expenditures

As of December 31, 2023, there were 199 skilled and experienced employees in our research and development team. Our research and development employees are primarily responsible for our system development and upgrades, testing, operating and maintenance, data security, application of advanced technologies, such as big data analytics and AI technologies. Among our research and development employees, 87.9% held bachelor’s degrees or above, 59.8% had previous working experience in internet or software industry, and 20.6% had previous working experience in finance and taxation industry, as of December 31, 2023. As of the same date, 41 of our research and development employees have expertise in finance and taxation.

During the Track Record Period, we released various upgrades to and versions of our operating systems to respond to the evolving market demands and optimize service quality and customer experience. In 2021, 2022 and 2023, we incurred research and development expenses of RMB69.9 million, RMB85.8 million and RMB104.6 million, respectively. Please see “Financial Information — Consolidated Statements of Comprehensive Loss — Research and Development Expenses” for details of our research and development expenses. The continuous increase of our research and development expenses was primarily because we made continued efforts in optimizing the existing functions and performance of our SATP system and developing the new functions of our SATP system. As we will further refine the functionality and usability of our SATP system, we expect to continue to invest in research and development and our research and development expenses will remain to be a major focus area of resource allocation.

Our Development Process

Our in-house development team developed our operating systems. The development of the initial version of our operating systems range between two months to three months, depending on the scope and complexity of the relevant design project. The development cycles for the major upgraded versions of our operating systems are generally around one month, while the cycles for general upgrades of our operating systems range between one week to two weeks. We strive to enhance our development efficiency to meet the shifting market demands in a timely manner. Set forth below is our typical development or upgrade process for our operating systems:



BUSINESS

Market Demand Analysis

Our in-house development or upgrade of our operating systems starts from market demand analysis. We receive numerous real-time customer feedback on our solutions during our daily operations. We review these feedback and summarize those common requests that can be addressed through upgrading our operating systems. Based on the research and analysis on the market demands, industry competition and the performance of our existing operating systems, we analyze the distinctive challenges of our SMB customers and explore the possibility to solve such challenges through our technological upgrades. Leveraging our strong capabilities in market research and analysis and our deep insights into customers’ demands, we proactively identify the application scenarios and market potential of integrating leading-edge technologies into our operating systems.

Project Initiation

Based on the results of market demand analysis, our product managers formulate the design proposal for the proposed development or upgrades of our operating systems. The design proposal generally contains participants of the project, the project initiation time, market demands and background, development schedule and expected launch time. We believe adapting to the latest technological development in a cost-effective manner is essential to our profitability. Therefore, we conduct feasibility study on the design proposal with reasonable prudence to mitigate the development risks, such as misallocation of resources or misunderstanding in the market demands. Our product managers hold internal discussions to analyze the feasibility from multiple aspects, such as available technologies, market demands and budget.

Development

Based on the feasible design proposal, our developers and testing staff respectively sets detailed development plan and testing plan, and then send the plans for product managers’ confirmation. We adopt DevOps methodology to realize efficient and safe development process. Under such methodology, our developers regularly communicate with the product managers and testing staff to discuss whether the new features or modules under development properly address the market demands and reduce manual errors. Moreover, our developers should reflect the relevant changes in regulatory requirements during the tax period in the upgrades of our SATP system. Please see “Risk Factors — Risks Relating to Our Business and Industry — The development of finance and taxation solutions presents a unique challenge due to rigid development timetable. Failure or delay to address the changes in laws and regulations relevant to finance and taxation business in the upgrades of our SATP system could subject us to penalties” for details.

Testing, Verification and Optimization

The newly developed features or modules will be tested by the testing staff. The testing staff assesses the testing samples from technological, user experience and market perspectives and then formulate the test report for product managers’ review. The test report primarily contains the accomplishment, performance and optimization suggestion. Depending on the complexity and

BUSINESS

scope of development, the upgrades may experience several rounds of testing, verification and optimization before the official launch. We may terminate a development project if the upgrades fail to reach the stated objectives of the design proposal or fail to meet our quality standards after several rounds of modifications.

Launch and Post-launch

For upgrades that have passed the testing and verification process, the product managers formulate the launch proposal. The launch proposal primarily contains the launch time, the introduction on newly developed upgrades and the testing and verification results. Our operating and maintenance staff maintains the system environment for the official launch. We adopt DevOps methodology during the whole online launch process to stimulate the commercial potential of the newly developed upgrades and streamline the launch process. The release of our new systems or the major upgraded versions of our SATP system are generally coordinated with appropriate marketing activities.

After the official launch, we review the entire development process to learn from our experience and inspire our future innovations. We closely monitor the usability and market acceptance of our newly released upgrades through reviewing the operational data, such as customer retention rate and ARPU. Based on the operational data and feedback from our customers and staff, we conduct ongoing optimization and version upgrades for our operating systems.

We plan to continuously invest in our research and development activities to bolster our competitiveness and fuel our future growth. In particular, we intend to further upgrade our SATP system to accommodate the full coverage of the government’s electronic tax filing systems and fully digitalized electronic invoices under the “Golden Tax System (Phase IV).” We also expect to continuously optimize our reconciliation engine and accounting engine to support more precise reconciliation and accounting under increasing business scenarios. As of the Latest Practicable Date, for all provinces that have implemented the “Golden Tax System (Phase IV),” we had finished upgrading our SATP system for seamless system logging-ins and automatic information collection from electronic invoices, enabling us to further enhance the accuracy and efficiency of tax filing services. We will continue to refine our SATP system to be compatible with the government’s upgraded standardized electronic tax filing systems with the promotion of “Golden Tax System (Phase IV)” nationwide. For more details, please see “Future Plans and Use of [REDACTED]” and “— Our Business Strategies — Increase investment in technological innovations and our SATP system upgrades to improve operational efficiency and cost-effectiveness.”

INFORMATION TECHNOLOGY INFRASTRUCTURE

The emergence of public cloud technology has released us from the constraints of managing data assets on traditional servers and offline data centers, enabling us to operate in a more flexible and cost-effective manner. Cloud infrastructure also underpins seamless system updates and improvements, providing access to the latest features and security measures. We built our information technology infrastructure by leveraging the public cloud services from a leading domestic cloud service provider. We primarily procure the following public cloud services from such leading domestic cloud service provider for our cloud-based technology infrastructure: CVM

BUSINESS

(雲服務器), CBS (雲硬盤), EKS (彈性容器服務), CWPP (主機安全) and other cloud services. These cloud services provide us with the infrastructure and hardware environment to provide our finance and taxation solutions and maintain our daily operations. We entered into a cloud service framework agreement with such leading domestic cloud service provider, under which we generally enter into separate supplemental agreements on a monthly basis. The supplemental agreement sets forth details of service order, such as the type of services, unit prices, term of services, fees and payment. The term of services is generally based on the actual time of service usage. We are generally charged on a pay-as-you-go basis.

We believe that we can process vast data with our highly reliable and stable information technology infrastructure supported by cloud services from such leading domestic cloud service provider. According to Frost & Sullivan, purchasing public cloud services from a domestic cloud service provider is generally the industry norm in the SMB finance and taxation solution industry in China. We expect that we will continue to purchase from such leading domestic cloud service provider for our cloud-based technology infrastructure. We also purchased public cloud services from other public cloud service providers. To the extent we are not able to maintain a cooperative relationship with such leading domestic cloud service provider, we believe that we will be able to source another service provider with similar quality and commercial terms.

Furthermore, we have developed a highly reliable engineering platform to repair system exceptions, monitor servers, control system malfunctions, and enhance the usability of our operating systems.

Our technical service fees, which mainly includes expenses incurred in respect of the maintenance and upgrade of information technology system amounted to RMB17.0 million, RMB10.5 million and RMB7.8 million in 2021, 2022 and 2023, respectively.

Key Features of Our Information Technology Infrastructure

Our information technology infrastructure fuels our business growth continuously with the following key features:

- *Sound big data analytics capabilities.* We treasure parameters accumulated from serving SMBs under numerous scenarios of various industry verticals. To better learn from such parameters and enhance our service capabilities, we have established a comprehensive system covering the entire lifecycle of data, such as data collection, cleaning, processing, analyzing and storage. We analyze and portray the characteristics of our customers primarily in terms of their industry background, geographic location, operation scale, type of taxpayer and service preferences, etc. We also use tags to classify our customer parameters into different categories so that we can precisely offer tailored solutions and realize targeted up-selling.
- *Scalability.* We leverage microservice technology and distributed architecture to scale our computing resources by utilizing computational resources across multiple computation modes and realizing efficient resource sharing, simultaneous processing and error detection. We also optimize the scalability of our operating systems through

BUSINESS

containerization with strong elastic expansion capability. This makes our operating systems timely accommodate the explosive traffic demands during the business peak, mitigating the risks of error or delay in tax filing caused by malfunction of our operating systems. We conduct unified monitoring and management on our operating systems under the containerization. Moreover, we also procure cloud services for cloud storage with elastic expansion capability and high availability to store vast data.

- *Reliability, security and stability.* Considering the cruciality of finance and taxation information to our customers, we constantly optimize the reliability of our systems to mitigate risks of service interruption. We have deployed our systems on CVM to benefit from its cloud service capabilities and ensure the high-speed and stable performance of our systems. We obtained ISO 27001 Information Security Management System Certification and the recognition of Level 3 Information System Security Level (第三級信息系統安全等級保護). See “— Cybersecurity and Data Privacy and Protection” for further details of our internal procedures and measures on data security and stable performance of our systems.

Benefiting from high reliability and availability of our information technology infrastructure, we had not experienced any material service interruption during the Track Record Period and up to the Latest Practicable Date.

We expect to continuously invest in our information technology system to empower our operations and accommodate the growing demands on system stability and scalability with our business development. In particular, we intend to procure additional public cloud services to strengthen our information technology infrastructure, accommodating the development of our business. For more details, please see “Future Plans and Use of [REDACTED].”

CYBERSECURITY AND DATA PRIVACY AND PROTECTION

Regulatory Development on Cybersecurity and Data Privacy and Protection

There have been several regulatory changes and development in relation to cybersecurity and data privacy and protection in recent years. On June 10, 2021, the *PRC Data Security Law* (《中華人民共和國數據安全法》) was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) and became effective on September 1, 2021. On August 20, 2021, the PIPL was adopted by the Standing Committee of the National People’s Congress and became effective on November 1, 2021. On December 28, 2021, the CAC, together with certain other PRC government authorities, promulgated the revised *Measures for Cybersecurity Review* (《網絡安全審查辦法》), which became effective on February 15, 2022. See “Regulatory Overview — Regulations on Cybersecurity and Data Protection” for further details of these laws and regulations. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with laws and regulations on cybersecurity and data protection could result in claims and penalties imposed by relevant government authorities, which could harm our brand and reputation, and materially and adversely affect our business operations and financial performance.”

BUSINESS

Our Access to Data during Operations

During our ordinary course of business, we primarily have access to the following categories of data from our customers: (i) customers’ basic incorporation information, such as enterprise name, major business, contact person and contact information; (ii) depending on the type of solutions that customers purchase from us, documents necessary for bookkeeping and accounting, tax filing records in government’s electronic tax filing systems, customers’ business registration materials or license application materials; and (iii) customers’ account information, such as tax filing account, social insurance account and housing provident fund account, etc. In addition, where we provide tax filing services to our customers, we also have access to the personal information of our customers’ employees, such as employees’ salaries, identification numbers, names and contact information, and such information is categorized as the “personal information” specified in the Measures for Cybersecurity Review and Draft Data Security Regulations. During the Track Record Period and up to the Latest Practicable Date, we did not collect or store any personal information of foreign residents, as we did not provide services to overseas customers. We require that information and data we receive during our operations in China shall be stored and preserved within China.

We highly value data privacy and protection. We obtained ISO 27001 Information Security Management System Certification and the recognition of Level 3 Information System Security Level from the relevant public security authorities in China.

Internal Policies and Measures on Data Privacy and Protection

To comply with relevant laws and regulations on information security and data privacy, we have implemented multiple internal policies and measures. Below are our major efforts in data privacy and protection during our business operations, aiming to cover the entire lifecycle of data in our systems, including collection, usage, storage, transmission, disclosure and deletion of data.

Customer Consent and Authorization

Without prior consent from our customers, we are not allowed to collect any information or data from our customers. We have prepared personal information collection and usage consent letter. The consent letter clearly sets forth how we collect and use the personal information, how we use cookie, how we share, transmit and disclose the personal information made available to us, and how to protect and store the personal information. In such consent letter, we also provide clear guidance for customers on how to manage their personal information. Customers are recommended to read through the consent letter and understand the purposes, methods, scopes and security measures taken by us during our collection, usage, storage, transmission and disclosure of their information before they grant authorization to us and use our solutions. Customers have the option not to provide their information and not to grant authorization to us. We also set terms regarding user data and personal information protection and cybersecurity in our customer service contracts. Customers can read details of such privacy policies from the portal page of mobile App, WeChat public account and WeChat mini-program.

BUSINESS

Internal Procedures on Data Security

Cloud-based Infrastructure with Sound Data Security Capabilities

We utilize host intrusion detection system to detect intrusions on a real-time basis. We use CVM to benefit from its data security capabilities and stable cloud-based infrastructure. Our core data assets, such as our SATP system, and our selected servers are deployed on the CWPP. Such arrangement effectively mitigates the main network security risks, such as Trojan file, hacker intrusion and vulnerability risks, etc.

System Protection

We have established multi-layer security defense system to protect our systems and data. We set up firewalls to prevent information loss or leakage caused by cyber-attacks and examine the security of our data storage system from time to time. We protect our databases and operating systems from unauthorized access or unauthorized connection by third parties’ devices. We also use single sign-on method to reduce the risk of password-related security breaches and enhance the security of our systems.

Data Labeling and Encryption

We developed our own data labeling system to classify data into different categories and conduct differentiated data management. In particular, we identify sensitive data in relation to personal privacy or commercial secret and label such data with higher security level. In terms of data transmission, we use HTTPS for encryption of customer data. HTTPS reduces risks caused by any hacking or hijacking attacks on our information technology system and ensures the privacy of the customers’ information during transmission. In terms of data processing and storage, we encrypt sensitive data based on key management system and desensitize personal privacy information. We set strict security protocols for internal and external communication and transmission of the encrypted data. For instance, we generally encrypt the full phone number of our customers. Our staff can only call the customers through our operating systems.

Data Backup

We adopt several technology methods for constant data backup to encounter unforeseen data loss or destruction caused by security accidents in our information technology system or our information technology service providers’ system. See “— Information Technology Infrastructure” for details of security and stability of our information technology infrastructure.

Data Security Maintenance and Daily Test

We have developed a highly reliable engineering platform to repair system exceptions, monitor servers, control system malfunctions, and enhance the usability of our systems. Our operating and maintenance staff monitor and maintain the security of our systems through strong authentication, centralized account management and bastion host. Bastion host acts as a secure gateway and intermediary between the public internet and our network. We designate staff to track

BUSINESS

and tackle the system alert on detected security issues such as abnormal logging-ins. We also designate the responsible research and development staff for the protection of data privacy, who conduct security test on each of the updated versions of our systems to timely discover and repair the system bugs and vulnerabilities. We from time to time invite third-party experts to conduct on-site inspection and system test to discover the data security issues and evaluate the effectiveness of our data security measures.

Data Retention and Destruction

To comply with applicable PRC laws and regulations and control the risks on data storage, we destruct a customer's information and data within 15 working days upon receiving customer's requests on deleting their information and relevant data, except as stipulated by relevant laws and regulations or as agreed between the customer and us otherwise. For example, with respect to taxation services, we typically hand over accounting documents and underlying materials to our customers within one month after the final tax filing month during their subscription, pursuant to the subscription agreements with customers.

Internal Policies for Employees on Data Security

We have implemented strict internal policies to guide the activities relating to information security and data privacy in details. For instance, we require all of our employees to enter into confidentiality agreements with us to prevent data leakage caused by carelessness and misuse by our employees. We from time to time arrange trainings and tests for our employees, especially accounting staff, finance and taxation consultants and sales and marketing staff, on data privacy and cybersecurity knowledge and their confidentiality responsibilities. To ensure the customer data are safely stored and transmitted within our operating systems, we require our staff to communicate with customers through WeCom and store the customer data collected or formulated during the operations in our operating systems, instead of their personal devices. For the resigned employees, we timely remove their accounts from our systems to avoid their access to our customer data.

On-going Attention on the Regulatory Environment of Data Security

As laws and regulations on data privacy and protection are evolving constantly in recent years, we have been paying close attention to the latest legislative and regulatory developments in data security and personal information protection. Our security department and legal department conduct routine data security and data protection compliance check and rectification, reducing our compliance risks and making us keep pace with regulatory development.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss. As confirmed by our PRC Legal Advisors relating to Data Compliance, we were in compliance with all applicable PRC laws and regulations governing data protection and privacy in all material aspects as of the Latest Practicable Date. On April 27, 2023, our PRC Legal Advisors relating to Data Compliance and the Sponsor's PRC Legal Advisors made a consultation through telephone with the CCRC, which is delegated by the CAC to accept applications for cybersecurity review and therefore the competent organization for such

BUSINESS

consultation. During the consultation, the staff of CCRC confirmed that our current application for the [REDACTED] does not constitute “foreign [REDACTED] (國外[REDACTED]).” Our PRC Legal Advisors relating to Data Compliance are of the view that the risk of us being required to apply for cybersecurity review in relation to our proposed [REDACTED] in Hong Kong pursuant to the Measures for Cybersecurity Review is relatively low, because (i) our current application for the [REDACTED] does not constitute “foreign [REDACTED] (國外[REDACTED])” according to the Basic Law of Hong Kong Special Administrative Region of the PRC, as Hong Kong is an inalienable part of the PRC; (ii) we have not received any notice or determination from the relevant government authorities or competent industry authorities identifying us as a critical information infrastructure operator; and (iii) according to Article 2 of National Security Law, national security refers to the condition in which the State power, sovereignty, unity and territorial integrity, people’s welfare, sustainable economic and social development and other vital interests of the PRC shall face no relatively grave danger or encounter no relatively significant internal and external threats, as well as the capability to safeguard sustainable safety condition. Our Group’s major business is providing finance and taxation solutions empowered by our SATP system and non-subscription-based professional services, and subject to further interpretations, is less likely to affect or may affect national security. Therefore, it is less likely that such data processing activities of our Group affect or may affect national security.

COMPETITION

According to Frost & Sullivan, we operate in the fragmented and rapidly evolving SMB finance and taxation solution industry in China. In 2023, the top five solution providers in China’s SMB finance and taxation solution industry accounted for approximately 0.84% of the total market size, with an aggregated revenue of RMB0.99 billion. We primarily compete with our competitors on the following key aspects: (i) the price of solutions; (ii) the recognition of the brand name; (iii) the quality and efficiency of solutions; (iv) the capabilities of cost management and cost control; and (v) the capabilities of providing tailored solutions to enterprises of different sizes in different industry verticals. However, we believe we are well positioned to capitalize on the future industry growth, leveraging our preeminent market position and extensive market knowledge accumulated over years of operations. See “Industry Overview” for a more detailed discussion regarding the industry where we operate and the competitive landscape of such industry.

AWARDS AND RECOGNITIONS

The following table sets forth major awards and recognitions received by us:

Year of Award	Entity	Award/Recognition	Awarding Institution/Authority
2020	Our Company	WISE 2020 Enterprise Service Gold List — Best Finance and Taxation Management Solution (WISE2020企服金榜財稅管理最佳解決方案)	36 Kr (36氪)
2020	Our Company	China’s Most Investment-worthy Company in the Enterprise Services sector (中國企業服務領域最具投資價值公司)	Chinese Venture (融資中國)

BUSINESS

Year of Award	Entity	Award/Recognition	Awarding Institution/Authority
2020	Our Company	2020 China’s Top 50 Unicorn Companies in the Enterprise Service Industry (2020中國企服行業獨角獸TOP50)	Dark Horse (創業黑馬)
2021	Our Company	WISE 2021 Enterprise Service Software Gold List — Top 10 in Finance, Taxation and Legal Services (WISE2021企服軟件金榜財稅法務TOP10)	36 Kr (36氪)
2021	Our Company	2021 China’s Enterprise Service SaaS Unicorn (2021中國企業服務SaaS獨角獸)	Analysys (易觀分析)
2021	Our Company	2021 China Unicorn List — Enterprise Services (2021中國獨角獸名單 — 企業服務)	36 Kr (36氪)
2022	Our Company	2021–2022 Most Investment-worthy Enterprise Service Company (2021–2022年度企業服務最具投資價值公司)	JAZZYEAR (甲子光年)
2022	Our Company	Hurun Global Gazelles Index 2022 Half-Year (2022年中胡潤全球瞪羚企業)	Hurun Research Institute (胡潤研究院)
2023	Our Company	CB Insights Global Unicorn Club List (CB Insights全球獨角獸俱樂部榜單)	CB Insights
2023	Our Company	Hurun Future Unicorns in the World 2023 (2023胡潤全球未來獨角獸)	Hurun Research Institute & Hainan Free Trade Port Ecological Software Park (胡潤研究院 & 海南自由貿易港生態軟件園)
2024	Our Company	2023 Beijing Famous Trademark Brand (2023年度北京知名商標品牌)	Beijing Trademark Association (北京商標協會)

INTELLECTUAL PROPERTY

Intellectual property is essential to our success and competitiveness. As of the Latest Practicable Date, we had (i) four registered copyrights in the PRC; (ii) two patents granted and five pending patent applications in the PRC; (iii) 14 registered trademarks in the PRC and one registered trademark in Hong Kong; and (iv) one registered domain name in the PRC, which were material to our business. See “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group” for more details.

During the Track Record Period and up to the Latest Practicable Date, we had not been sued on the basis of, and had not undergone arbitration in respect of, nor had we received any notification from third parties claiming, infringement of any intellectual property that have had a material adverse effect on our business. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any adverse finding in an investigation or audit by any government authorities in respect of infringement of any intellectual property of third parties that had a material adverse effect on our business.

BUSINESS

EMPLOYEES

As of December 31, 2023, we had 1,277 employees in total. All of our employees were based in China. The following table sets forth a breakdown of our employees by function as of the same date:

Function	Number of employees	% of total employees
Solution fulfilment	312	24.4%
Sales and marketing	594	46.5%
Research and development	199	15.6%
Management and administrative	172	13.5%
Total	1,277	100.0%

We primarily recruit our employees through campus recruitment, internal referrals and online channels, such as recruitment websites, corporate website and social networking platforms. We also recruit our core employees through recruitment agents. We set our recruitment plans based on our business development plans and the annual budget on employee benefit and expenses. We adopt strict examination and different recruitment interview procedures to recruit qualified employees suitable for different functions. To further mitigate recruitment risks, we also conduct certain background investigation on the new employees through multiple measures, such as verifying the identification information, checking the record of major violation of laws and regulations or bad credit, checking commercial conflict of interest and interviewing the employees’ previous employers, to the extent necessary. To enhance the new employees’ adaptability and team-working capabilities, we arrange training sessions to introduce their respective job duties and our culture and values. We also regularly provide systematic internal training sessions to help our employees catch up with the latest development in the industry and regulatory environment, and further enhance their knowledge and service capabilities.

Our employees typically enter into standard labor contracts, confidentiality agreements and non-competition agreements with us. We place high value on attracting and retaining qualified employees for our business operations. We provide competitive remuneration packages for our employees, mainly comprising base salary and performance-based bonus. We set performance targets for our employees primarily based on their department and function and periodically review their performance, based on which we determine their bonus.

PRC laws and regulations require us to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund and pay social insurance premiums and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to the maximum amounts specified by the local government. During the Track Record Period, we failed to (i) open housing provident funds registration account for certain of our subsidiaries, and (ii) make full social insurance and housing provident fund contributions for certain of our employees, as required by relevant laws and regulations. For the years ended December 31, 2021 and 2022, we made provision for social

BUSINESS

insurance and housing provident fund contributions of RMB32.1 million and RMB18.3 million and recorded a reversal of provision of RMB1.2 million in 2023 in the consolidated statements of comprehensive loss, respectively. During the Track Record Period and up to the Latest Practicable Date, we were not imposed any administrative penalties as a result of our non-compliance with social insurance and housing provident fund related PRC laws and regulations. In addition, we started to make social insurance and housing provident fund contributions in full in accordance with all applicable PRC laws and regulations for some of our employees as of the Latest Practicable Date. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with the Labor Contract Law or comply with other related regulations of the PRC may subject us to penalties and have an adverse impact on our financial conditions and results of operations.” To improve our compliance performance in respect of social insurance and housing provident fund contributions, we have adopted multiple on-going internal control measures: (i) the calculation of our social insurance and housing provident fund contribution need to be prepared by our human resource department and reviewed by our management on a monthly basis in order to mitigate the risk of non-compliances with the relevant laws and regulations; (ii) our management discussed future plans for optimizing our human resource arrangement; and (iii) we set periodic meetings among our human resource, financial and legal departments to review and evaluate the historical and the latest compliance performance in relation to social insurance and housing provident fund contributions.

We believe we have established and maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in recruiting staff for our operations and we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material adverse effect on our business.

Accounting and Tax Professionals

The qualifications and expertise of our accounting and tax professionals are vital to us and our business success. In the PRC, the professional ranks of accounting professionals comprise: (i) junior accountant level (初級會計職稱) for accountants at entry-level positions; (ii) intermediate accountant level (中級會計職稱) for accountants with more experiences; and (iii) senior accountant level (高級會計職稱). In addition, professionals obtained CPA certification are authorized to perform a wide range of services, such as accounting, auditing, tax and consulting services. Accountants in their junior, intermediate or senior levels do not necessarily hold the CPA certification. Due to the standardization and automation of our SaaS-based solutions underpinned by the SATP system, we do not rely on any single employee with CPA certification. We had not experienced any material difficulties in recruiting or retaining such employees during the Track Record Period and up to the Latest Practicable Date. Should any accounting and tax professionals with CPA certification resign, we believe that we will be able to source and recruit alternative professionals with CPA certification in a timely manner, considering the number of talents available in the market. Please see “— Employees” for details of our recruitment channels. As of December 31, 2023, there were 154 accounting and tax professionals employed by us practicing at our nationwide service network, among which 78.6% were junior level accountants and 21.4%

BUSINESS

were intermediate level accountants. We regularly review the profile of our accounting and tax professionals and remind them to attend both internal and external training sessions to remain eligible and professional in the field of finance and taxation.

Identifying, recruiting and retaining sufficient qualified accounting and tax professionals have material impacts on the quality of our solutions and our competitiveness. In recruiting new accounting and tax professionals, we assess, among others, their academic and professional qualifications, years of industry experience, as well as their character and integrity. We endeavor to create a friendly and cooperative working environment for our accounting and tax professionals. We timely adjust task assignment for accounting and tax professionals based on their workload through our CRM system. During provision of finance and taxation solutions, accounting and tax professionals act as either accounting managers or accounting staff, based on their experiences and responsibilities. We assign assistants to accounting and tax professionals to deal with procedural matters, enabling them to focus on utilizing and developing their expertise.

Labor Outsourcing Arrangement

Our business involves certain repetitive and non-technical-intensive activities, including sales and marketing, customer service and basic fulfilment work, such as invoice scanning and file delivery. As industry participants in the SMB finance and taxation solution industry in China are facing intense competition, increasing industry participants focus on their core businesses and technologies through operating in an asset-light and cost-effective manner.

Our operating history is relatively short and we timely optimize our operations along with our business development. We have experienced rapid growth during the Track Record Period. To accommodate our growing customer base, we have to ramp up our fulfilment capacity. Our SATP system, armed with advanced automation features and build-in standard processes, allows us to pinpoint repetitive and non-core activities within our solution delivery process. We have engaged independent third-party human resource service providers and outsourced repetitive and non-core tasks, while having our employees conduct more technical or specialized activities. We first introduced this two-tiered fulfilment approach in 2021, and have found it to be an effective strategy. It allows us to concentrate on enhancing our core strength and staying nimble, enabling us to adapt to shifting market dynamics, and ultimately drive growth and profitability. Under the labor outsourcing agreements with such human resource service providers, the human resource service providers designate qualified staff with necessary working skills to provide services mainly include sales and marketing, customer services and basic fulfilment work based on our specifications and standards. We believe such labor-intensive services are generally routine and standard, and therefore more cost-effective to be performed by the staff arranged by experienced human resource service providers. We pay service fees generally calculated based on the actual function and costs of the designated staff to the human resource service providers. The human resource service providers pay its designated staff for the salaries, social insurance and housing funds contributions and other welfare benefits based on their labor contracts with the staff in accordance with the relevant PRC laws and regulations. We believe such arrangement allows us to streamline our human resource structure and form efficient and flexible teams.

BUSINESS

In 2021, 2022 and 2023, we paid services fees to third-party human resource service providers in the amount of RMB9.2 million, RMB110.6 million and RMB173.7 million, respectively. Please see “Financial Information — Consolidated Statements of Comprehensive Loss” for details of labor costs associated with labor outsourcing arrangement. During the Track Record Period and up to the Latest Practicable Date, all of the human resource service providers cooperated with us are Independent Third Parties. According to Frost & Sullivan, in the SMB finance and taxation solution industry in China, it is common for companies to engage third parties to complete labor-intensive tasks that are not subject to high technical entry barriers. We expect to continue outsourcing the labor-intensive and non-technical-intensive activities, the volume of which may increase continuously with our business expansion.

LICENSES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, we had obtained all licenses, permits and approvals that are material to our operations in the PRC. All of our licenses, permits and approvals which have expiration dates are valid for a fixed period and subject to renewal upon expiry.

The following table sets forth the major licenses and permits which are material to our business and operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

License/Permit/ Certificate	Holder	Issuing Authority	Issuance Date	Expiration Date
Value-added Telecommunications Business Operations License (增值電信業 務經營許可證)	Beijing Zhongmou	MIIT	May 4, 2023	November 17, 2025
Agency Bookkeeping License (代理記賬許 可證)	Guangzhou Gongjin	Finance Bureau of Guangzhou Tianhe District (廣州市天河 區財政局)	May 11, 2016	N/A
Agency Bookkeeping License	Guangxi HSZ	Management Committee of Nanning High-tech Industrial Development Zone (南寧高新技術產業開 發區管理委員會)	December 1, 2021	N/A
Agency Bookkeeping License	Shanghai Gongjin	Finance Bureau of Shanghai Fengxian District (上海市奉 賢區財政局)	June 2, 2023	N/A

BUSINESS

License/Permit/ Certificate	Holder	Issuing Authority	Issuance Date	Expiration Date
Agency Bookkeeping License	Tianjin Gongjin Finance	Administrative Examination and Approval Bureau of Tianjin Hebei District (天津市河北區行政審批局)	April 29, 2022	N/A

We monitor the validity status of, and make timely applications for the renewal of relevant licenses, permits and certificates prior to the expiration date. As advised by our PRC Legal Advisors, Agency Bookkeeping License is valid in long-term, but the bookkeeping agencies shall annually report their fundamental information and changes in professionals to the relevant authorities. Therefore, we make timely report to the relevant finance authorities under the applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the requisite licenses, permits and certificates for our business operations. Based on the advice from our PRC Legal Advisors, we do not foresee any material legal impediment to renew these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable laws, regulations and rules and take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable PRC laws and regulations. However, we cannot assure you that we will be able to obtain or renew all licenses, permits or certificates, or make timely reports to the relevant authorities in the future. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — If we fail to timely renew any existing licenses, permits or certificates, or if we fail to obtain requisite licenses, permits or certificates for our newly commenced business, or if we fail to conduct periodic reports on any existing licenses, permits or certificates under applicable laws and regulations, our business and results of operations may be materially and adversely affected.”

PROPERTIES

As of the Latest Practicable Date, we did not own any properties. As of the same date, we leased 138 properties with a total GFA of 44,367.22 sq.m. in the PRC. These properties are primarily used as office premises.

As of the Latest Practicable Date, for 42 of our leased properties with an aggregate GFA of approximately 15,671.74 sq.m. (accounting for approximately 35.32% of the aggregate GFA of our total leased properties), we either had not been provided by the lessors with the relevant title certificates or relevant authorization documents evidencing their rights to lease the properties to us, primarily because such lessors (i) failed to obtain the relevant title certificates; or (ii) refused to provide us with the relevant title certificates or other authorization documents evidencing their rights to the leased properties. As advised by our PRC Legal Advisors, without title certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties’ claims or challenges against the leases. In addition, if the lessors do not have the requisite rights to lease these properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate these defective leased properties and relocate. For those lessors failed to obtain the relevant title certificates, we have requested them to consult with the local authorities and apply for the title certificates. We have also been persistently

BUSINESS

communicating with the relevant lessors that refused to provide the title certificates or relevant authorization documents for the leased properties. Our Directors believe that our use of such properties will not individually or collectively have a material adverse impact on our business, financial condition or results of operations. Even if we are required to vacate these properties, we believe we will be able to timely find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial to us. Based on our internal estimates and taking into account the market rent level and renovation expenses, in the most extreme case, if we have to relocate from all of such leased properties with title certificate defects, we estimate to incur approximately RMB4.0 million in total and spend approximately one to two months to complete the relocation. As of the Latest Practicable Date, we were not aware of any ownership controversy or dispute or third-party claims, nor had we been imposed any penalties by the PRC government authorities.

As of the Latest Practicable Date, for four of our leased properties located on collectively-owned land, we had not been provided by the lessors with consent from not less than two-thirds of the members of villager assembly or the representatives of the villagers, primarily due to (i) the unwillingness of the relevant villager assembly to provide the consent; or (ii) the relevant lessors' refusal to obtain consent from the villager assembly or the representatives of the villagers. Such leased properties have an aggregate GFA of approximately 351 sq.m., accounting for approximately 0.79% of the aggregate GFA of our total leased properties. Our PRC Legal Advisors are of the view that the relevant PRC government authorities have the rights to order the lessors to make corrections within specified time limit and confiscate the illegal gains of and impose a fine on such lessors. Therefore, we may be required to vacate these defective leased properties and relocate. We have been liaising with the lessors to obtain the relevant consent. We have proactively conducted evaluation for the potential properties to relocate. Even if our use of such leased properties is challenged and we are required to vacate these properties and identify alternative properties, we believe we will be able to timely find comparable properties to relocate and such relocation will not materially affect our operations. Based on our internal estimates and taking into account the local rent level and renovation expenses, we estimate to incur approximately RMB0.1 million in total and spend approximately one month to complete the relocation.

As of the Latest Practicable Date, our use of 31 leased properties with an aggregate GFA of approximately 5,907.30 sq.m. (accounting for approximately 13.31% of the aggregate GFA of our total leased properties) as office premises was inconsistent with the designated usages specified in the Property Ownership Certificates of such properties, most of which are for residential purposes. This was primarily caused by the available office premises at reasonable rent level and preferred location were limited in the relevant local regions. As advised by our PRC Legal Advisors, the relevant PRC government authorities have the rights to order the property owner to surrender the relevant land and impose a fine on such owner. As a result, we will not be able to continue to use such properties. Even if we are required to vacate from these properties, we believe we would be able to relocate to alternative properties in a timely manner and on reasonable commercial terms without incurring significant relocation costs due to the GFA and our usage of such properties. We have proactively conducted evaluation for the potential properties for office premises to relocate. Based on our internal estimates and taking into account the local rent level and renovation expenses, in the most extreme case, if we have to relocate from all of such leased properties with

BUSINESS

usage defects, we estimate to incur approximately RMB2.5 million in total and spend approximately one to two months to complete the relocation, which will not materially affect our operations.

As of the Latest Practicable Date, 123 of our lease agreements with an aggregate GFA of approximately 37,179.50 sq.m. (accounting for approximately 83.80% of the aggregate GFA of our total leased properties), had not been registered with the relevant PRC government authorities, primarily due to (i) certain landlords failed to cooperate to complete the lease registration or failed to provide the relevant title certificates evidencing their rights to lease; or (ii) unfamiliarity with the relevant requirements by certain of our staff. Our lessors’ failure to provide the necessary documents for us to register relevant lease agreements does not result in any reduction in rent. In addition, in our experience, the registration of relevant lease agreements would not result in any material increase in the rent charged by relevant lessors. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB1,230,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

As of the Latest Practicable Date, we were not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of our leased properties.

For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — We face legal defects regarding some of our leased properties.”

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We are committed to environmental protection and promoting corporate social responsibility and enhancing corporate governance for the sustainable development. We are subject to various PRC laws, regulations and rules with respect to environmental protection matters and social responsibility. For more details, please see “Regulatory Overview — Regulations on Employment and Social Welfare.”

We have established ESG policies to set forth our environmental protection measures, social responsibilities and corporate governance. Our ESG policies for environmental protection aim to promote the usage of renewable resources and enhance the energy consumption efficiency. Our ESG policies for social responsibilities aim to ensure our compliance with applicable laws and regulations and promote our employees’ work safety. Our ESG policies for corporate governance aim to monitor and control the risks in our daily operations and enhance our operating efficiency. Our Directors have the overall responsibility regarding the identification, assessment and management of ESG risks, ensuring that our internal policies are duly implemented and updated

BUSINESS

continuously under the latest regulatory environment and industry trend. Our management actively monitors the actual ESG issues and potential ESG-related risks on our business operations and financial performance, and take ESG issues into account during the course of our business, strategic and financial planning. Through reviewing our ESG-related performance, our management identifies, evaluates and determines our ESG-related risks and opportunities over the short, medium and long term and reports to our Board, based on which we formulate and implement our internal control plans and targets relating to ESG. Based on the necessity assessment, our Board may engage independent third party(ies) to review our existing ESG-related measures, evaluate our ESG-related risks and formulate risk management guidelines.

We do not operate any production facility and the future impact of potential changes in social trend and policies on our operations and financial conditions is limited. Moreover, we are committed to mitigating any potential risks in this regard in the mid- to long-term. In particular, we pay close attention to climate changes and assess their potential impact on our operations. We have formulated emergency measures for extreme climate hazards and public emergencies to minimize the risk of interruption to our operations. During the Track Record Period and up to the Latest Practicable Date, our results of operations and financial condition had not been materially adversely impacted by any changes in social trend and policies relating to ESG issues.

However, with the accelerated transformation to a low-carbon economy, any failure to respond to the public’s growing environmental awareness may result in reputational damage and even customer losses. The promulgation and implementation of environmental regulations and rapid developing public awareness of ESG issues may require significant investment to be made to operate our business in an eco-friendlier method, or even require us to alter our practices in a way that could adversely impact the performance of our SATP system or the results of operations. Please see “Risk Factors — Risks Relating to Our Business and Industry — Increasing focus with respect to ESG matters may impose additional costs on us or expose us to additional risks. Failure to accommodate evolvement in social trend and political policies relating to ESG matters may adversely affect our business, financial condition and results of operations.”

We have formulated the following ESG-related measures and working mechanisms:

- arranging internal trainings on ESG-related risks, ESG-related laws and regulations, and ESG responsibilities to raise the awareness of ESG among our management and employees; and
- regularly communicating with industry peers on ESG-related risks and experiences on improving the ESG monitoring mechanism to manage such risks.

We integrate the above measures and working mechanisms into our daily operations to take our corporate social responsibility and reduce the environmental impacts of our business operations.

BUSINESS

Due to the nature of our business, the environmental, social and climate-related impacts arising from our business operations and operating systems are limited. We do not generate any material hazards or pollutants during our operations. To support our daily operations, we built our information technology infrastructure by leveraging the public cloud services from third-party cloud service providers. The data centers and servers of the cloud-based infrastructure consume electricity to power system operations, and cool the machine and relevant equipment, leading to energy consumption and carbon emissions. In particular, the consumption of electricity produced from fossil fuels results in the release of greenhouse gases, primarily carbon dioxide, which contribute to global warming and climate change.

We strive to achieve high energy consumption efficiency and control the greenhouse gas emission during our business operations. We primarily adopt the following measures to realize environmentally friendly operations:

- encouraging our employees to reuse paper and conserve water and electricity, where efficient and applicable; and
- encouraging our employees to recycle packaging materials used during our business operations, such as plastic bags and bottles, cartons and cardboard.

During the Track Record Period and up to the Latest Practicable Date, we had complied with all PRC laws and regulations with respect to environmental matters in all material respects, and we did not receive any complaint from any parties in respect of any environmental protection issues and we had not experienced any material environmental incidents arising from our operations.

Operating in China’s SMB finance and taxation solution industry, we offer comprehensive finance and taxation solutions to confront SMBs’ struggles in managing finances and taxes, addressing their cost and quality conundrum and unsatisfied premium service demands. See “Business — Overview — Whom We Serve” for details. We believe it is our social responsibility to pave the way for the growth and success of SMBs in China. As an example of our efforts in taking social responsibility and encouraging the sustainable development of SMBs, we proactively launched a public welfare program named “Super Hui Living Room (超級慧客廳)” in May 2021. Under such program, we primarily help SMBs established by single mothers, disabled persons and traditional handicraft producers by creating promotional content, such as microfilms and documentaries, free of charge to help them promote their brand images and attract public support. In 2021, 2022 and 2023, the number of our employees participated in “Super Hui Living Room” amounted to four, four and five, respectively. During the same years, the number of SMBs served by us under such public welfare program amounted to 16, 15 and 14, respectively. During the Track Record Period, our total costs incurred under such program amounted to approximately RMB1.1 million. We believe our supportive efforts in helping SMBs during their initial growth stages can strengthen our ties with SMBs, improve our brand influence and fulfil our long-standing mission of empowering SMBs to succeed.

BUSINESS

As we do not operate any production facilities, we are not subject to significant health or occupational safety risks. We are committed to meeting all health and safety statutory requirements. To ensure compliance with applicable laws and regulations and establish a diverse, equitable, and inclusive working atmosphere, we primarily adopt the following measures and policies:

- our human resource department from time to time reviews our human resources policies and makes timely adjustments, if necessary, to make sure such policies accommodate material changes to relevant laws and regulations;
- we proactively notify and negotiate with our employees in compliance with our internal procedures if we need to adjust the employees' positions and responsibilities due to strategic adjustments or the employees' competency;
- we from time to time arrange trainings for employees to deliver the latest industry knowledge and working skills, and foster the sense of belonging and cohesiveness of our employees; and
- we aim to maintain balanced employee structures. As of December 31, 2023, women employees represented 68.8% of our total employees.

During the Track Record Period and up to the Latest Practicable Date, we had complied with all PRC laws and regulations with respect to health and occupational safety matters in all material respects. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents during our operations, nor were we subject to any material claims for personal or property damages or compensation paid to employees.

Key Metrics and Targets

Our energy consumption is mainly derived from electricity consumption of the information technology systems during our daily operations. Therefore, electricity consumption is among the main sources of our indirect greenhouse gas emissions. We also use paper and water during our daily operations. To fulfill our environmental and social responsibilities, we strive to foster energy and water conservation culture in our Group. We have implemented measures to increase energy and water consumption efficiency. For example, we encourage the installment of LED lighting system in our offices. LED lighting system has much higher energy efficiency compared with

BUSINESS

traditional lighting systems. We also encourage our employees to save water and paper in our offices. We keep records for our electricity consumption and water consumption and from time to time review our consumption efficiency. The below table sets forth our water and electricity consumption analysis for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Charges for water and electricity consumption (<i>RMB'000</i>)	2,014	2,522	2,475
Charges for water and electricity consumption/revenue (%)	0.6	0.5	0.5

The annual charges of our water and electricity consumption as a percentage of our total revenue decreased from 0.6% in 2021 to 0.5% in 2022, and remained relatively stable at 0.5% in 2023, demonstrating our continuous efforts in conserving energy and enhancing the consumption efficiency. Moreover, to improve the utilization of recycled electronic products and reduce the electronic wastes, we from time to time use rented computers rather than merely purchasing new ones. In 2021, 2022 and 2023, the number of computers rented by us from third parties amounted to 3,120, 1,549 and 1,442, respectively.

We attach great importance on minimizing our environmental impact through monitoring our resource consumption and pollutant emission levels. Considering our historical ESG-related performance and the measures we expect to implement in the future, we set the following key targets in relation to ESG matters:

- promoting the use of recycle paper and environmental-friendly packaging materials, striving to increase the portion of our suppliers for paper and packaging materials using environmental-friendly materials to approximately 20% of all such suppliers in the following five years;
- promoting the use of paper packaging and reduce the plastic packaging, striving to increase the procurement expenses on paper packaging materials to over 70% of our total annual procurement expenses on packaging materials by 2025;
- striving to reach approximately 50% of installment of LED lighting system in our offices in the following five years;
- striving to reduce the electricity consumption per revenue generated by us by 5% in 2024 compared to 2023; and
- striving to reduce the water consumption per revenue generated by us by 5% in 2024 compared to 2023.

BUSINESS

In 2021, 2022 and 2023, our cost of compliance with environmental protection laws and regulations was approximately RMB6.8 million, RMB8.9 million and RMB8.5 million, respectively, which is immaterial to us. We expect such compliance cost to remain immaterial considering the nature of our business.

INSURANCE

As of the Latest Practicable Date, we maintained employers’ liability insurance. We also maintained accident insurance and critical illness insurance for our employees. We generally do not maintain property insurance, business interruption insurance or key person insurance. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

Our Directors believe that our insurance coverage is adequate and is in line with the industry practice. However, the risks related to our business and operations may not be fully covered by insurance. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liabilities or losses.”

SEASONALITY

In line with the industry norm, our business is commonly subject to mild seasonal fluctuations. We have historically generated lower revenue around January and February, mainly due to (i) slower or postponed service demands from our customers before and during the Chinese New Year; and (ii) the reduction in marketing and promotional activities during the Chinese New Year. On the contrary, we have historically generated higher revenue around November and December, mainly due to the increase in our marketing and promotional efforts during the same period. We also face business peak due to tax period. Small-scale taxpayers in China who pay VAT on a fixed-term basis can choose to declare and pay VAT monthly or quarterly, while the tax period for general taxpayers is typically one month. The historical seasonality of our business has been relatively mild, but the seasonal trends that we have experienced in the past may not be indicative of our future operating results. We expect our business operations and financial performance to continue to fluctuate based on seasonal factors. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — Our business operations are subject to seasonality, which could cause our results of operations to fluctuate.”

COMPLIANCE AND LEGAL PROCEEDINGS

Material Regulatory Requirements on Our Business

We are subject to a variety of laws and regulations relevant to our business and the industry where we operate, including but not limited to agency bookkeeping, tax filing, value-added telecommunications, cybersecurity, data privacy and protection, etc. Set forth below are the material regulatory requirements of our business segments.

BUSINESS

Material Regulatory Requirements on SaaS-based Solutions

- *Bookkeeping services.* As the bookkeeping agency, we are required to obtain Agency Bookkeeping License from the local bureaus of the MOF. Agency Bookkeeping License is valid in long-term. We shall annually report our fundamental information and changes in professionals to the relevant authorities.
- *Taxation services.* The bookkeeping agencies are allowed to engage in professional tax-related services, including tax filing services and general tax consulting services. Professional tax-related service providers engaging in tax-related businesses shall comply with tax laws, regulations and the relevant tax provisions during providing taxation services, and adhere to the relevant business norms and applicable accounting guidance.

Our operational management services and comprehensive managerial accounting services are also subject to the above regulatory requirements.

According to our PRC Legal Advisors, there is no material discrepancy between the relevant applicable regulatory requirements on our SaaS-based solutions under both the Direct-to-Business Model and the Licensing Model and our practices in all material aspects as of the Latest Practicable Date. Our Directors are of the view that we had taken appropriate measures to follow such regulatory requirements and complied with such regulatory requirements during the Track Record Period and up to the Latest Practicable Date. Please see “Regulatory Overview — Regulations on SaaS-based Solutions” for further details.

Material Regulatory Requirements on Professional Services

- *Consultation services.* For business registration services, we are prohibited from providing the business registration services to those customers that submit false materials or adopt other fraudulent means to conceal important facts to register a business. For qualification-related services, as a trademark agency engaging in trademark agency business, we shall file record with the trademark bureau as a trademark agency.
- *Matchmaking services.* We are required to obtain ICP License and EDI License as we provide matchmaking services through Huimeng Platform, an e-commerce marketplace operated by Beijing Zhongmou. Due to the restrictions under the applicable PRC laws and regulations, we gain effective control over and receive all the economic benefits generated by Beijing Zhongmou through the Contractual Arrangements and the relevant shareholding arrangement. Please see “Contractual Arrangements — PRC Laws and Regulations on Foreign Ownership Restrictions” for details.

According to our PRC Legal Advisors, there is no material discrepancy between the relevant applicable regulatory requirements on professional services and our practices in all material aspects as of the Latest Practicable Date. Our Directors are of the view that we had taken appropriate measures to follow such regulatory requirements and complied with such regulatory requirements during the Track Record Period and up to the Latest Practicable Date. Please see “Regulatory Overview — Regulations on Professional Services” for details.

BUSINESS

Our Measures to Comply with Regulatory Requirements

The regulatory environment of our business operations has been undergoing changes and reforms in recent years. In response to the promulgation of relevant laws and regulations, we endeavored to optimize our human and financial resource allocation to focus more on the overall compliance and compliance risk management during the Track Record Period. Our legal department keeps frequent communication with our solution fulfilment team and sales and marketing team to identify the potential compliance risks during our daily operations. We have subscribed the newsletter and database services to keep pace with the latest development in regulatory environment. We conduct routine review on the validity status of, and make timely applications for the renewal of our licenses, permits and certificates prior to the expiration date. In addition, we also engaged external compliance consultant advising us for better compliance performance. We also arrange periodic internal meetings discussing the latest regulatory development and our latest compliance performance. Additionally, we organize regular trainings and internal online tests to enhance staff’s compliance awareness during daily operations. Our management pay close attention to improving our internal policies to keep compliance with regulatory requirements.

Moreover, during our operations, we have access to SMB customers’ data and certain personal information of our customers’ employees, therefore subject to laws and regulations on cybersecurity and data protection. The data collected and stored during our daily operations contain the “personal information” as classified in the Measures for Cybersecurity Review and Draft Data Security Regulations. Please see “— Cybersecurity and Data Privacy and Protection.” As confirmed by our PRC Legal Advisors relating to Data Compliance, we were in compliance with all applicable PRC laws and regulations governing data protection and privacy in all material aspects as of the Latest Practicable Date. We have implemented multiple internal policies relating to data protection and privacy. Such internal policies primarily comprise Employee Information Security Code of Conduct (《員工信息安全守則》), Data Security Management Policies (《數據安全管理規定》), Data Collection Operation Standards (《數據收集操作規範》), Data Storage and Deletion Operation Standards (《數據存儲與刪除操作規範》), Data Processing Activity Recording and Archiving Operation Standards (《數據處理活動記錄與存檔操作規範》), Management Requirements and Operation Standards for Data Auditing (《數據審計的管理要求與操作規範》), Access Control Management Policies (《訪問控制管理規程》), Account and Password Management Guidelines (《賬號和密碼管理規範》) and Data Backup and Recovery Strategy Guide (《數據備份和恢復策略指南》), etc. Our security department and legal department conduct routine data security and protection compliance check, reducing our compliance risks. Going forward, we will further increase our investment in data privacy and cybersecurity. The time and costs we spent on the implementation of our compliance measures have not caused material impact on our business operations and financial performance. We expect improved compliance awareness and implementation measures will mitigate the risks of data leakage or loss, strengthen the protection on customers’ data and cultivate customers’ trust and satisfaction, which will in turn benefit our brand image and customer retention in the long term.

Our Directors are of the view that we had complied with all applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Legal Proceedings

We may, from time to time, be subject to legal proceedings, disputes and claims that arise in the ordinary course of business, which primarily include contractual disputes and employment matters. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we were not aware of any claims or proceedings contemplated by the PRC government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material or systemic non-compliance incidents, which, taken as a whole, are likely to have a material and adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

To monitor and reduce the impact of risks relevant to our business operations, improve our corporate governance and ensure compliance with the applicable laws and regulations, we have adopted a series of internal guidelines, policies and procedures, such as financial report management policies, budget management policies and employee management policies. We are committed to fostering a strong compliance culture among all of our employees in our Group. During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant hedging activity.

Our Board has established our internal control and risk management department to from time to time review the implementation of our internal control and risk management measures. We have established an audit committee with written terms of reference in compliance with the requirements under the Listing Rules. The audit committee consists of three members, being Mr. CHAU Kwok Keung (鄒國強), Mr. ZHANG Ping (張平) and Mr. WANG Baoqing (王葆青), and is chaired by Mr. CHAU Kwok Keung (鄒國強), who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The audit committee has also adopted its terms of reference to set forth its duties and obligations including, among others, (i) making recommendations to our Board on the appointment, reappointment and removal of external auditor; (ii) reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process; (iii) developing and implementing policy on engaging an external auditor to supply non-audit services; and (iv) monitoring the financial statements of our Company. Please see “Directors and Senior Management — Board Committees — Audit Committee” for details.

BUSINESS

Internal Control Review

In preparation for the [REDACTED], we have engaged an Independent Third-Party consultant (the “**Internal Control Consultant**”) in May 2023 to perform a review over selected areas of our internal controls (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The Internal Control Consultant performed the follow-up reviews in June 2023 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the “**Follow-up Review**”). Furthermore, the Internal Control Consultant conducted supplemental internal control review in May 2024 for our internal control performance in 2023. The Internal Control Consultant did not have any further recommendation in the Follow-up Review and the following supplemental review, except for the enhancement of the required terms and reference of the Board and its committee, which is expected to be completed by us before the [REDACTED].

Furthermore, we have adopted and implemented a series of new internal control policies as well as measures and procedures designed to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures.

Enhanced Internal Control Measures

In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented measures to establish and maintain our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with the applicable laws and regulations. In particular:

- our Directors have attended trainings conducted by our Hong Kong legal advisor on the ongoing obligations, duties and responsibilities of directors of publicly [REDACTED] companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a [REDACTED] company in Hong Kong; and
- we have appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors’ duties and corporate governance.

BUSINESS

OUTBREAK AND SPREAD OF COVID-19

The outbreak of COVID-19 and continuous spread of the infectious disease had materially and adversely affected the domestic and global economy since late 2019. The COVID-19 pandemic had the following impacts on our business, results of operations and financial condition:

- *Industry and market.* During the pandemic, people generally reduced their outdoor activities as the government discouraged the unnecessary outdoor gatherings. SMBs that primarily deliver their products or services through offline channels, such as SMBs in catering industry, wholesale and retail industry and construction industry, experienced downturn in their sales performance and tight budgets for daily operations. Correspondingly, the total amount of taxes contributed by SMBs in China declined during the COVID-19 pandemic. As a result, certain SMBs became more price-sensitive than before considering the economic conditions during the pandemic. Their subscription intention or the scope of their subscription for finance and taxation solutions reduced during the pandemic. Moreover, according to Frost & Sullivan, the number of SMBs in China that deregistered business during and immediately after the COVID-19 pandemic was more than that prior to the pandemic.
- *Business operations and financial performance.* During the Track Record Period, our front offices in 33 cities experienced temporary business suspension, ranging from a few weeks to months, due to the spread of COVID-19. Subscription for our solutions was also affected due to SMB customers’ budget control, higher business deregistration rate, and their postponed business activities during the pandemic. Our solution fulfilment was also temporarily disrupted as some of our customers were unable to send us documents such as original receipts, invoices and bank slips, containing information necessary for bookkeeping or tax filing. We strived to maintain stable relationships with our customers through proactive communication and timely response through online channels. Notwithstanding the temporary interruptions to business operations caused by the COVID-19 pandemic, our Directors are of the view that the outbreak and spread of COVID-19 had no material adverse impact on our business operations and financial condition during the Track Record Period and up to the Latest Practicable Date, on the basis that (i) we had achieved revenue growth throughout the Track Record Period, despite the temporary impact from the COVID-19 pandemic; (ii) our gross profit grew from 2022 to 2023; and (iii) as of the Latest Practicable Date, our business operations had fully resumed as the post-pandemic economic recovery situation continued to improve in China.
- *Employees and offices.* In response to the COVID-19 pandemic, we had promptly taken precautionary measures, including providing technical support for employees to work from home, providing protective masks and alcohol-soaked tissue paper or alcohol-based hand wash to our onsite employees, temperature screening at entry of office buildings, desk sanitizing and disinfection of common areas, as well as avoiding unnecessary business travel to areas with high infection risks. We incurred over RMB77,000 in respect of precautionary measures in order to prevent the transmission of COVID-19 within our Group during the Track Record Period.

BUSINESS

Most of the travel restrictions and quarantine requirements to contain the COVID-19 pandemic were lifted in December 2022. However, according to Frost & Sullivan, the economic recovery in 2023, in particular the second half of 2023, was slower than expected. As such, although we recorded a noteworthy increase of approximately 15% in our revenue in the first four months of 2023 as compared with the same period of 2022 according to our unaudited management accounts, our revenue growth in the remaining year of 2023 was hampered by the slowed economic recovery thus our revenue increase in the whole year of 2023 as compared with that of 2022 narrowed to 4.4%. Further, SMB finance and taxation solution providers have witnessed a dampened growth trend in SMBs’ subscription demands and renewal intention. Moreover, increasing SMBs have become more price-sensitive and motivated to subscribe for cheaper solutions. As our revenue generated from SaaS-based solutions for SMBs is normally recognized at the time when deliverables are provided to SMBs by month, which is normally on a deferred basis during the contract term, the improvement of our future financial results may be postponed with gradual economic recovery.

The extent to which the pandemic impacts our results of operations going forward will depend on the uncertain and unpredictable future developments, including the pace of domestic and global post-pandemic economic recovery, the appearance of new variants of COVID-19 with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. For more details, please see “Risk Factors — Risks Relating to Our Business and Industry — Our business operations had been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.”

OUR BUSINESS SUSTAINABILITY

We operate in the highly competitive and fast-growing SMB finance and taxation solution industry in China. We focus on the sustainable and long-term growth instead of short-term financial returns or non-persistent net operating cash inflow.

Industry nature and profitability model

SaaS-based solution providers in China’s SMB finance and taxation solution industry are still at their early stage of development, especially compared to those in developed countries such as the United States. Such solution providers need substantial initial investment in system development and customer acquisition before generating stable revenue and becoming profitable. According to Frost & Sullivan, it is common for the scalable integrated SaaS-based solution providers in the SMB finance and taxation solution industry in China to remain loss-making for a relatively long term before becoming profitable.

In the nascent stage of China’s SMB finance and taxation solution industry, many SaaS-based solution providers have not yet achieved net profit. Initially, these providers invest heavily in developing their SaaS systems. They then pivot to sales and marketing to establish brand recognition and market presence. Since the revenue from these SaaS solutions is recurring, maintaining and growing a loyal customer base through consistent investment in marketing is essential. The competitiveness of these solutions hinges on system performance, necessitating continuous technological advancements and system upgrades. Consequently, the initial investment

BUSINESS

costs can surpass early revenue, often leading to initial losses. Although a couple of industry leaders are on the trajectory to reach the break-even point in the near future, there had been hardly any scalable SaaS-based solution providers achieved a profit-making position as of the Latest Practicable Date.

In the long term, along with economies of scale and synergies between the improvement in the accuracy and efficiency of SaaS systems and enlarged customer base, SaaS-based solution providers can gradually improve their profit margin as the recurring subscription revenue grows without substantial incremental costs.

Industry drivers and opportunities

SMB finance and taxation solution industry in China has been growing vividly with promising future.

According to Frost & Sullivan, the market size of the SMB finance and taxation solution industry in China is expected to grow from RMB115.1 billion in 2023 to RMB166.8 billion in 2028 with a CAGR of 7.7%, indicating great market potential for SMB finance and taxation solution providers.

Market participants in China’s SMB finance and taxation solution industry are driven by (i) the growing number of SMBs along with the economic growth in China. The number of SMBs in China had been increasing and surged from 34.2 million in 2018 to 54.9 million in 2023, with a CAGR of 9.9%. This upward trend is expected to continue, reaching 74.7 million in 2028; (ii) SMBs’ essential demands for high-quality external services to help them meet their finance and taxation compliance obligations; (iii) growing demands in comprehensive managerial accounting analysis and operational management with the implementation of the “Golden Tax System (Phase IV);” and (iv) rising demands among SMBs for digitalization, automation and efficiency are expected to drive the adoption of SaaS-based solutions for finance and taxation management.

In particular, SMB finance and taxation solution providers thrive with the tailwind of national tax system informatization and the implementation of “Golden Tax System (Phase IV)” in China. “Golden Tax System (Phase IV)” promotes full coverage of the government’s electronic tax filing systems and fully digitalized electronic invoices. Such system also enables and encourages smart tax administration, fostering digital transformation in companies, improving awareness of tax compliance and ultimately propelling growth and prosperity in China’s SMB finance and taxation solution market. Moreover, technological advancements, such as AI technologies and cloud computing and big data analytics, are continually empowering the finance and taxation solutions, enabling solution providers to operate efficiently and provide accurate and secure solutions to SMBs. Please see “Business — Overview — Our Industry Opportunities” for details.

Meanwhile, SMB finance and taxation solution providers are facing challenges arising from dampened growth in the subscription intention and renewal of subscriptions by SMB customers during and after the COVID-19 pandemic. According to Frost & Sullivan, the number of newly-registered SMBs had continued to decrease since the beginning of 2022 and a large portion of existing SMBs faced tight budgets and even ceased their operations. To respond to such

BUSINESS

challenges and entrench our leading position in such highly fragmented and competitive industry, we strategically choose to upgrade our solutions to achieve optimized ARPU, instead of simply focusing on expanding customer base. We strive to enhance our monetization capacity and explore up-selling opportunities, customizing our solutions to mainly target at SMBs with growing complexity in business and demands in managerial accounting and risk management.

As the leading player in the industry, we are well positioned to capture the technological innovations and deepen nationwide market penetration, thereby holding the preeminent competitive advantages in the rapidly growing SMB finance and taxation solution industry in China. Our outstanding operational performance has been fueled by (i) our proprietary technologies. Our close proximity to customers under the Direct-to-Business Model of nearly a decade enabled us to amass the industry’s largest parameter sets as of the Latest Practicable Date, based on which we constantly refine our ML models; (ii) preeminent brand, which brings us satisfied brand recognition in the industry and customers’ word-of-mouth referral, with a customer referral rate of 16.9% in 2023; and (iii) extensive scale. As the largest solution provider in terms of SMBs directly served in 2022, we have a broad customer base that expands steadily.

Historical Performance

Proven growth in revenue

We recorded continuous increase in our revenue during the Track Record Period. Our revenue increased from RMB346.8 million in 2021 to RMB516.0 million in 2022, and further to RMB538.8 million in 2023, representing a CAGR of 24.6% from 2021 to 2023.

Proven growth in gross profit and gross margin

Despite the negative impact brought by the COVID-19 pandemic, we had been improving our gross profit during the Track Record Period, as evidenced by the continuous growth at a CAGR of 35.7% from 2021 to 2023. Our gross profit increased from RMB171.3 million in 2021 to RMB268.2 million in 2022, and further to RMB315.5 million in 2023, primarily attributable to the increased gross margin for our SaaS-based solutions under the Direct-to-Business Model. Our SATP system with advanced automation features and build-in standard processes improved the efficiency of our SaaS-based solutions and enabled us to generate recurring subscription revenue with minimal incremental costs.

As a result of our efforts in optimizing profitability, our total gross margin and the gross margin of our SaaS-based solutions, especially SaaS-based solutions to SMBs experienced continuous growth throughout the Track Record Period. In particular, our total gross margin elevated from 49.4% in 2021 to 52.0% in 2022, and further to 58.6% in 2023. Our gross margin of SaaS-based solutions grew from 54.3% in 2021 to 56.2% in 2022, and further to 60.5% in 2023. Our gross margin of SaaS-based solutions under Direct-to-Business Model had been continuously enhanced, from 46.8% in 2021 to 53.6% in 2022, and further to 58.6% in 2023. Such continuous growth in gross margin essentially contributes to turning around our loss-making position, demonstrating the effectiveness of our tenacious efforts in improving profitability.

BUSINESS

Historical financial position and operating cash flow

Along with the development of our business scale, our solution fulfilment team and our purchase from suppliers increased, which drove the growth of our labor costs and service costs. Our cost of revenue amounted to RMB175.5 million, RMB247.7 million and RMB223.2 million in 2021, 2022 and 2023, respectively. To enlarge our customer base and promote the market acceptance of our solutions, we devoted great efforts in selling and marketing activities through both online and offline channels. Our selling and marketing expenses amounted to RMB363.7 million, RMB380.8 million and RMB302.7 million in 2021, 2022 and 2023, respectively. In addition, we have been investing in upgrading our SATP system and strengthening the technological capabilities. Our research and development expenses amounted to RMB69.9 million, RMB85.8 million and RMB104.6 million in 2021, 2022 and 2023, respectively.

Despite the growth in revenue and gross profit on an annual basis, we recorded net loss of RMB683.0 million, RMB505.8 million and RMB301.8 million in 2021, 2022 and 2023, respectively. Our net loss during the Track Record Period was primarily caused by (i) fair value losses of redeemable convertible preferred shares; (ii) our continuous investment in marketing and promotion and research and development; and (iii) dampened increase in revenue caused by the dampened growth in the subscription intention and renewal of subscriptions by SMB customers during and immediately after the COVID-19 pandemic. By adding back share-based payments, fair value changes of redeemable convertible preferred shares, fair value changes of warrant liability and [REDACTED] expenses, our adjusted net loss under non-IFRS measure amounted to RMB393.7 million, RMB300.7 million and RMB116.6 million in 2021, 2022 and 2023, respectively. By adding back share-based payments, fair value changes of redeemable convertible preferred shares, fair value changes of warrant liability, income tax expense, depreciation and amortization, net finance costs and [REDACTED] expenses, our adjusted EBITDA under non-IFRS measure amounted to losses of RMB343.9 million, RMB207.6 million and RMB34.1 million, respectively, in 2021, 2022 and 2023. For details of our net loss during the Track Record Period, please see “Financial Information — Year to Year Comparison of Results of Operations.” Our service agreements with SMBs generally include the prepayment arrangement. SMB customers are typically required to settle payment after signing the service agreements and prior to our service delivery. Such arrangement contributes to the turning around of our operating cash flow position, which further paves the way for our future net profit.

We recorded net current liabilities during the Track Record Period, which was primarily caused by (i) the large amount of contract liabilities, mainly due to payments received from our customers in advance of revenue recognition; and (ii) other payables and accruals in relation to salary and welfare payables and the payable [REDACTED] expenses relating to the [REDACTED]. Although we expect our contract liabilities will further increase with the expansion of our business, we are committed to enhancing our financial position by improving our operating efficiency through enhanced cost control measures and our two-tiered fulfilment approach, seeking to realize sustainable growth at reasonable costs. Our net liabilities during the Track Record Period was primarily attributable to the redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. The redeemable convertible preferred

BUSINESS

shares will be automatically converted into our Shares and re-designated from financial liabilities to equity upon the [REDACTED]. See “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position” for details.

Our net cash outflow from operating activities amounted to RMB216.5 million, RMB218.1 million and RMB53.7 million, respectively, in 2021, 2022 and 2023. Our net cash outflow from operating activities during the Track Record Period was primarily caused by our loss before tax, mainly due to our significant investment in (i) selling and marketing activities to expand our customer base; (ii) the expansion of our administrative staff team to support our business expansion and the adoption of our [REDACTED] Share Option Plan; and (iii) research and development activities to upgrade our SATP system.

Noteworthy improvement in 2023

Although solution providers in the industry have witnessed dampened growth in SMBs’ subscription and renewal intention during the post-pandemic economic recovery period, our financial performance has shown noteworthy improvement in 2023, demonstrating our prospective growth potential. From 2022 to 2023, we witnessed decrease in net loss, adjusted net loss and operating loss, together with the persistent growth in revenue and gross profit. In particular, our net loss decreased by 40.3% from RMB505.8 million in 2022 to RMB301.8 million in 2023, and our adjusted net loss decreased substantially by 61.2% from RMB300.7 million to RMB116.6 million during the same years. Our gross profit increased by 17.6% from RMB268.2 million in 2022 to RMB315.5 million in 2023. Our revenue increased by 4.4% from RMB516.0 million in 2022 to RMB538.8 million in 2023. Our operating loss decreased from RMB328.0 million in 2022 to RMB245.7 million in 2023, representing a reduction rate of 25.1%, which substantially outpaced the growth rate of 4.4% of our revenue from 2022 to 2023, demonstrating the improvement of our cost-efficiency and the effectiveness of our cost control measures.

Our operating cash flow position also optimized in 2023 as compared to the previous year, taking advantage of (i) our continuous revenue growth fueled by broad customer base and optimized ARPU; and (ii) changes in fair value of redeemable convertible preferred shares resulting from our Company’s rising valuation in 2023, attributable to our solid growth and promising business prospects. See “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis — Net Cash Outflow from Operating Activities.”

Our Path to Profitability and Sustainable Growth

Continuous revenue growth and cost-efficiency improvement pave our way to profitability.

To realize a sustainable and profitable development, we devote efforts to (i) further drive the continuous revenue growth through (a) attracting and retaining customers, (b) monetizing solution offerings, and (c) enhancing technological capabilities; and (ii) manage cost and expenses and improve cost-effectiveness by (a) elevating standardization and automation, (b) enhancing selling and marketing efficiency, (c) optimizing research and development efficiency, and (d) improving general and administrative efficiency.

BUSINESS

Driving the Continuous Revenue Growth

Market drivers for revenue growth

We operate in the rapidly evolving SMB finance and taxation solution industry in China. Our revenue growth has been driven by common factors affecting the SMB finance and taxation solution providers, especially the growing number of SMBs and their growing demands in finance and taxation compliance and comprehensive operational management. The number of SMBs in China had been increasing at a remarkable CAGR of 9.9% from 2018 to 2023, and such number is expected to continue to grow and reach 74.7 million in 2028, according to Frost & Sullivan.

Our measures for revenue growth

Our revenue is also driven by the well-established brand awareness across various regions, the diversification of our solutions and continuous improvements in our SATP system. To boost our revenue growth, we have proactively adopted a series of measures.

- *Attracting and retaining customers.* We expect the expansion of customer base will drive our revenue growth.

We retain existing customers by continuously refining our solutions to cater to SMBs’ ever-evolving needs, enhance customer service experience and improve customer satisfaction and loyalty. The growing automatic fulfilment rate and established customer stickiness during daily solution delivery bring us relatively stable retention rate and enable our sales and marketing team to focus more on attracting new customers. In particular, we differentiate ourselves by leveraging advanced technologies to provide satisfactory customer experience throughout the entire process of finance and taxation solutions. Our centralized solution fulfilment has been constantly improving our simultaneous and cross-regional service capabilities. We have upgraded our operating systems and integrated useful tools in the sidebar of WeCom, enabling us to always be responsive to customers with shortened response time and enhanced customer experience. See “— Our Solutions — Customer Experience and Our Internal Management Mechanism” for details. The integration of WeCom and the relevant useful tools with our operating systems facilitate seamless daily customer interactions. In addition, we have been developing our AI-augmented customer service system to shorten response time for higher customer satisfaction. Notwithstanding some SMB customers ceased to renew their subscription due to tight budgets or business deregistration during and immediately after the COVID-19 pandemic, our customer retention rate still reached 79.4% in 2023, higher than the industry average level of 60% to 70%, according to Frost & Sullivan.

BUSINESS

Apart from customer retention, we have implemented our long-term customer acquisition strategies, transitioning from traditional telemarketing and offline ad campaigns to efficient and effective customer referral programs, leveraging our well-established brand awareness among SMBs and benefiting from the word-of-mouth referrals. We devoted great efforts to improve customer experience and satisfaction through centralized customer operation and customized solution offerings, which could in turn elevate customer referral intention. Our customer referral rate increased from 16.7% in 2022 to 16.9% in 2023. We also grasp marketing opportunities brought by online social media platforms to efficiently reach and attract new customers through live streaming.

Our efforts in attracting and retaining customers have been proven to be successful, as evidenced by our broad customer base during the Track Record Period. The number of SMBs directly subscribed for our SaaS-based solutions amounted to 211,158 in 2023.

The full deployment of the “Golden Tax System (Phase IV)” creates market opportunities for us to attract and retain customers. In particular, underpinned by big data analytics, “Golden Tax System (Phase IV)” imposes higher requirements on enterprise financial management and credit risk control. Additionally, the promotion of full coverage of the government’s electronic tax filing systems and electronic invoices boosts demands for precise operational analysis and enterprise risk evaluation, going a step further from the standard bookkeeping and tax filing.

Meanwhile, although the post-pandemic economic recovery in 2023 was slower than expected, the number of SMBs in China has been increasing continuously together with the gradually reviving offline operations. SMBs’ subscription intention for finance and taxation solutions has been progressively increasing, which is beneficial for us to attract new customers and improve subscription renewal rates. During customer acquisition, we value our brand image and avoid vicious price competition. With the upgrade of our solutions, we expect to strategically focus more on SMBs with growing business scale and business complexity, which would contribute to higher ARPU. However, as SMBs’ development may take several years, it would take time for a newly established SMB to become the target customer of our upgraded SaaS-based solution. Meanwhile, according to Frost & Sullivan, the number of SMBs in China that deregistered business during and immediately after the COVID-19 pandemic was more than that prior to the pandemic. As a result, despite the increase in the total number of SMBs in China in 2023, we recorded slightly decreased SMB customers of our SaaS-based solutions from 211,909 in 2022 to 211,158 in 2023. Nevertheless, considering the gradual economic recovery nationwide and our relentless efforts in refining solutions and optimizing service experience, we believe that we will continue to maintain a broad and gradually expanding customer base across diversified industries and regions in China.

BUSINESS

- *Monetizing solution offerings.* We have been exploring, launching and monetizing more solution offerings, aiming to strengthen and diversify our revenue streams.

We have observed that with the support of our basic finance and taxation solutions, our SMB customers grow and gradually face managerial accounting and risk management difficulties as a result of their business development. Correspondingly, we strategically upgraded our SATP system to provide more elevated and customized solutions, which address SMBs’ premium demands caused by the growing complexity in business. In particular, underpinned by our acute observation for SMBs’ risk management demands during the post-COVID-19 economic recovery period, we further explored the up-selling opportunities by elevating our SaaS-based solutions. We provide SMBs with more tailored services such as tax risk alerts and detailed risk assessment reports, addressing SMBs’ concerns in compliance and risk management, through which we can achieve a higher ARPU. The ARPU of our SaaS-based solutions to SMBs increased from RMB1,576 in 2021 to RMB1,858 in 2022, and further increased to RMB1,960 in 2023. We have been introducing the elevated SaaS-based solutions to more targeted SMB customers, expecting such service upgrade to further fuel our revenue growth.

We also expect to improve the customization function of our SATP system, such as automated generation of customized finance and taxation reports, accommodating our broad customer base and the growing complexity in SMBs’ business. While we are serving SMBs from a wide array of industries, we also seek to deepen our penetration in certain industry verticals with huge business opportunities, such as catering and e-commerce industries. We will develop solutions customized for these industry verticals, aiming to address the unique challenges faced by SMBs in such industries.

We will pay close attention to the customers’ feedback on the newly launched services, by maintaining frequent communication in proximity to the customers and arranging periodic satisfaction survey. We expect our up-selling efforts in refining solution offerings will improve the customer stickiness while continuously optimizing our ARPU and strengthening our revenue streams. The expansion of our offerings also enables us to achieve better economies of scale and synergies through identifying and addressing the differentiated customer demands and sharing operational insights across different solution offerings.

With respect to our Licensing Model under the SaaS-based solutions, we will further cultivate stable and mutual beneficial business relationships with our regional partners, penetrating into less economically active regions at lower costs, while expanding our brand influence among SMBs and diversifying model parameters accumulated in our SATP system. With the upgrade of our SATP system and the promotion of our refined SaaS-based solutions under the Direct-to-Business Model, we expect to further efficiently reach a broader scale of SMBs through our Licensing Model, underpinned by our long-term collaboration with regional partners.

BUSINESS

- *Enhancing technological capabilities.* Although investments in technological advancements would not always immediately translate into financial returns and have in part contributed to our historical loss-making position, we believe that strengthened technological capabilities are indispensable to achieving higher accuracy and efficiency, as well as long-term path to profitability. Our technology stack integrates multiple technologies and system functions, such as the first RPA tailored to tax filing in the industry, OCR with a recognition rate far ahead of the industry average level, accounting engine, reconciliation engine, and ML models with an accuracy rate surpassing the industry average level, constituting our strong competitive edge to compete with industry peers and keep pace with the rapid technological innovations.

We plan to further strengthen our technological capabilities by (i) improving system compatibility to swiftly adapt to the government’s electronic tax filing system under the “Golden Tax System (Phase IV);” (ii) further improving the integration of business and finance information and learning from model parameters to improve the agility and accuracy of our systems in processing information derived from numerous business transactions and industry verticals; and (iii) utilizing technological innovations to facilitate our SATP system to tackle tasks under complex and diversified scenarios automatically. We will further leverage AI technologies, such as ML and NLP, to strengthen our core technological capabilities and substitute labor intense procedures along the process of our solution delivery. Our ML models continuously iterate during numerous model trainings with the growing interactions with our broad customer base and constant accumulation of parameters. We benefit from the self-sustaining and self-reinforcing cycle of enhancement via the “customer-technology-solution-brand” flywheel.

We are in the process of further upgrading our SATP system to accommodate the full coverage of the government’s electronic tax filing systems and fully digitalized electronic invoices under the “Golden Tax System (Phase IV).” As of the Latest Practicable Date, for all provinces that have implemented the “Golden Tax System (Phase IV),” we have finished upgrading the SATP system for seamless system logging-ins and automatic information collection from electronic invoices. We have deployed electronic accounts for SMB customers to further accelerate the information collection process. We expect such efforts to further enhance the accuracy and efficiency of our solution delivery. With the promulgation of “Golden Tax System (Phase IV)” nationwide, we expect our improved technological capabilities would bring us competitive advantages over those solution providers that lack technological strengths or advanced operating systems.

Underpinned by our continuous efforts, we believe we will be able to expand our customer base and optimize our ARPU in the future, thereby achieving continuous revenue growth.

BUSINESS

Improving cost-efficiency and profitability

In addition to our efforts to diversify and strengthen the revenue streams, we plan to continuously improve our operational efficiency and profitability.

Proven growth in cost-efficiency

We have devoted great efforts to improving our operational efficiency with respect to selling and marketing and general administrative activities to enhance our profitability. To this end, we have continuously optimized our operating strategies and streamlined our operational structure. We endeavor to bring the efficiency of our SaaS-based solutions to the next level by upgrading our SATP system and enhancing the standardization and automation throughout our marketing and solution offering process, which saves our labor costs. As a result, we have been able to control the increase of our selling and marketing expenses and general and administrative expenses. Our selling and marketing expenses as a percentage of our total revenue decreased significantly from 104.9% in 2021 to 56.2% in 2023 and our general and administrative expenses as a percentage of our total revenue decreased from 47.1% in 2021 to 28.7% in 2023. With our relentless efforts in improving profitability, our operating cash flow improves concurrently. Our net cash outflow from operating activities has been largely reduced from RMB218.1 million in 2022 to RMB53.7 million in 2023.

Measures for better profitability

Going forward, we expect to achieve better profitability primarily by further refining our SaaS-based solutions to explore more up-selling opportunities, and managing costs and improving operational efficiency through improved cost control measures and centralized solution fulfilment under our Direct-to-Business Model. In particular, we will continue to manage our costs and expenses and improve cost-effectiveness through the following measures.

- *Elevating standardization and automation.* We are dedicated to reaching higher cost-effectiveness by standardizing and streamlining working procedures and realizing a higher automatic fulfilment rate. We have implemented centralized solution fulfilment for our front offices to strengthen simultaneous and cross-regional service capabilities. As a result, we can accelerate solution delivery while saving labor costs and operating expenses under our Direct-to-Business Model. In particular, our automatic fulfilment rate grew from 79.7% in the first tax period (January to March) of 2023 to 86.6% in the same period of 2024. By further automating the information collection, validation and classification process, we expect our automatic fulfilment rate for bookkeeping and tax filing services to be further improved. Our fulfilment labor cost per SMB customer had been successfully reduced from RMB888 in 2022 to RMB807 in 2023.

BUSINESS

We have been embracing the technological innovations and upgrading useful tools in the sidebar of WeCom to assist our staff in efficiently searching our internal database and public internet, answering customer enquiries and responding to customers’ requests, which significantly enhances working efficiency per staff. See “— Our Solutions — Customer Experience and Our Internal Management Mechanism” for details. To further enhance automation and internal working efficiency of our customer services, we have utilized AI technology to facilitate our internal semantic analysis of customers’ feedbacks and enquires. We may further explore more application scenarios of such latest AI technologies. We expect higher standardization and automation level would lead to higher efficiency while lowering the labor costs during solution delivery in the future.

- *Enhancing our selling and marketing efficiency.* We believe the word-of-mouth referral will constantly bring us nationwide new customers and save our spendings on customer acquisitions. We enhance our selling and marketing efficiency by shifting from traditional telemarketing and offline ad campaigns to customer referral programs. Through such transition, we are able to attract targeted customers precisely and benefit from our nationwide customer base and well-established brand image. Our growing brand and market recognition enables us to achieve better sales and marketing efficiency. We closely monitor the size of our in-house sales and marketing team. Prudent headcount management helps us optimize our operational efficiency and achieve high-quality growth. In addition, we will constantly monitor the performance of our sales and marketing team to evaluate the selling and marketing efficiency and ensure the implementation of our cost control measures. Our management will also from time to time communicate with sales and marketing staff on the experience of cost control. Meanwhile, we believe refined customer services help us reduce extra spendings on customer retention and achieve broader word-of-mouth referral. We keep responsive to our customers’ demands, maintain frequent customer interactions, customize solution offerings and deliver reliable solutions to our customers.
- *Optimizing our research and development efficiency.* We have been optimizing our research and development team structure to improve the effectiveness of utilizing research and development expenses. We expect to maintain a nimble and lean research and development team to save the labor costs. In addition, we will allocate less resources to the research and development of certain highly refined systems, such as CRM system. Although we expect to continue to incur research and development expenses in the foreseeable future with the growth of our business, we expect such expense as a percentage of our total revenue to further decrease due to economies of scale and operational leverage, which is expected to contribute to our profitability in the long term. The improvement of our technology infrastructure and development capabilities will enable us to upgrade our SATP system more efficiently.

BUSINESS

- *Improving our general and administrative efficiency.* We have been persistently improving the efficiency of our general and administrative activities. We seek to realize higher general and administrative cost-effectiveness by (i) optimizing organizational structure and slimming down administrative or managerial staff who do not directly contribute to our business growth, such as the business analysis team, while at the same time maintaining adequate requisite employees to support our business growth; and (ii) outsourcing supporting tasks such as front desk reception to third-party human resource service providers.

Our measures for better profitability and future prospects have been well received by the market, as evidenced by the fact that we have successfully received nine rounds of investments from our [REDACTED] Investors since our establishment.

We believe our growth strategy will further pave the way for our long-term sustainable market leadership. Leveraging our first-mover advantage in the industry in capturing the technological innovations and deepening nationwide market penetration, we are on the way to turning around the loss-making position and realizing a sustainable and profitable business growth.

Our Directors believe that we could turn around the loss-making position and realize a sustainable business growth, taking into account (i) the prospect of the SMB finance and taxation solution industry in China with continuous growth in the number of SMBs and stimulated service demands under the “Golden Tax System (Phase IV);” (ii) our future business strategies for sustainable long-term growth and the abovementioned measures for revenue growth and operational efficiency enhancement; (iii) our proven track record and efficiency improvement; and (iv) the industry norm that SaaS-based solutions typically require upfront investment for customer acquisition and retention and system development to accumulate brand awareness and market acceptance, and the relevant costs and expenses often exceed the profit generated from SaaS-based solutions at the initial stage.

Operational Cash Position and Working Capital Sufficiency

We operate in a healthy operational cashflow position, primarily as (i) we typically require our SMB customers to settle payment after signing the service agreements and prior to our service delivery; and (ii) we require our regional partners to prepay license fees to us before providing solutions to their SMB customers through our SATP system. Furthermore, we are committed to implementing our business strategies, in particular, (i) expanding our operation and increasing market penetration; (ii) developing solutions to cater to various customer needs, optimizing ARPU and enhancing customer retention; and (iii) enhancing the standardization capability of our SATP system to tackle tasks under complex and diversified scenarios, all of which are expected to improve our operational performance and drive our operating cash inflow.

BUSINESS

Taking into account (i) our cash sources of RMB137.4 million as of December 31, 2023, calculated by cash and cash equivalents minus the amount of due borrowings; and (ii) our cash burn of RMB55.4 million for the year ended December 31, 2023, calculated by combining operating cash outflow and payment of [REDACTED] expenses, our Directors are of the view that the cash sources as of December 31, 2023 will be able to support our operations for over 29 months from December 31, 2023. By excluding the non-recurring item (i.e. payment of [REDACTED] expenses) from our cash burn, our cash sources as of December 31, 2023 will be able to support our operations for over 59 months.

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, taking into account (i) our cash and cash equivalents as of April 30, 2024 according to our unaudited management accounts; (ii) the operating cash inflow we expect to receive from December 31, 2023 to the date of this document; and (iii) the estimated [REDACTED] from the [REDACTED].

However, the above forward-looking working capital forecast are prepared based on information currently available to us. Our future financial position and results of operations may be affected by complicated factors and may be subject to risks and uncertainties, many of which may be beyond our control. Please see “Risk Factors.”

During the Track Record Period and up to the Latest Practicable Date, we did not default in repayment of borrowings. Considering our good credit history and our current credit status, we do not expect we will encounter material difficulties in obtaining additional borrowings to fund our business growth and improve our working capital sufficiency in the future.

RECENT INVESTMENT ENVIRONMENT UPDATE

On August 9, 2023, the U.S. government released an executive order in relation to imposing restrictions on outbound investment in national security technologies and products, including sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and artificial intelligence sectors that are critical for the military, intelligence, surveillance, or cyber-enabled capabilities, in country of concern. The PRC, along with Hong Kong and Macau are identified as the country of concern in the executive order. As of the Latest Practicable Date, the relevant implementation rule had not been released yet.

Our Directors are of the view that the aforementioned outbound investment restrictions, if implemented, would not adversely affect our business operation, financial performance and our ability to obtain investment in our Company, considering our business does not fall within the scope of “artificial intelligence sectors that are critical for the military, intelligence, surveillance, or cyber-enabled capabilities” as our business nature, customers and the way that we apply AI technologies are different in essence.

We will pay close attention to the promulgation of relevant implementation rules by the U.S. government. See “Risk Factors — Risks Relating to Our Business and Industry — Recent U.S. outbound investment restrictions may cause uncertainty to the U.S. outbound investment activities and our funding activities.”

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The following table sets forth certain information regarding our Directors and members of our senior management:

Name	Age	Time of joining our Group	Position	Date of appointment as Director or senior management	Roles and responsibilities
Mr. ZHANG Shugang (張述剛) . . .	55	April 2015	<ul style="list-style-type: none"> • Chairman of the Board • Executive Director • Chief executive officer 	<ul style="list-style-type: none"> • June 25, 2023 • July 14, 2021 • April 7, 2015 	Formulating corporate and business strategies, overseeing the management, business operation, financial operation and research and development of our Group
Mr. ZHANG Mingqi (張明淇) . . .	36	April 2015	<ul style="list-style-type: none"> • Executive Director • Senior vice president • Chief of direct-to-business business 	<ul style="list-style-type: none"> • July 14, 2021 • April 1, 2022 • April 1, 2022 	Overseeing the operation and management of the business segment of solutions based on SATP System under Direct-to-Business Model of our Group
Mr. TIAN Li (田里) . . .	40	January 2018	<ul style="list-style-type: none"> • Executive Director • Senior vice president • Chief of licensing business 	<ul style="list-style-type: none"> • July 14, 2021 • April 1, 2022 • April 1, 2022 	Overseeing the operation and management of the business segment of solutions based on SATP System under Licensing Model of our Group
Mr. JIANG Wen (蔣文) . . .	38	May 2023	<ul style="list-style-type: none"> • Non-executive Director 	<ul style="list-style-type: none"> • May 30, 2023 	Providing strategic advice and making recommendations on financial management and business development to our Board
Mr. WANG Baoqing (王葆青) . . .	49	April 2015	<ul style="list-style-type: none"> • Non-executive Director 	<ul style="list-style-type: none"> • August 8, 2022 	Providing strategic advice and making recommendations on financial management and business development to our Board
Mr. WEI Chenyang (魏晨陽) . . .	51	[•]	<ul style="list-style-type: none"> • Independent non-executive Director 	<ul style="list-style-type: none"> • [•] 	Providing independent opinion and judgement to our Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Time of joining our Group	Position	Date of appointment as Director or senior management	Roles and responsibilities
Mr. ZHANG Ping (張平) . . .	59	[•]	• Independent non-executive Director	• [•]	Providing independent opinion and judgement to our Board
Mr. CHAU Kwok Keung (鄒國強) . .	47	[•]	• Independent non-executive Director	• [•]	Providing independent opinion and judgement to our Board
Mr. LIAO Pin-Chao (廖彬超) . .	47	[•]	• Independent non-executive Director	• [•]	Providing independent opinion and judgement to our Board
Mr. GUO Chunping (郭春平) . .	46	April 2015	• Vice president	• March 1, 2018	Overseeing design and operation of our products and development of the pipelines of our Group
Ms. Luo Yuan (羅媛) . . .	40	March 2021	• General counsel • Vice president • Joint company secretary	• March 8, 2021 • April 1, 2023 • June 25, 2023	Overseeing legal and compliance affairs of our Group

BOARD OF DIRECTORS

Our Board is responsible for, and has general powers over, the management and operation of our business. It currently consists of nine Directors, comprising three executive Directors, two non-executive Directors and four independent non-executive Directors.

The following sets forth the biographies of our Directors.

Executive Directors

Mr. ZHANG Shugang (張述剛), aged 55, was appointed as our Director on July 14, 2021, and was re-designated as our executive Director and appointed as the chairman of our Board on June 25, 2023. He is primarily responsible for formulating the corporate and business strategies, overseeing the management, business operation, financial operation and research and development of our Group.

DIRECTORS AND SENIOR MANAGEMENT

With approximately 20 years of industry experience, Mr. Zhang has gained in-depth understanding of the SMB finance and taxation solution sector in China and acquired rich management experience by managing our Group and developing our business. He founded our Group in April 2015 and has been the chief executive officer of our Group since then. He has also held key positions in certain principal subsidiaries of our Group, including the chairman of the board and manager of Beijing Gongjin Consulting since November 2016 and May 2019, respectively, the executive director and manager of Guangzhou Gongjin since April 2016, the executive director and manager of Tianjin Gongjin Finance since July 2019, the manager of Beijing Zijing since July 2021, the manager of Qingdao HSZ since November 2021, and the executive director of Beijing Zijing and Qingdao HSZ since June 2022.

Prior to the foundation of our Group, Mr. Zhang worked at Foresee Science & Technology Co., Ltd. (方欣科技有限公司), a wholly-owned subsidiary of JC Finance & Tax Interconnect Holdings Ltd. (金財互聯控股股份有限公司) (Stock Code: 002530.SZ), from December 2005 to July 2014, where he successively served as the general manager of multiple business segments including system integration, pre-sales technical support, taxation and marketing center with his last position being the executive vice president of the company. Mr. Zhang also served as the project director and participated in the modeling and design of the government’s electronic tax filing system during the promulgation of “Golden Tax System (Phase III) (金稅三期)” initiated by State Taxation Administration (國家稅務總局) of the PRC, and he led a team responsible for the drafting of “SW/T XXXX-2013 Golden Tax Phase III Project Tax service system, Third-party Tax Service System Access Standards (Tentative) (金稅三期工程納稅服務系統，第三方接入標準規範(試行))”, a PRC taxation industry standard.

Mr. Zhang studied at the medical institute of Qinghai University (青海大學) (formerly known as Qinghai Medical College (青海醫學院)) majoring in clinical medicine and graduated in July 1989.

Mr. ZHANG Mingqi (張明淇) (with former name as ZHANG Minqi (張珉琪)), aged 36, was appointed as our Director on July 14, 2021 and re-designated as our executive Director on June 25, 2023. He is primarily responsible for overseeing the operation and management of the business segment of solutions based on SATP System under Direct-to-Business Model of our Group.

Mr. Zhang has over 10 years of experience in corporate management. He joined our Group in April 2015 and has been the assistant to the chief executive officer until April 2022. He was appointed as a senior vice president and chief of direct-to-business business of our Group in April 2022. He has also held key positions in certain principal subsidiaries of our Group, including a director of Beijing Gongjin Consulting since October 2015, a senior vice president of Qingdao HSZ since November 2021, and the executive director of Shanghai Gongjin and Boyue Wenchang since May 2019 and June 2022, respectively. Prior to joining our Group, Mr. Zhang was an analyst in the industry research department of Changjiang Securities Company Limited (長江證券股份有限公司) (Stock Code: 000783.SZ), mainly responsible for industry research and investment consulting from May 2011 to May 2014.

Mr. Zhang obtained a bachelor’s degree in management accounting in July 2009 from Aston University, where he also received a master’s degree in investment analysis in April 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. TIAN Li (田里), aged 40, was appointed as our Director on July 14, 2021 and re-designated as our executive Director on June 25, 2023. He is primarily responsible for overseeing the operation and management of the business segment of solutions based on SATP System under Licensing Model of our Group.

Mr. Tian has over 10 years of experience in technology, media and telecom (“TMT”) industry. He joined our Group in January 2018 and has been the vice president until April 2022. He was appointed as a senior vice president and chief of licensing business of our Group in April 2022. He has also held key positions in certain principal subsidiaries of our Group, including the manager of Boyue Wenchang since July 2021 and the general manager of Guangxi HSZ since November 2021.

Prior to joining our Group, Mr. Tian was an investment executive director of Shanghai Ziyou Investment Management Limited (上海自友投資管理有限公司), also known as FreeS Fund (峰瑞資本), from July 2015 to January 2018, where he was responsible for equity investment in and post-investment management of TMT startups at early and growth stages. From November 2013 to July 2015, he worked at IDG Capital Investment Consultancy (Beijing) Co., Ltd. (IDG資本投資顧問(北京)有限公司) as the principal in charge of investment projects at early stages, primarily responsible for equity investment in and post-investment management of TMT startups at early and growth stages. Prior to that, he was a researcher in Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司) from April 2010 to October 2013, conducting research and development on search engine optimization.

Mr. Tian obtained a bachelor’s degree in mathematics and applied mathematics in July 2006 from Zhejiang University (浙江大學), where he also received a master’s degree in computer application technology in April 2010.

Non-executive Directors

Mr. JIANG Wen (蔣文), aged 38, was appointed as our Director on May 30, 2023 and re-designated as our non-executive Director on June 25, 2023. He is primarily responsible for providing strategic advice and making recommendations on financial management and business development to our Board.

Mr. Jiang has over 10 years of experience in private equity investment. Mr. Jiang has been a partner in strategic investment department of Xiaomi Corporation (小米集團) (Stock Code: 1810.HK) since September 2014. Prior to that, he served as an investment director in strategic investment department of Lenovo Group Limited (聯想集團有限公司) (Stock Code: 0992.HK) from September 2012 to September 2014. Mr. Jiang also held directorship in a number of public companies which Xiaomi Corporation (小米集團) (Stock Code: 1810.HK) invested in, including a director of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (東易日盛家居裝飾集團股份有限公司) (Stock Code: 002713.SZ) from April 2021 to August 2023 and a director of Beijing Roborock Technology Co., Ltd. (北京石頭世紀科技股份有限公司) (Stock Code: 688169.SH) from May 2020 to December 2023.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang received a master’s degree in Chinese linguistics and language acquisition from The Chinese University of Hong Kong (香港中文大學) in December 2009.

Mr. WANG Baoqing (王葆青), aged 49, was appointed as our Director on August 8, 2022 and re-designated as our non-executive Director on June 25, 2023. He is primarily responsible for providing strategic advice and making recommendations on financial management and business development to our Board.

Mr. Wang has over 20 years of experience in finance and taxation industry. Mr. Wang has served as a general manager in Zhuhai Guorui Software Technology Co., Ltd. (珠海市國瑞軟件科技有限公司), a company specialized in software development and maintenance services, since July 2012, primarily responsible for its overall management and operation. He was also the general manager of corporate service department of Foresee Science & Technology Co., Ltd. (方欣科技有限公司), a wholly-owned subsidiary of JC Finance & Tax Interconnect Holdings Ltd. (金財互聯控股股份有限公司) (Stock Code: 002530.SZ), from July 2009 to June 2012, mainly responsible for overall management of the corporate service department and the development of e-government software. From July 2002 to June 2009, he was a deputy general manager in ZhuHai Great Certified Tax Agents LLP (珠海國睿稅務師事務所(特殊普通合伙)), mainly responsible for tax consulting and training.

Mr. Wang obtained a college’s degree in accounting from Beijing Foreign Studies University (北京外國語大學) in January 2019 through online courses. Mr. Wang was engaged as a member of the council for the construction and development of legal profession attached to the college of literature and law in Beijing Institute of Technology, Zhuhai (北京理工大學珠海學院文法學院法學專業建設與發展理事會) in June 2013. He was also engaged by The China Certified Tax Agents Association (中國註冊稅務師協會) as a lecturer on continuing education and honored as one of the most influential tax lecturers nationwide in September 2016.

Independent Non-executive Directors

Mr. WEI Chenyang (魏晨陽), aged 50, was appointed as our independent non-executive Director on [•] and is responsible for providing independent opinion and judgement to our Board.

Mr. Wei has approximately 20 years of experience in finance and insurance industry. Mr. Wei has served as the associate dean of Institute for Fintech Research, Tsinghua University (清華大學金融科技研究院) and the director of China Insurance and Pension Research Center, the National Institute of Financial Research, Tsinghua University PBC School of Finance (“PBCSF”) (清華大學五道口金融學院國家金融研究院中國保險與養老金研究中心) since April 2019. From December 2016 to March 2019, Mr. Wei served as a senior managing director and chief U.S. economist in Zenity Asset Management Inc., a silicon valley based asset management firm focusing on multi-sector asset allocation in the U.S. financial market. Prior to that, Mr. Wei served as a director and head of credit research at American International Group (Stock Code: AIG.NYSE) from August 2012 to October 2016. From June 2011 to August 2012, Mr. Wei was a senior economist with Federal Reserve Bank of Philadelphia. From June 2006 to June 2011, Mr. Wei was an economist with Federal Reserve Bank of New York.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wei has served as an independent director of Waterdrop Inc. (Stock Code: WDH.NYSE) since May 2021, an independent non-executive director of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) (Stock Code: 2328.HK) since January 2023, and an independent director and a member of the audit committee of QuantaSing Group Limited (Stock Code: QSG.NASDAQ) since January 2024. Mr. Wei has also served as an independent director of HSBC Life Insurance Company Limited (滙豐人壽保險有限公司) since December 2022.

Mr. Wei received a bachelor’s degree in finance from Tsinghua University (清華大學) in 1996, a master’s degree in economics from McCombs School of Business, University of Texas at Austin in 1999, and a Ph.D. in finance from Leonard N. Stern School of Business, New York University in 2006.

Mr. ZHANG Ping (張平), aged 59, was appointed as our independent non-executive Director on [•] and is responsible for providing independent opinion and judgement to our Board.

Mr. Zhang has gained in-depth understanding of China economy and macroeconomic policies with his over 35 years of experience in research on economics. Mr. Zhang has been working at the Institute of Economics of the Chinese Academy of Social Sciences (中國社會科學院經濟研究所) since July 1988, where he successively served as a deputy director of macroeconomic office, the director of economic growth office, an assistant director of the institute and a deputy director of the institute, with his major research fields covering China economy growth, urban development and green finance. He has also been a professor and doctoral supervisor of Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) since November 2009.

Mr. Zhang has also served as a director of research center for listed companies under Chinese Academy of Social Sciences (中國社會科學院上市公司研究中心) since April 2022 and a vice chairman of the council and secretary general of China Research Society of Urban Development (中國城市發展研究會) since December 2018.

Mr. Zhang has been an independent non-executive director and a member of audit committee of Continental Aerospace Technologies Holding Limited (大陸航空科技控股有限公司) (formerly known as AVIC International Holding (HK) Limited (中國航空工業國際控股(香港)有限公司)) (Stock Code: 0232.HK) since May 2017, and the chairman and a member of its nomination committee since August 2018.

Mr. Zhang has profound influence in China’s economics development, evidenced by numerous honors and awards he received, including, among others, being awarded with the special allowance by the State Council of the People’s Republic of China (中華人民共和國國務院) in 2011, honored as a leading talent (領軍人才) of National Ten Thousand Talents Program (國家萬人計劃) by Organization Department of the CPC Central Committee (中共中央組織部) in 2018, and named as a Four First-Batch Cultural Figure (四個一批文化名人) by Publicity Department of the CPC Central Committee (中共中央宣傳部) in 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang graduated from Capital University of Economics and Business (首都經濟貿易大學) (formerly known as Beijing College of Economics (北京經濟學院)) in July 1985 with his bachelor’s degree in economics mathematics. He also graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in July 1998 with his doctoral degree in economics.

Mr. CHAU Kwok Keung (鄒國強), aged 47, was appointed as our independent non-executive Director on [•] and is responsible for providing independent opinion and judgement to our Board.

Mr. Chau has over 20 years of experience in accounting and financial management. Mr. Chau has been the chief financial officer of Laekna, Inc. (來凱醫藥有限公司) (Stock Code: 2105.HK) since January 2024. He served as the chief financial officer of BetterLife Holding Limited (百得利控股有限公司) (Stock Code: 6909.HK) from September 2020 to January 2024 and served as its executive director from December 2020 to January 2024, mainly responsible for its overall financial planning and management, company secretarial affairs, coordination of investors relations and administrative work. He has been an independent non-executive director of Bank of Zhangjiakou Co., Ltd. (張家口銀行股份有限公司) since April 2020. Prior to that, he served the chief financial officer of Comtec Solar Systems Group Limited (卡姆丹克太陽能系統集團有限公司) (Stock Code: 0712.HK) from November 2007 to January 2020, where he was responsible for its corporate financial and general management, and served as its executive director from June 2008 to January 2020. Mr. Chau has also held various positions at China.com Inc. (中華網科技公司) (currently known as Sino Splendid Holdings Limited (中國華泰瑞銀控股有限公司)) (a company listed on the Stock Exchange, stock code: 8006) from October 2005 to October 2007, including qualified accountant, chief financial officer, company secretary and authorized representative. He was the financial controller of Shanghai Hawei New Materials & Technology Co., Ltd. from June 2002 to August 2003 and the deputy group financial controller of China South City Holdings Limited (華南城控股有限公司) (a company listed on the Stock Exchange, stock code: 1668) from August 2003 to April 2005. Mr. Chau was employed by Arthur Andersen & Co. initially as an experienced staff accountant and he was subsequently promoted to be a senior consultant in the Global Corporate Finance Solution Segment of Arthur Andersen & Co. in March 2002.

Mr. Chau had also served as (i) an independent non-executive director and a member of connected transaction control committee and audit committee of China Tobacco International (HK) Company Limited (中煙國際(香港)有限公司) (Stock Code: 6055.HK) from December 2018 to May 2024; (ii) an independent non-executive director, the chairman of the audit committee, and a member of the remuneration committee of Laekna, Inc. (來凱醫藥有限公司) (Stock Code: 2105.HK) from June 2023 to January 2024; (iii) an independent non-executive director and the chairman of the audit committee of Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司) (Stock Code: 2170.HK) from October 2021 to June 2023; (iv) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited (中國新華教育集團有限公司) (a company listed on the Stock Exchange, stock code: 2779) from October 2017 to November 2022; (v) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Limited (尚晉(國際)控股有限公司) (a company listed on the Stock Exchange, stock code: 2528) from

DIRECTORS AND SENIOR MANAGEMENT

December 2019 to August 2021; (vi) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd. (青島港國際股份有限公司) (a company dual-listed on the Stock Exchange (stock code: 6198) and the Shanghai Stock Exchange (stock code: 601298)) from May 2014 to May 2019; and (vii) a member of the supervisory board of RIB Software AG (currently known as RIB Software SE), a software company in Germany which was listed on the Frankfurt Stock Exchange (stock code: RIB) from May 2010 to June 2013.

He has been an independent director/independent non-executive director of the following listed companies:

<u>Name of the listed company</u>	<u>Position(s)</u>	<u>Period of holding such position(s)</u>
The9 Limited (第九城市) (Stock Code: NCTY.NASDAQ).	Independent director	Since October 2015
China Infrastructure & Logistics Group Ltd. (中國通商集團有限公司) (Stock Code: 1719.HK)	Independent non-executive director, the chairman of the audit committee, chairman of the remuneration committee, member of the nomination committee	Since May 2022

Mr. Chau has been a member of the Association of Chartered Certified Accountants since June 2002, a chartered financial analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants since July 2005. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange in August 2017 and was certified by China Banking Regulatory Commission Zhangjiakou Supervision Branch (中國銀行保險監督管理委員會張家口監管分局) as qualified director of banking institutions in China in March 2020. Mr. Chau has also been a fellow member of the Institute of Public Accountants of Australia and Institute of Financial Accountants since June 2020.

Mr. Chau graduated from The Chinese University of Hong Kong in December 1998 with his bachelor's degree in business administration.

Mr. LIAO Pin-Chao (廖彬超), aged 47, was appointed as our independent non-executive Director on [•] and is responsible for providing independent opinion and judgement to our Board.

Mr. Liao has approximately 20 years of research experience on construction. He has been an associate professor in the department of construction management in Tsinghua University (清華大學) since January 2013. Since May 2024, Mr. Liao has been listed on the panel of arbitrators of Beijing Arbitration Commission. From September 2009 to July 2012, he was an assistant professor in the department of construction management in Tsinghua University (清華大學). Prior to that, Mr. Liao was a graduate research assistant and a postdoctoral research fellow successively in Construction Industry Institute in the U.S. from March 2005 to August 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liao’s academic achievement is highly recognized worldwide, evidenced by numerous honors and awards he received. The following table summarizes the key honors and awards offered to Mr. Liao.

Honor or Awards	Authority	Time of Honor or Awards
Contribution Award	KSCE Journal of Civil Engineering	2021
Donald S. Barrie Award	Project Management Institute	2021
Teaching Excellence Award (China) . . .	Project Management Institute	2020
China Management Science Award, merit award and principal contributor (Rank: 1st)	China Management Science Society	2020
First prize of Beijing Municipal Teaching Outcome Award	The People’s Government of Beijing Municipality	2018
Best Paper Award	International Workshop on Computing for Civil Engineering	2017
First prize of Tsinghua University Teaching Outcome Award	Tsinghua University (清華大學)	2015
First prize of Tsinghua University Teaching Contest	Tsinghua University (清華大學)	2010
Donald S. Barrie Award	Project Management Institute	2010

Mr. Liao graduated from Central University of Taiwan in June 1999 with his bachelor’s degree in civil engineering. He obtained his master’s degree in construction management from Taiwan University in June 2001. He also received a doctoral degree in civil engineering from The University of Texas at Austin in December 2008.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

Mr. ZHANG Shugang (張述剛), see “— Board of Directors — Executive Directors” for his detailed background.

Mr. ZHANG Mingqi (張明淇), see “— Board of Directors — Executive Directors” for his detailed background.

DIRECTORS AND SENIOR MANAGEMENT

Mr. TIAN Li (田里), see “— Board of Directors — Executive Directors” for his detailed background.

Mr. GUO Chunping (郭春平), aged 46, was appointed as our vice president on March 2018. He is primarily responsible for overseeing design and operation of our products and development of the pipelines of our Group.

Mr. Guo has over 20 years of experience in the SMB finance and taxation solution industry in China. He joined our Group in April 2015 as the product director of our Group until March 2018. He has also been a vice president of Beijing Zijing, a principal subsidiary of our Group, since July 2021. Prior to joining our Group, Mr. Guo was the manager of data utilization department of Foresee Science & Technology Co., Ltd. (方欣科技有限公司), a wholly-owned subsidiary of JC Finance & Tax Interconnect Holdings Ltd. (金財互聯控股股份有限公司) (Stock Code: 002530.SZ), from January 2013 to December 2014, primarily responsible for providing technology consultation for regional tax source management projects. From August 2009 to December 2012, he was a product execution manager in Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司), a wholly-owned subsidiary of Kingdee International Software Group Company Limited (金蝶國際軟件集團有限公司) (Stock Code: 0268.HK), primarily responsible for designing and delivering multiple products of finance and taxation solution and taxation management projects. From May 2004 to July 2009, he was an assistant accounting manager in Jiali Property Management (Shenzhen) Co., Ltd. (家利物業管理(深圳)有限公司) (formerly known as Heji Property Service (Shenzhen) Co., Ltd. (和記物業服務(深圳)有限公司)), primarily responsible for its internal audit, reporting and taxation filing. Prior to that, he was a chief accountant in the Jiangxi Ji’an petroleum branch of China Petroleum & Chemical Corporation (中國石油化工股份有限公司) (Stock Code: 0386.HK, 600028.SH) from July 2000 to April 2004, primarily responsible for internal audit, reporting, taxation filing and maintenance of its financial system.

Mr. Guo graduated from Wuhan Polytechnic University (武漢輕工大學) (formerly known as Wuhan Engineering College (武漢工業學院)) in June 2000 with his bachelor’s degree in administration engineering (industrial management). Mr. Guo is currently a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and Beijing Certified Tax Agents Association (北京註冊稅務師協會). He was accredited as an intermediate accountant by the Ministry of Finance of the People’s Republic of China (中華人民共和國財政部) in the PRC in May 2005. He was also certified as a financial planner by Ministry of Human Resources and Social Security (人力資源和社會保障部) in October 2016.

Ms. LUO Yuan (羅媛), aged 40, was appointed as our general counsel on March 8, 2021, vice president on April 1, 2023 and joint company secretary on June 25, 2023. She is primarily responsible for overseeing legal and compliance affairs of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Luo has approximately 17 years of professional experience in legal practice. She joined our Group in March 2021 and has been the general counsel of our Group since then. Prior to joining our Group, Ms. Luo was a senior legal director at iHuman Inc. (Stock Code: IH. NYSE) from January 2020 to March 2021, in charge of legal and compliance affairs in connection with its listing on The New York Stock Exchange. From March 2015 to January 2020, she worked at Perfect World Co., Ltd. (完美世界股份有限公司) (Stock Code: 002624.SZ) with her last position as the legal director, primarily responsible for overseeing its legal and compliance affairs. Before that, Ms. Luo worked at several international law firms including being an associate at Gunderson Dettmer from April 2013 to February 2015, an associate at DLA Piper from December 2009 to March 2013 and a paralegal at MinterEllison LLP from July 2007 to March 2009, focusing on private equity investment and merges and acquisitions.

Ms. Luo obtained a bachelor’s degree in law from Southwest University of Political Science & Law (西南政法大學) in July 2006. She also received a master’s degree in law from City University of Hong Kong in July 2007. She passed the National Judicial Examination (國家司法考試) in the PRC and obtained her legal professional qualification in March 2010. She also passed the examination of certified management accountant organized by the Institute of Management Accountants of United States of America in May 2024.

JOINT COMPANY SECRETARIES

Ms. LUO Yuan (羅媛), see “— Senior Management” for her detailed background.

Ms. YEUNG Siu Wai Kitty (楊小慧), was appointed as one of the joint company secretaries of our Group on June 25, 2023.

Ms. Yeung is a senior manager of company secretarial services of Tricor Services Limited, Asia’s leading business expansion specialist specializing in integrated business, corporate and investor services. Ms. Yeung has over 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies. Ms. Yeung is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom.

Ms. Yeung currently serves as the joint company secretary of Beijing Fourth Paradigm Technology Co., Ltd. (北京第四範式智能技術股份有限公司) (Stock Code: 6682.HK).

Ms. Yeung received her bachelor’s degree of social science in administration and public management from City University of Hong Kong (香港城市大學) in November 2006 and her master’s degree in corporate governance from Hong Kong Metropolitan University (香港都會大學) (formerly known as The Open University of Hong Kong (香港公開大學)) in August 2017.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee with written terms of reference in compliance with the requirements under the Listing Rules. The audit committee consists of three members, being Mr. CHAU Kwok Keung (鄒國強), Mr. ZHANG Ping (張平) and Mr. WANG Baoqing (王葆青). The chairman of the audit committee is Mr. CHAU Kwok Keung (鄒國強), who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the audit committee include, among others:

- making recommendations to our Board on the appointment, reappointment and removal of external auditor;
- reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implementing policy on engaging an external auditor to supply non-audit services;
- monitoring integrity of the financial statements of our Company and our Company’s annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them; and
- other responsibilities as authorized by our Board.

Remuneration Committee

Our Company has established a remuneration committee with written terms of reference in compliance with the requirements under the Listing Rules. The remuneration committee consists of three members, being Mr. ZHANG Ping (張平), Mr. CHAU Kwok Keung (鄒國強) and Mr. ZHANG Shugang (張述剛). The chairperson of the remuneration committee is Mr. ZHANG Ping (張平). The primary duties of the remuneration committee include, among others:

- making recommendations to our Board on the policy and structure for the remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing remuneration policy;
- making recommendations to our Board on the remuneration packages of individual executive Directors and senior management;
- making recommendations to our Board on the remuneration of non-executive Directors;

DIRECTORS AND SENIOR MANAGEMENT

- reviewing and approving compensation payable to executive Directors and senior management of our Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- other responsibilities as authorized by our Board.

Nomination Committee

Our Company has established a nomination committee with written terms of reference in compliance with the requirements under the Listing Rules. The nomination committee consists of three members, being Mr. ZHANG Shugang (張述剛), Mr. LIAO Pin-Chao (廖彬超) and Mr. ZHANG Ping (張平). The chairperson of the nomination committee is Mr. ZHANG Shugang (張述剛). The primary duties of the nomination committee include, among others:

- reviewing the structure, size and composition of our Board at least annually, and making recommendations on any proposed changes to our Board to complement our Company’s corporate strategy;
- identifying individuals who are suitably qualified to become Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of independent non-executive Directors;
- making recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer and
- other responsibilities as authorized by our Board.

CORPORATE GOVERNANCE

Pursuant to code provision C.2.1 in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Zhang is currently the chairman of the Board and the chief executive officer of our Company. As Mr. Zhang is the founder of our Group and has been managing our business and overall strategic planning since its establishment, our Directors consider that vesting the roles of both the chairman of the Board and the chief executive officer in Mr. Zhang ensures the consistent leadership within our Group and is beneficial to our business development and prospect. Taking

DIRECTORS AND SENIOR MANAGEMENT

into account all the corporate governance measures that we are going to implement upon [REDACTED], our Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of the chairman of the Board and the chief executive officer. Our Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at an appropriate time if necessary, considering the circumstances of our Group as a whole.

Saved as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

DIRECTORS’ INTEREST

Except as disclosed in this document, each of the Directors and members of the senior management (i) had no other relationship with any of the Directors and senior management as of the Latest Practicable Date; and (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors’ interests in the Shares within the meaning of Part XV of the SFO, see “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests — (a) Disclosure of interests — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations.”

Except as disclosed in this document, there are no other matters in respect of each of our Directors and the members of our senior management that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to our Directors and the members of our senior management that need to be brought to the attention of our Shareholders.

Except as disclosed in this document, none of the Directors are interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business under Rule 8.10(2) of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in June 2024, and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer under the Listing Rules.

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he has no past or present financial or other interest in the business of the Company or its subsidiaries or

DIRECTORS AND SENIOR MANAGEMENT

any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

BOARD DIVERSITY

We are committed to promoting the diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

The Board [has adopted] a board diversity policy in order to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. The board diversity policy sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through consideration of a number of factors in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, one of the members of our senior management and both of our joint company secretaries are female. Taking into account our existing business mode and specific needs as well as the different background of our Directors, our Directors are of the view that the composition of our Board satisfies our board diversity policy.

Going forward, we will continue to work to enhance gender diversity of our Board. In particular, our Company will take opportunities to increase the proportion of female members of our Board when selecting and recommending suitable candidates for appointments to enhance gender diversity in accordance with stakeholder expectations and recommended best practices. To develop a pipeline of potential female successors to our Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or our Board. We are of the view that such strategy will offer chances for our Board to identify capable female candidates to be nominated as a member of our Board with an aim to achieving gender diversity of our Board in the long run.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, technology, media and telecom, private equity investment, finance and taxation, financial management, economics and construction. They obtained degrees in various majors, including in investment analysis, computer application technology, business administration, linguistics, accounting, economics and construction engineering and project management. We have four independent non-executive Directors with different industry backgrounds, representing over one-third of the Board. In addition, our Board has a wide range of age, ranging from 36 years old to 59 years old.

DIRECTORS AND SENIOR MANAGEMENT

Our nomination committee is responsible for ensuring the diversity of our Board. After the [REDACTED], our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management members receive compensation from our Company in the form of salaries, bonuses, and other benefits in kind such as pension cost-defined contribution plans.

The aggregate amounts of remuneration (including fees, wages, salaries and bonuses, pension cost-defined contribution plans, other social security costs, housing benefits and share-based compensation) paid to our Directors for the years ended December 31, 2021, 2022 and 2023 were approximately RMB27.64 million, RMB8.47 million and RMB36.02 million, respectively.

The five highest paid individuals for the years ended December 31, 2021, 2022 and 2023, included one, one and two Directors, respectively, whose remunerations are included in the aggregate amount of remuneration set out above. For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) for the remaining four, four and three highest paid individual who is not Director of our Group were approximately RMB33.36 million, RMB36.43 million and RMB58.61 million.

It is estimated that remuneration equivalent to approximately RMB43.62 million in aggregate will be paid to the Directors (inclusive of benefits in kind and estimated share-based payment expense in relation to the [REDACTED] Share Options granted to our Directors to be recognized in our Group’s profit or loss for the year ending December 31, 2024, but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2024 based on the arrangements currently in force.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. None of the Directors had waived or agreed to waive any remuneration during the Track Record Period.

[REDACTED] SHARE OPTION PLAN

We adopted a [REDACTED] Share Option Plan on November 1, 2021 to attract and retain the best available personnel, provide incentives to Directors, senior management members, employees and consultants and promote the success of our business. The terms of the [REDACTED] Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of options or awards by our Company after [REDACTED]. For further details, see “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan.”

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Lego Corporate Finance Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances.

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner that is different from that detailed in this document or where our business activities, developments or results deviate from any forecasts, estimates or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the [REDACTED] of the Shares or any other matters under Rule 13.10 of the Listing Rules a false market in the Shares.

The terms of the appointment of the compliance adviser will commence on the [REDACTED] and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options, Mr. Zhang and Sparking Sky will be entitled to exercise the voting rights attaching to approximately [REDACTED]% of the total issued share capital of our Company, including (i) approximately [REDACTED]% of the voting rights in our Company directly held by Sparking Sky, a holding company wholly owned by Mr. Zhang; and (ii) approximately [REDACTED]% of the voting rights in our Company pursuant to the entrustment under the Voting Agreements. For details, see “History, Reorganization and Corporate Structure — Voting Agreements.”

As of the Latest Practicable Date, as Mr. Zhang and Sparking Sky were in a position to control the composition of a majority of our Board, Mr. Zhang and Sparking Sky constituted the controlling shareholders of our Company as defined under Rule 1.01 of the Listing Rules. Immediately upon completion of the [REDACTED], Mr. Zhang and Sparking Sky will no longer be entitled to appoint any member of our Board. As such, Mr. Zhang and Sparking Sky will cease to be our controlling shareholders but Sparking Sky will remain as our single largest shareholder immediately upon completion of the [REDACTED].

DELINEATION OF BUSINESS

Our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, none of them is interested in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business, which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates after [REDACTED].

Operational Independence

We engage in our operations and make and implement our operational decisions independently. We do not share operation team, facilities or equipment with our Controlling Shareholders or their respective associates. We possess all relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business. Our Group have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates. We have independent access to a large and diversified base of suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in Note 37 in the Accountant’s Report, our Directors have confirmed that these related party transactions, if trade related, were conducted on normal commercial terms or better to us. Save as disclosed in “Connected Transactions,” none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the [REDACTED].

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises three executive Directors, two non-executive Directors and four independent non-executive Directors, among whom Mr. Zhang, the chairman of the Board, an executive Director and the chief executive officer of our Group, is a member of our Controlling Shareholders. For further details, see “Directors and Senior Management.”

Save as disclosed below, none of our Directors or members of our senior management serves as director or member of senior management in our Controlling Shareholders or their close associates (other than members of our Group):

Name	Position in our Company	Major positions held in our Controlling Shareholders and their close associates (other than members of our Group)	
		Name of company	Position
Mr. Zhang	Chairman of the Board, executive Director and chief executive officer	Huisuanzhang Holding	director
		Huisuanzhang HongKong Limited	director
Mr. Zhang Mingqi (張明淇) . . .	Executive Director, senior vice president and chief of direct-to-business business	Huisuanzhang Holding	director
Mr. Tian Li (田里)	Executive Director, senior vice president and chief of licensing business	Huisuanzhang Holding	director
Mr. Jiang Wen (蔣文)	Non-executive Director	Huisuanzhang Holding	director
Mr. Wang Baoqing (王葆青) . . .	Non-executive Director	Huisuanzhang Holding	director

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their close associates for the following reasons:

- (a) as confirmed by Mr. Zhang, Mr. Zhang Mingqi and Mr. Tian Li: (i) none of the aforementioned companies had any actual business operation or commercial activities as of the Latest Practicable Date; and (ii) the directorships held by them in these companies are non-executive nature and they are not involved in their day-to-day management. Therefore, Mr. Zhang, Mr. Zhang Mingqi and Mr. Tian Li will have

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

sufficient time and resources to serve on our Board and as senior management members, and their officeholding in the aforementioned companies will not affect their discharge of duties and responsibilities to our Group;

- (b) despite the directorships held at the aforementioned companies, Mr. Jiang Wen and Mr. Wang Baoqing are our non-executive Directors and not involved in the daily management and operation of our Company;
- (c) save for Mr. Zhang, Mr. Zhang Mingqi and Mr. Tian Li, all members of our senior management are our full-time employees and are independent from our Controlling Shareholders and their close associates;
- (d) pursuant to the Articles of Association of our Company, in the event that a Director or his close associates has the material interest in a contract or arrangement to be entered into with our Group, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract, arrangement or any other proposal and shall not be counted in the quorum present at the relevant Board meeting;
- (e) we [have appointed] four independent non-executive Directors (accounting for more than one-third of our Board) to balance the number of potentially interested Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and another company or entity to which a Director or senior management member holds office. We believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound, independent and impartial judgment to the decision-making process of our Board;
- (f) each of our Directors is aware of his fiduciary duties as a Director, which require him to act for the benefit and in the interests of our Company and the Shareholders as a whole and do not allow any conflict between his duties as a Director and his personal interests; and
- (g) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their close associates which would support our independent management. See “— Corporate Governance Measures” below for further information.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

We have established a finance department with a team of independent financial staff, which operates entirely independently of the Controlling Shareholders. In addition, our Company has established a sound and independent financial system and makes financial decisions according to our Company’s business needs, which are independent of our Controlling Shareholders.

As of December 31, 2023, our non-trade outstanding balances with HSZ Qingdao, a close associate of our Controlling Shareholders, amounted to RMB17.20 million. Such balances had been fully settled as of the Latest Practicable Date. See “Financial Information — Related Party Transactions” and Note 37 to the Accountant’s Report in Appendix I to this document for details.

As of the Latest Practicable Date, there were no outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates and vice versa.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

DEED OF NON-COMPETITION

To safeguard the interest of our Group, our Controlling Shareholders (each a “**Covenantor**”, collectively the “**Covenantors**”) have executed the Deed of Non-competition in favor of our Company on [•], 2024. Pursuant to the Deed of Non-competition, each of the Covenantors has unconditionally and irrevocably undertakes, jointly and severally, to our Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that, he/it will not, and will use his/its best endeavors to procure that his/its respective close associates (other than member of our Group) will not, directly or indirectly, at any time during the Relevant Period (as defined below), acquire, commence, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any assistance or financial support to or otherwise be involved in or interested (economically or otherwise) in, whether alone or jointly with another person/entity and whether directly or indirectly or on behalf of or to assist or act in concert with any other person/entity, any business which is the same as, similar to or in competition or will compete or may compete with any business which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time, namely micro-, small- and medium-sized businesses finance and taxation business (the “**Restricted Business**”).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The above restrictions do not prohibit the Covenantors and their respective close associates (other than members of our Group) from holding securities of any company which conducts or is engaged in any Restricted Business, provided that the conditions set out in paragraphs (i), (ii) and (iii) below are satisfied:

- (i) the aggregate number of shares or equity interests held by the Covenantors and their respective close associates (other than members of our Group) is less than 10% of any class of the issued shares or the entire equity interests of such company;
- (ii) the Covenantors or their respective close associates (other than members of our Group) do not own, by any means, any right to control the composition of the board of directors or managers of such Restricted Business nor any right to make decision, participate, directly or indirectly, in such Restricted Business; and
- (iii) none of the Covenantors and their respective close associates (other than members of our Group) is the controlling shareholder of such company.

In addition, where it is resolved by the Board or a Shareholders' meeting that it is appropriate for the Covenantors and/or their respective close associates (other than members of our Group) and our Group to jointly invest in, conduct, operate or participate in any business opportunity relating to the Restricted Business (the "**New Business Opportunity**"), and if our Group gives written invitation, the Covenantors and/or their respective close associates (other than members of our Group) may together with our Group, jointly invest in, conduct, operate or participate in such New Business Opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and/or independent Shareholders).

Further Undertakings from the Covenantor

Under the Deed of Non-competition, each of the Covenantors has further undertaken to us:

- (i) it shall provide, and shall procure his/its close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by the independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantor's and his/its close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition, including but not limited to any decision described in paragraph (v) below or in relation to the pre-emptive right to restrict the transfer;
- (ii) the Covenantors (and on behalf of his/its close associates (other than members of our Group) from time to time) shall provide to us annually with an annual declaration for inclusion in our annual report, in respect of compliance with the terms of the Deed of Non-competition;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) the Covenantor has agreed and authorized the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual report or by way of announcement;
- (iv) during the Relevant Period (as defined below), in the event that the Covenantor or its close associates (other than members of our Group) are given any business opportunity relating to the New Business Opportunity, the Covenantor shall, and shall procure that its close associates (other than members of our Group), inform us of such New Business Opportunity in writing with all available information as soon as practicable and shall use its best endeavor to assist us in obtaining such New Business Opportunity on the same or more favorable terms;
- (v) when there is any New Business Opportunity, all independent non-executive Directors but excluding any independent non-executive Directors with conflicted interests will form a committee (the "**Independent Board Committee**") and in the event that the Independent Board Committee decides that our Group should not take up such New Business Opportunity as referred to in paragraph (iv) above within a commercially reasonable period and undertake by written notice, the Covenantor and its close associates (other than members of our Group) may take up such business opportunity and the involvement in the business derived from such New Business Opportunity shall not be regarded as a breach of the Deed of Non-competition; and
- (vi) since the effective date of the Deed of Non-competition, the Covenantor agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantor or its close associates (other than members of our Group).

Where the Covenantors and/or their respective close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (v) above, the Covenantors and/or their respective close associates (other than members of our Group) shall provide our Group with pre-emptive right (the "**Pre-Emptive Right**") to acquire any such Restricted Business under the same circumstances. Where the Independent Board Committee decides to waive our Pre-Emptive Right by way of written notice, the Covenantors and/or their respective close associates (other than members of our Group) may offer to sell such Restricted Business (as defined below) to other third parties on such terms which are no more favorable than those made available to our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Where the Covenantors and/or their respective close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (v) above, the Covenantors and/or their respective close associates (other than members of our Group) has undertaken to grant us the option (the "**Options for Acquisition**") which is exercisable at any time during the term of the Relevant Period (as defined below), to purchase at one or more times any equity interest, assets or other interests which form part/or all of such Restricted Business as described above, or to operate the Restricted Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or any legally binding document, the Options for Acquisition shall be subject to such third-party rights. In these circumstances, the Covenantors will use their best endeavors to procure the third party to waive such pre-emptive rights.

The Covenantors and/or their respective close associates (other than members of our Group) have further unconditionally and irrevocably undertaken that they and/or their respective close associates (other than members of our Group) will not take advantage of his/its connections with our Group and/or our Shareholders, or his/its position as a shareholder of any member of our Group, to participate or be engaged in any activities which may be detrimental to the interests of our Group and our other Shareholders.

The Covenantors have further unconditionally and irrevocably undertaken that except with the prior written consent of our Group, the Covenantors shall not, and shall procure their respective close associates (other than members of our Group) will not, directly or indirectly:

- (i) any time induce or attempt to induce any director, manager or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or
- (ii) alone or jointly with any other person through or as director, manager, adviser, consultant, employee of or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Our Company will disclose the decisions with basis on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement(s) to the public. For the purposes of the above, the "Relevant Period" means the period commencing from the date on which the Deed of Non-competition becomes effective and shall expire on the earlier of (a) the date when the Sparking Sky ceases to be the single largest shareholder of our Company; or (b) the date when the Shares cease to be [REDACTED] on the Stock Exchange (except for temporary suspension of [REDACTED] of the Shares).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our minority Shareholders. We will adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (i) where a Shareholders' meeting is held for considering a proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (iii) any transaction between (or proposed to be made between) our Group and the connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (iv) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements to the public;
- (v) our Company has appointed Lego Corporate Finance Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance; and
- (vi) we [have established] the Audit Committee, the Remuneration Committee and the Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules. The majority of the members of the aforementioned committees are independent non-executive Directors.

CONNECTED TRANSACTIONS

We have entered into certain agreements with our connected persons, the details of which are set out below. Upon [REDACTED], the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon [REDACTED] and the nature of their relationship with our Group:

Connected person	Connected relationship
Mr. Zhang	Our executive Director and a substantial shareholder
Beijing Gongjin Technology	A company indirectly wholly owned by Huisuanzhang Holding, of which the composition of a majority of the board of directors is controlled by Mr. Zhang, and hence an associate of Mr. Zhang

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap for the years ending December 31,		
			2024	2025	2026
<i>(RMB in thousands)</i>					
Fully-exempt Continuing Connected Transaction					
Data Processing Agreement	Rule 14A.76(1)(a)	N/A	N/A	N/A	N/A
Non-exempt Continuing Connected Transactions					
Contractual Arrangements	Rule 14A.35-36 Rule 14A.49 Rule 14A.52-59 Rule 14A.76 Rule 14A.105	Announcement, circular, independent Shareholders’ approval, annual caps and terms of agreements not exceeding three years	N/A	N/A	N/A

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Data Processing Agreement

On May 30, 2023, Beijing Zijing and Beijing Gongjin Technology entered into a data processing agreement (the “**Data Processing Agreement**”), pursuant to which Beijing Gongjin Technology agreed to provide data collection services to Beijing Zijing through websites and social media accounts with the authorization of Beijing Zijing for necessary use of its trademarks and other intellectual properties shown thereon, all at nil consideration.

CONNECTED TRANSACTIONS

The Data Processing Agreement is for an initial term of three years commencing from May 30, 2023 and would automatically renew for a term of three years unless Beijing Zijing serves written notice to cease cooperation.

Historically certain domain name of the websites and social media accounts for our Group’s market promotion activities were registered by Beijing Gongjin Technology. Pursuant to the Data Processing Agreement, we could collect basic information including the demands and contacts of potential customers visiting these websites and social media accounts for future business development. In view that (i) alternation of the registered owner of the domain name and social media accounts will cause unnecessary disruptions to our business and additional costs and expenses; and (ii) the transactions contemplated under the Data Processing Agreement have been and will be entered into on normal commercial terms or better, the continuation of these data collecting services is convenient for our Group and is in line with our Group’s business needs. Therefore, our Directors are of the view that it is in the interest of our Group and our Shareholders as a whole to enter into the Data Processing Agreement and continue the current arrangement with Beijing Gongjin Technology in relation to the data collection services.

There were no historical amounts of service fees paid by Beijing Zijing to Beijing Gongjin Technology under the Data Processing Agreement.

As each of the applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of this transaction is expected to be, on an annual basis, less than 0.1%, such transaction will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in “Contractual Arrangements,” due to regulatory restrictions on foreign ownership in the PRC, we, as foreign investors, are prohibited from holding the entire equity interest in our Consolidated Affiliated Entity, namely Beijing Zhongmou. As a result, our Group, through our wholly-owned subsidiary, Boyue Wenchang, has entered into the Contractual Arrangements with Beijing Zhongmou and its remaining registered shareholder such that we can conduct certain business indirectly in the PRC through our Consolidated Affiliated Entity while complying with applicable PRC laws.

The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entity in consideration for the services provided by Boyue Wenchang to the Consolidated Affiliated Entity; (ii) exercise effective control over our Consolidated Affiliated Entity; and (iii) hold an exclusive option to purchase all or part of the remaining equity interest in the Consolidated Affiliated Entity when and to the extent permitted by PRC laws.

CONNECTED TRANSACTIONS

The Contractual Arrangements consist of a series of agreements. For further details, see “Contractual Arrangements.”

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED] as certain party to the Contractual Arrangements, namely Mr. Zhang, the remaining registered shareholder of Beijing Zhongmou, is a connected person of our Company.

Our Directors (including the independent non-executive Directors) are of the view that (i) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group; and (ii) such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, our Consolidated Affiliated Entity and any member of our Group (the “**New Intergroup Agreements**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the [REDACTED], our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders’ approval requirements.

WAIVER FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders’ approval under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors’ approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

CONNECTED TRANSACTIONS

(b) No change without independent Shareholders’ approval

Save as described in paragraph (d) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders’ approval. Once the independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entity through (i) our Group’s options (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interests in our Consolidated Affiliated Entity held by Mr. Zhang and/or all or part of the assets of our Consolidated Affiliated Entity for a nominal consideration of RMB100 for each respective acquisition, or the lowest amount permissible under the applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entity is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Boyue Wenchang by our Consolidated Affiliated Entity under the Contractual Arrangements, and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entity.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new foreign-invested enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entity to any holder of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entity during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.
- Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entity will be treated as our subsidiary, but at the same time, the director, chief executive or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entity will, for so long as our Shares are [REDACTED] on the Stock Exchange, provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of their review of the continuing connected transactions.

CONNECTED TRANSACTIONS

In addition, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders’ approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that our Consolidated Affiliated Entity will continue to be treated as our subsidiary, but at the same time, the director, chief executive or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entity), other than those under the Contractual Arrangements and the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will continue to be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are also of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of our Consolidated Affiliated Entity can be effectively controlled by our Company indirectly; (ii) our Company can indirectly obtain the economic benefits derived from our Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented, on an uninterrupted basis.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the continuing connected transactions as set out above; (ii) obtained confirmations from the Company; and (iii) reviewed the legal opinion of our PRC Legal Advisors on the Contractual Arrangements.

CONNECTED TRANSACTIONS

Based on the above, the Sole Sponsor is of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations and (ii) the continuing connected transactions have been entered into and will continue to be carried out in the ordinary and usual course of our business on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Sole Sponsor is of the view that it is a justifiable and normal business practice for our Company to ensure that (i) the financials and operation of the Consolidated Affiliated Entity can be effectively controlled by our Company indirectly, (ii) our Company can indirectly obtain the economic benefits derived from our Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented on an uninterrupted basis.

SHARE CAPITAL

SHARE CAPITAL AS OF THE DATE OF THIS DOCUMENT

Authorized share capital

<u>Number of Shares</u>		<u>Aggregate par value</u>
454,249,975	Shares	US\$45,424.9975
<u>45,750,025</u>	Preferred Shares	<u>US\$ 4,575.0025</u>
<u>500,000,000</u>	US\$0.0001 each	<u>US\$ 50,000</u>

Issued fully paid or credited as fully paid

<u>Number of Shares</u>		<u>Aggregate par value</u>	<u>% of the issued share capital</u>
12,497,199	Shares in issue	US\$1,249.7199	21.46
<u>45,750,025</u>	Preferred Shares in issue	<u>US\$4,575.0025</u>	<u>78.54</u>
<u>58,247,224</u>	Total	<u>US\$5,824.7224</u>	<u>100</u>

SHARE CAPITAL IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

Authorized share capital

<u>Number of Shares</u>		<u>Aggregate par value</u>
<u>[REDACTED]</u>	Shares of US\$[REDACTED] each	<u>US\$[REDACTED]</u>

Issued and to be issued, fully paid or credited as fully paid

<u>Number of Shares</u>		<u>Aggregate par value</u>	<u>% of the issued share capital</u>
<u>[REDACTED]</u>	Shares in issue (including the Shares on re-designation of the Preferred Shares and assuming the completion of the [REDACTED])	US\$[REDACTED]	[REDACTED]%
<u>[REDACTED]</u>	Shares to be issued pursuant to the [REDACTED]	US\$[REDACTED]	[REDACTED]%
<u>[REDACTED]</u>	Total	<u>US\$[REDACTED]</u>	<u>[REDACTED]%</u>

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the [REDACTED] has become unconditional, the [REDACTED] are issued pursuant to the [REDACTED], the [REDACTED] is completed and the Preferred Shares are converted into Shares on 1:1 basis upon the completion of the [REDACTED]. It takes no account of any Shares (a) which may be issued pursuant to the exercise of the [REDACTED]; (b) which may be issued pursuant to the exercise of the [REDACTED] Share Options; or (c) which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

Our Company will have only one class of Shares upon completion of the [REDACTED], namely ordinary shares, and each ranks *pari passu* with the other Shares.

The [REDACTED] are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the [REDACTED]) and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this document.

[REDACTED] SHARE OPTION PLAN

We adopted a [REDACTED] Share Option Plan on November 1, 2021. The [REDACTED] Share Option Plan is not subject to Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to subscribe for Shares after the [REDACTED]. For further details, see “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan.”

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) sub-divide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may reduce or redeem its share capital by our Shareholders passing a special resolution. For more details, see “Appendix III — Summary of the Constitution of the Company and Cayman Companies Act.”

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the “**Convertible Securities**”) or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the “**Options and Warrants**”) and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with, and to resell treasury shares of the Company, at any time subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate number of Shares in issue immediately following the completion of the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and [REDACTED] Share Options and treasury shares of the Company, if any); and
- (ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, see “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on [•], 2024.”

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of Shares in issue immediately following the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and [REDACTED] Share Options and treasury shares of the Company, if any).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on [•], 2024.”

This mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, see “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of all our Shareholders passed on [•], 2024.”

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options), the following persons will have or be deemed or taken to have an interest and/or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings our Company:

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon the exercise of the [REDACTED] Share Options)	
		Number	Approximate percentage	Number	Approximate percentage
Mr. Zhang	Interest in controlled corporation ⁽¹⁾ / Interest held through voting powers entrusted by other persons ⁽²⁾	12,830,292	22.03%	[REDACTED]	[REDACTED]%
Sparking Sky	Beneficial interest ⁽¹⁾ / Interest held through voting powers entrusted by other persons ⁽²⁾	12,830,292	22.03%	[REDACTED]	[REDACTED]%
Hong Jing	Interest in controlled corporation ⁽³⁾	9,855,529	16.92%	[REDACTED]	[REDACTED]%
Tsing Young	Interest in controlled corporation ⁽³⁾	6,278,010	10.78%	[REDACTED]	[REDACTED]%
Gaocheng Holdings	Interest in controlled corporation ⁽³⁾	6,278,010	10.78%	[REDACTED]	[REDACTED]%
GCHSZ Holdings	Beneficial interest ⁽³⁾	3,892,378	6.68%	[REDACTED]	[REDACTED]%
Gaocheng Fund I	Interest in controlled corporation ⁽³⁾	3,892,378	6.68%	[REDACTED]	[REDACTED]%
Shanghai Hongyan	Beneficial interest ⁽³⁾	3,577,519	6.14%	[REDACTED]	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon the exercise of the [REDACTED] Share Options)	
		Number	Approximate percentage	Number	Approximate percentage
Gaocheng Houde	Interest in controlled corporation ⁽³⁾	3,577,519	6.14%	[REDACTED]	[REDACTED]%
Gaocheng Hongyi	Interest in controlled corporation ⁽³⁾	3,577,519	6.14%	[REDACTED]	[REDACTED]%
Gaocheng Xingjian	Interest in controlled corporation ⁽³⁾	3,577,519	6.14%	[REDACTED]	[REDACTED]%
Gaocheng Qingyuan	Interest in controlled corporation ⁽³⁾	3,577,519	6.14%	[REDACTED]	[REDACTED]%
GHSZ Holdings	Beneficial interest ⁽³⁾	2,385,632	4.10%	[REDACTED]	[REDACTED]%
GHSZ CI	Interest in controlled corporation ⁽³⁾	2,385,632	4.10%	[REDACTED]	[REDACTED]%
Shanghai Jiaozeng	Beneficial interest ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Xiaomi Software	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Tianjin Jinmi	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Tianjin Jinxing	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Xiaomi Inc.	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Xiaomi Communications	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Xiaomi HK	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Shares which may be issued upon the exercise of the [REDACTED] Share Options)	
		Number	Approximate percentage	Number	Approximate percentage
Xiaomi Corporation	Interest in controlled corporation ⁽⁴⁾	8,579,885	14.73%	[REDACTED]	[REDACTED]%
Hexie Jinfeng	Beneficial interest ⁽⁵⁾	5,981,395	10.27%	[REDACTED]	[REDACTED]%
Shanghai Zhiyi	Interest in controlled corporation ⁽⁵⁾	5,981,395	10.27%	[REDACTED]	[REDACTED]%
Xizang Jinlan	Interest in controlled corporation ⁽⁵⁾	5,981,395	10.27%	[REDACTED]	[REDACTED]%
Xizang Jinchuan	Interest in controlled corporation ⁽⁵⁾	5,981,395	10.27%	[REDACTED]	[REDACTED]%
Chengdu Shuangma	Interest in controlled corporation ⁽⁵⁾	5,981,395	10.27%	[REDACTED]	[REDACTED]%
Sichuan Shuangma	Interest in controlled corporation ⁽⁵⁾	5,981,395	10.27%	[REDACTED]	[REDACTED]%
Image Flag	Beneficial interest ⁽⁶⁾	5,020,387	8.62%	[REDACTED]	[REDACTED]%
Tencent	Interest in controlled corporation ⁽⁶⁾	5,020,387	8.62%	[REDACTED]	[REDACTED]%
Sunshine Life	Beneficial interest ⁽⁷⁾	3,719,841	6.39%	[REDACTED]	[REDACTED]%
Sunshine Insurance	Interest in controlled corporation ⁽⁷⁾	3,719,841	6.39%	[REDACTED]	[REDACTED]%

Notes:

- (1) Sparking Sky is wholly owned by Mr. Zhang. Therefore, Mr. Zhang is deemed to be interested in all the Shares directly held by Sparking Sky by virtue of the SFO.
- (2) Pursuant to the entrustment under the Voting Agreements as described in “History, Reorganization and Corporate Structure — Voting Agreements,” Mr. Zhang and Sparking Sky are able to exercise the voting rights attaching to the Shares directly held by the Voting Grantors, and are therefore deemed to be interested in all the Shares directly held by the Voting Grantors by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) GCHSZ Holdings is wholly owned by Gaocheng Fund I, L.P. (“**Gaocheng Fund I**”). GHSZ Holdings is wholly owned by GHSZ CI Fund, LP (“**GHSZ CI**”). The general partner of each of Gaocheng Fund I and GHSZ CI is Gaocheng Holdings GP, Ltd (“**Gaocheng Holdings**”), which is wholly owned by Tsing Young Holding Limited (“**Tsing Young**”). Tsing Young is in turn wholly owned by Hong Jing (“**Ms. Hong**”). The general partner of Shanghai Hongyan is Ningbo Gaocheng Houde Equity Investment Management Co., Ltd. (寧波高成厚德股權投資管理有限公司) (“**Gaocheng Houde**”), which is wholly owned by Ms. Hong. More than one-third interest in Shanghai Hongyan is held by Gaocheng Hongyi, with Gaocheng Houde being the general partner and Suzhou Gaocheng Xingjian Equity Investment Fund Partnership (Limited Partnership) (蘇州高成行健股權投資基金合夥企業(有限合夥)) (“**Gaocheng Xingjian**”) holding more than one-third interest. The general partner of Gaocheng Xingjian is Ningbo Gaocheng Qingyuan Equity Investment Management Company Limited (寧波高成清源股權投資管理有限公司) (“**Gaocheng Qingyuan**”), in which Ms. Hong holds 80% equity interest.

As such, Gaocheng Fund I is deemed to be interested in the Shares held by GCHSZ Holdings. GHSZ CI is deemed to be interested in the Shares held by GHSZ Holdings. Each of Gaocheng Houde, Gaocheng Hongyi, Gaocheng Xingjian and Gaocheng Qingyuan is deemed to be interested in the Shares held by Shanghai Hongyan. Each of Tsing Young and Gaocheng Holdings is deemed to be interested in the Shares held by GCHSZ Holdings and GHSZ Holdings. Ms. Hong is deemed to be interested in the Shares held by GCHSZ Holdings, GHSZ Holdings and Shanghai Hongyan.

- (4) The general partner of Shanghai Jiaozeng is Beijing Xiaomi Software Co., Ltd. (北京小米軟件技術有限公司) (“**Xiaomi Software**”). More than one-third interest in Shanghai Jiaozeng is held by Tianjin Jinmi. The general partner of Tianjin Jinmi is Tianjin Jinxing Venture Investment Co., Ltd. (天津金星創業投資有限公司) (“**Tianjin Jinxing**”), which is wholly owned by Xiaomi Inc. (小米科技有限責任公司) (“**Xiaomi Inc.**”), which is the consolidated affiliated entity of Xiaomi Communications Co., Ltd. (小米通訊技術有限公司) (“**Xiaomi Communications**”) through the contractual arrangements entered into between, among others, Xiaomi Inc. and Xiaomi Communications. Both of Xiaomi Software and Xiaomi Communications are wholly owned by Xiaomi H.K. Limited (“**Xiaomi HK**”), which is in turn wholly owned by Xiaomi Corporation (小米集團) (Stock Code: 1810.HK) (“**Xiaomi Corporation**”).

As such, each of Xiaomi Software, Tianjin Jinmi, Tianjin Jinxing, Xiaomi Inc., Xiaomi Communications, Xiaomi HK and Xiaomi Corporation is deemed to be interested in all the Shares directly held by Shanghai Jiaozeng by virtue of the SFO.

- (5) Hexie Jinfeng is wholly owned by Shanghai Zhiyi Enterprise Management Consulting Partnership (Limited Partnership) (上海志禕企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Zhiyi**”), whose general partner is Xizang Jinlan Enterprise Management Co., Ltd. (西藏錦瀾企業管理有限公司) (“**Xizang Jinlan**”), which is wholly owned by Chengdu Hexie Shuangma Investment Co., Ltd. (成都和諧雙馬投資有限公司) (“**Chengdu Shuangma**”), which is in turn wholly owned by Sichuan Hexie Shuangma Co., Ltd. (四川和諧雙馬股份有限公司) (Stock Code: 000935.SZ) (“**Sichuan Shuangma**”). More than one-third interest in Shanghai Zhiyi is held by Xizang Jinchuan, which is wholly owned by Sichuan Shuangma.

As such, each of Shanghai Zhiyi, Xizang Jinlan, Xizang Jinchuan, Chengdu Shuangma and Sichuan Shuangma is deemed to be interested in all the Shares directly held by Hexie Jinfeng by virtue of the SFO.

- (6) Image Flag is wholly owned by Tencent Holdings Limited (騰訊控股有限公司) (Stock Code: 0700.HK) (“**Tencent**”). Therefore, Tencent is deemed to be interested in all the Shares directly held by Image Flag by virtue of the SFO.
- (7) Sunshine Insurance Group Company Limited (陽光保險集團股份有限公司) (Stock Code: 6963.HK) (“**Sunshine Insurance**”) holds more than one-third of the equity interest in Sunshine Life. Therefore, Sunshine Insurance is deemed to be interested in all the Shares directly held by Sunshine Life by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above and in “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders,” our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2021, 2022 and 2023 included in the Accountant’s Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

OVERVIEW

We are an SMB finance and taxation solution provider in China. We primarily focus on serving SMBs across various growth stages and industry verticals throughout China. The consistent growth of the number of SMBs in China and their increasing demand for finance and taxation solutions over the past decades provide unparalleled opportunities for us to achieve rapid growth by catering to the underserved needs of SMBs in the realm of finance and taxation. During the Track Record Period, we generated revenue primarily from (i) SaaS-based solutions empowered by our SATP system, and (ii) non-subscription-based professional services, primarily including consultation services and matchmaking services.

We had achieved significant growth during the Track Record Period. We recorded revenue of RMB346.8 million, RMB516.0 million and RMB538.8 million in 2021, 2022 and 2023, respectively, representing a CAGR of 24.6%. Our gross margin steadily increased from 49.4% in 2021 to 52.0% in 2022, and further increased to 58.6% in 2023, evidencing our improved profitability supported by economies of scale and enhanced operating efficiency.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 14, 2021. In preparation for the [REDACTED], we underwent the Reorganization, pursuant to which our Company became the holding company of all the subsidiaries currently comprising our Group. For details, please see “History, Reorganization and Corporate Structure.” Immediately prior to and after the Reorganization, the subsidiaries now constituting our Group shared the same ultimate shareholding structure. Accordingly, our financial statements have been prepared on a consolidated basis and are presented using carrying values for all years presented.

Our historical financial information has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, except for certain financial

FINANCIAL INFORMATION

instruments measured at fair value. The preparation of historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant’s Report set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growth of SMB Finance and Taxation Solution Industry in China

We operate in China’s SMB finance and taxation solution industry. Our business expansion in the past was partially driven by the growing demand in this industry and our ability to capture opportunities in this underserved market. We expect that our financial condition and results of operations will continue to be affected by the evolving market conditions in China’s SMB finance and taxation solution industry, the growth of which is, in turn, driven by the growing number of SMBs, increasing demand for efficient external services for financial and tax compliance, government policies encouraging SMBs to seek professional financial and taxation solution and their rising demand for digitalization, automation and efficiency. According to Frost & Sullivan, the market size of China’s SMB finance and taxation solution industry has grown at a CAGR of 11.8% from RMB66.0 billion in 2018 to RMB115.1 billion in 2023. It is forecasted to grow further at a CAGR of 7.7% from 2023 to 2028, reaching RMB166.8 billion in 2028. For details, please see “Industry Overview — Market Drivers Analysis of China’s SMB Finance and Taxation Solution Industry.”

Our Ability to Reach Continuous Technological Innovations

We are the market leader in the SMB finance and taxation solution industry in China, and we build our success upon our proprietary SATP system and advanced technologies. Over the years, we invested significantly in our research and development activities to bolster the competitiveness of our solution offerings. Leveraging AI technologies such as ML and NLP, we have developed our core technological capabilities, primarily including intelligent accounting engine, OCR, RPA, and short speech recognition, leading to an SATP system that can effectively cater to customers’ diversified business needs. Our future success will largely depend on our ability to research and develop the latest technological innovations, such as generative AI, machine learning and cloud computing, and apply them to our solutions. We intend to devote more resources to improve our technological infrastructure and attract more talents. For details, please see “Business — Our Business Strategies — Increase investment in technological innovations and our SATP system upgrades to improve operational efficiency and cost-effectiveness.” These initiatives will likely increase our research and development expenses and may adversely impact our short-term results of operations. However, we believe that efforts in improving our technological capability will in the long-term drive the sales of our solutions, strengthen our leading position and create entry barriers, enabling us to achieve sustainable business growth.

FINANCIAL INFORMATION

Our Ability to Attract and Retain Customers and Improve Our ARPU

Our financial condition and results of operations largely depend on our ability to attract new customers. In particular, as we strategically focused on the provision of SaaS-based solutions, our revenue growth during the Track Record Period was primarily driven by the growing revenue from SaaS-based solutions which was, in turn, mainly attributable to the increased number of SMB customers who subscribed for our SaaS-based solutions. In addition, as we primarily focus on serving SMBs, which generally have a relatively short lifecycle, we endeavor to continue our selling and marketing efforts in customer identification and acquisition to grow our customer base. Our future growth also depends on our ability to retain existing customers. The subscription agreements we entered with our customers typically have an initial subscription period of one to two years. To maintain our customer base, it is critical that our existing customers elect to renew their subscription agreements with us upon the expiration of contract terms. Moreover, existing customers are integral to our marketing channels as we benefit from their word-of-mouth referrals. Therefore, our ability to retain existing customers is not only crucial to our short-term growth, but also important to our long-term business prospects. Over the years, our enhanced solutions, unparalleled customer services, preeminent brand recognition, all of which offered at a competitive price led to our success in maintaining a sizable customer base. We recorded a customer retention rate of 79.4% in 2023, which was higher than the industry average of 60% to 70%, according to Frost & Sullivan.

In addition to our efforts to expand and retain our customer base, we also attempt to improve our ARPU. For example, we tailor our Premium Solution Offering to serve each of our customers' unique needs and provide them with operational management services and comprehensive managerial accounting services, which significantly enhances the value of our solutions and in turn, improves our ARPU. We expect that our enlarged customer base and improved ARPU will together contribute to our business growth.

Our Ability to Manage Service Offering Mix

Our financial performance has been and will be affected by our service offering mix. Historically, we generated revenue primarily from SaaS-based solutions, and to a lesser extent, from providing professional services. Therefore, our results of operations, in particular, our gross margin, had been largely affected by the results of the SaaS-based solutions we offer. Our overall gross margin was 49.4%, 52.0% and 58.6% in 2021, 2022 and 2023, respectively, while the gross margin of our SaaS-based solutions being 54.3%, 56.2% and 60.5% for the same years, respectively. The increase in gross margin of offering SaaS-based solutions was dependent on a number of factors, including, among others, our ability to improve our operating efficiency and further refine our Premium Solution Offering to explore up-selling opportunities. Through improved cost control measures and centralized solution fulfilment under our Direct-to-Business Model, we had been able to gradually improve our operating efficiency, evidenced by our increased gross margin during the Track Record Period. Moreover, although contributing a small portion of our revenue and gross profit, we also managed to improve the gross margin of professional services during the Track Record Period. Going forward, mix of our service offerings with different gross margin level would continue to affect our overall profitability.

FINANCIAL INFORMATION

Our Ability to Control Cost and Operating Expenses

During the Track Record Period, labor costs represented the largest component of our cost of revenue. We embrace the transformative technological innovations in finance and taxation solutions industry, such as AI technologies, cloud computing and big data analytics. Our grasp of these technological advances enabled us to improve the efficiency of our SaaS-based solutions by optimizing task processing algorithms and improving parallel processing mechanisms, led to the provision of scalable services with minimum level of manual intervention. Attributable to the improved efficiency of our SaaS-based solutions, our labor costs represented a continuously decreased percentage of our total revenue, accounted for 39.9%, 38.8% and 33.2% of our total revenue in 2021, 2022 and 2023, respectively. As we continue to upgrade and refine our SaaS-based solutions, we expect to manage our labor costs more effectively and achieve sustainable revenue growth with limited incremental costs.

The table below sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuation in labor costs on our gross profit for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
+15%	(20,748)	(12%)	(29,992)	(11%)	(26,790)	(8%)
+10%	(13,832)	(8%)	(19,995)	(7%)	(17,860)	(6%)
+5%	(6,916)	(4%)	(9,997)	(4%)	(8,930)	(3%)
-5%	6,916	4%	9,997	4%	8,930	3%
-10%	13,832	8%	19,995	7%	17,860	6%
-15%	20,748	12%	29,992	11%	26,790	8%

During the Track Record Period, personnel expenses represented the largest component of our operating expenses. Our total personal expenses, which includes personnel expenses recorded in selling and marketing expenses, general and administrative expense as well as research and development expenses, accounted for 135.6%, 87.9% and 79.5% of our revenue in 2021, 2022 and 2023, respectively. The decrease in our personnel expenses during the Track Record Period was generally in line with the decrease of our headcount.

FINANCIAL INFORMATION

The table below sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuation in personnel expenses on our loss before income tax for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	Change in loss before income tax	% change in loss before income tax	Change in loss before income tax	% change in loss before income tax	Change in loss before income tax	% change in loss before income tax
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
+15%	(70,546)	(10%)	(68,008)	(13%)	(64,259)	(21%)
+10%	(47,030)	(7%)	(45,338)	(9%)	(42,839)	(14%)
+5%	(23,515)	(3%)	(22,669)	(4%)	(21,420)	(7%)
-5%	23,515	3%	22,669	4%	21,420	7%
-10%	47,030	7%	45,338	9%	42,839	14%
-15%	70,546	10%	68,008	13%	64,259	21%

We anticipate that labor costs will persist as the primary element of our cost of revenue, paralleling personnel expenses in operating expenses. Both factors may substantially impact our future profitability. We will proactively improve our ability to control labor costs and personnel expenses to support our sustainable growth.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe to be critically important to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are disclosed in further detail in Notes 2 and 4 to the Accountant’s Report set out in Appendix I to this document.

FINANCIAL INFORMATION

Revenue Recognition

We recognize revenue when or as the control of the goods or services is transferred to our customer. Depending on the terms of the contracts and the laws applicable to the contracts, control of the goods and services may be transferred over time or at a certain point. Control of the goods and services is transferred over time if our performance:

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

If control of the goods and services transfers over time, we recognize revenue over the term of the contracts by reference to the progress towards complete satisfaction of our performance obligation thereunder. Otherwise, we recognize revenue at certain point when the customer obtains control of the goods and services.

Contracts with customers may include multiple obligations to be performed by us. For such contracts, we allocate revenue to each performance obligation based on its standalone selling price. We generally determine the relevant standalone selling price based on standard price list, taking into consideration market conditions and its overall pricing strategy.

When either party to a contract has performed its obligations thereunder, we present the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. If the passage of time is the only element required before payment of the consideration is due, then we have an unconditional right to consideration and a receivable is therefore recorded.

A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from our customer unconditionally. If a customer pays the consideration or if we are granted the unconditional right to a consideration before we transfer the goods or services to the customer, we present the contract liability in our consolidated statements of financial position when the payment is made or a receivable is recorded, whichever is earlier.

We mainly derive revenue from (i) solutions empowered by our SATP system, and (ii) professional services, primarily including consultation services and matchmaking services.

FINANCIAL INFORMATION

SaaS-based Solutions Provided to SMBs

We charge subscription fees for providing SaaS-based solutions to SMBs.

Under our SaaS-based solutions, our deliverables to SMBs include, among others, bookkeeping and tax filing results, which are normally delivered to customers on a monthly basis. We enter into contracts with SMB customers that can include a combination of services. The services are accounted for as separate performance obligations if they are distinct and not highly dependent on each other. The transaction price is the price after discount and is a fixed amount upon signing the contract. The transaction price for a single contract is allocated to each separate performance obligation thereunder based on the relevant standalone selling price of the products or services. We generally recognize revenue at the time when the deliverables are provided to the customers, which are normally on a monthly basis during the contract term.

SaaS-based Solutions Provided to Regional Partners

We charge our regional partners service fees for access to our SaaS-based solutions. We generally recognize revenue ratably over the term of our licensing agreements with regional partners, which do not contain refund provisions.

Professional Services

Professional services primarily include consultation services and matchmaking services.

Our consultation services mainly include business registration, qualification-related and other offline services. We recognize revenue upon delivery of related results.

Matchmaking services represent our services to online service providers for recommending SMBs in need to online marketplaces for matchmaking with suitable enterprise service providers. We recognize revenue upon confirmation of successful referral.

Incremental Costs of Obtaining Customer Contract

Sales commissions paid to our sales and marketing staff are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial and renewal contracts are deferred and then amortized on a straight-line basis over a period of benefit. We have estimated the period of benefit to be three to four years for initial contracts and one to two years for renewal contracts. In arriving at this estimated period of benefit, we periodically evaluated both qualitative and quantitative factors which include the estimated life cycles of offerings and customers attrition. We amortize capitalized costs to our sales and marketing staff over the estimated customer life for initial contracts, and over the contract term for renewal contracts. Amortization expenses of capitalized cost of obtaining customer contracts are included in the selling and marketing expenses on the consolidated statements of comprehensive loss. We also assess whether the carrying amount of contract acquisition cost has exceeded the remaining amount of consideration that we expect to receive, less that costs that relate directly to providing those goods or services that have not been recognized as expenses.

FINANCIAL INFORMATION

Redeemable Convertible Preferred Shares

Redeemable convertible preferred shares issued by our Company are redeemable upon the occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary Shares at any time at the option of the holders or automatically upon occurrence of a qualified [REDACTED] of our Company or agreed upon by the majority of the voting powers as detailed in Note 31 to the Accountant's Report set out in Appendix I to this document.

We designated the redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are expensed as incurred. Subsequently, we recognize the component of fair value changes relating to our Company's own credit risk in other comprehensive income or loss. Amounts recorded in other comprehensive income or loss related to credit risk are not subject to recycling in profit or loss, but are transferred to retaining earnings when realized. We recognize other fair value change relating to market risk in the consolidated statements of comprehensive loss.

Redeemable convertible preferred shares are classified as non-current liabilities until the shareholders of such redeemable convertible preferred shares can demand our Company to redeem the redeemable convertible preferred shares within 12 months after the end of the reporting period.

Share-based Payments

We recognize the fair value of the services received in exchange for the grant of the equity instruments as an expense in the consolidated statements of comprehensive loss with a corresponding increase in equity. We determine the total amount to be expensed by reference to the fair value of the options or restricted shares granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

We recognize the total expense over the vesting period, being the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, we revise our estimates of the number of options or restricted shares that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, our Company issues new ordinary Shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

FINANCIAL INFORMATION

Critical Accounting Estimates and Judgements

We continually evaluate estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair Value of Redeemable Convertible Preferred Shares and Warrants

The redeemable convertible preferred shares and warrants issued by our Company are not traded in an active market and the respective fair value is determined by using valuation techniques. Our Directors have used the discounted cash flow method to determine the underlying equity value of our Company and adopted equity allocation model to determine the fair value of the redeemable convertible preferred shares. Our Directors have used the Black Scholes Model to determine the fair value of warrants. For details, please see Notes 31 and 32 to the Accountant’s Report set out in Appendix I to this document.

Recognition of Share-based Payments Expenses

We have granted share options and restricted shares to our employees. Our Directors have used the binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Our Directors are required to make significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, in applying the binomial option-pricing model.

Our Directors estimate the expected yearly percentage of grantees that will stay within our Group and meet the non-market performance conditions at the end of the vesting periods of the share options and restricted shares (the “**Expected Retention Rate**”) in order to determine the amount of share-based payments expenses charged to the consolidated statements of comprehensive loss. We estimate the Expected Retention Rate based on historical pattern of retentions and management’s best estimates.

Period of Benefit for Incremental Costs of Obtaining Customer Contract

Sales commissions for initial and renewal contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have estimated to be one to four years.

FINANCIAL INFORMATION

Our Directors estimate the period of benefit considering both qualitative and quantitative factors which include the estimated life cycles of offerings, commission rate for initial and renewal contracts and customers attrition. Our Directors have determined that for initial contracts, the period of benefit for capitalized costs paid to our sales and marketing staff is customer life, while for renewal contracts, the period of benefit should be the contract term.

Allocation of Selling Price of Each Distinct Performance Obligation

Our contracts with customers may include multiple performance obligations. We allocate revenue to each performance obligation based on their relative standalone selling price if we consider each of the performance obligation to be distinct and not dependent on each other. We generally determine the relevant standalone selling price based on its standard price list, taking into consideration of market conditions and our overall pricing strategy.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

The table below sets forth consolidated statement of comprehensive loss items for the years presented:

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Revenue	346,819	515,962	538,754
Cost of revenue	<u>(175,522)</u>	<u>(247,723)</u>	<u>(223,213)</u>
Gross profit	171,297	268,239	315,541
Selling and marketing expenses	(363,673)	(380,832)	(302,667)
General and administrative expenses	(163,212)	(116,441)	(154,508)
Research and development expenses	(69,878)	(85,824)	(104,557)
Net impairment losses on financial assets	(61)	(38)	(236)
Other income	1,111	2,727	2,605
Other gains/(losses), net	<u>601</u>	<u>(15,871)</u>	<u>(1,871)</u>
Operating loss	<u>(423,815)</u>	<u>(328,040)</u>	<u>(245,693)</u>
Finance income	1,198	1,241	1,321
Finance costs	<u>(6,967)</u>	<u>(9,846)</u>	<u>(5,536)</u>
Finance costs, net	<u>(5,769)</u>	<u>(8,605)</u>	<u>(4,215)</u>
Fair value changes of redeemable convertible preferred shares	(252,312)	(169,313)	(51,938)
Fair value changes of warrant liability	<u>(1,090)</u>	<u>175</u>	<u>—</u>
Loss before income tax	<u>(682,986)</u>	<u>(505,783)</u>	<u>(301,846)</u>
Income tax expense	<u>(1)</u>	<u>—</u>	<u>—</u>
Loss for the year	<u><u>(682,987)</u></u>	<u><u>(505,783)</u></u>	<u><u>(301,846)</u></u>

FINANCIAL INFORMATION

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>		
Loss attributable to:			
— Owners of the Company	(668,151)	(499,910)	(296,103)
— Non-controlling interests	(14,836)	(5,873)	(5,743)
	(682,987)	(505,783)	(301,846)
Total comprehensive loss attributable to:			
— Owners of the Company	(624,622)	(672,541)	(393,248)
— Non-controlling interests	(14,836)	(5,873)	(5,743)
	(639,458)	(678,414)	(398,991)
Non-IFRS measures			
Adjusted net loss	(393,694)	(300,702)	(116,612)
Adjusted EBITDA	(343,875)	(207,558)	(34,148)

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS Accounting Standards, we also use adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe that such non-IFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items that our management does not consider to be recurring in nature or indicative of our operating performance. We believe that such measures provide 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 the adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

Adjusted Net Loss and Adjusted EBITDA (Non-IFRS Measure)

We define adjusted net loss (non-IFRS measure) as loss for the year adjusted by adding back share-based payments, fair value changes of redeemable convertible preferred shares and fair value changes of warrant liability, and define adjusted EBITDA (non-IFRS measure) as adjusted net loss (non-IFRS measure) adjusted by adding back income tax expense, depreciation and amortization, and net finance costs.

FINANCIAL INFORMATION

The table below reconciles our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) presented to the most directly comparable financial measure calculated and presented in accordance with IFRS Accounting Standards, for the years presented.

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Loss for the year	(682,987)	(505,783)	(301,846)
<i>Add:</i>			
Share-based payments ⁽¹⁾	35,891	35,943	107,976
Fair value changes of redeemable convertible preferred shares ⁽²⁾	252,312	169,313	51,938
Fair value changes of warrant liability ⁽³⁾	1,090	(175)	—
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted net loss	<u>(393,694)</u>	<u>(300,702)</u>	<u>(116,612)</u>
<i>Add:</i>			
Income tax expense	1	—	—
Depreciation and amortization	45,943	86,350	79,769
Finance costs, net ⁽⁴⁾	<u>3,875</u>	<u>6,794</u>	<u>2,695</u>
Adjusted EBITDA	<u>(343,875)</u>	<u>(207,558)</u>	<u>(34,148)</u>

Notes:

- (1) Share-based payments consist of (i) share-based payments relating to the [REDACTED] Share Options we offered to employees and directors of our Company and its affiliates, and (ii) restricted shares granted to certain management in connection with the acquisitions of customer service agreements from other market participants, which are accounted for as asset acquisitions in accordance with the applicable accounting guidance. For details, please see Note 26 to the Accountant’s Report set out in Appendix I to this document.
- (2) Fair value changes of redeemable convertible preferred shares arise primarily from the changes in the carrying amount of our redeemable convertible preferred shares. These fair value changes are non-cash in nature. Upon completion of the [REDACTED], such redeemable convertible preferred shares will be automatically converted into ordinary Shares of our Company and no fair value change will be recorded. For details, please see Note 31 to the Accountant’s Report set out in Appendix I to this document and “— Critical Accounting Policies and Estimates — Redeemable Convertible Preferred Shares.”
- (3) Fair value changes of warrant liability arise primarily from the changes in the carrying amount of the warrants issued by us to certain early investors of our Group, pursuant to the terms of which the relevant investors may exercise the warrants to acquire certain preferred shares of Huisuanzhang Holding under certain events. Subsequently, the relevant investors exercised their warrants and their beneficial interests in Huisuanzhang Holding were flipped down to our Company in connection with the Reorganization. For details, please see “History, Reorganization and Corporate Structure — Reorganization — Offshore Reorganization — Flip-down of Shareholding to Our Company” and “History, Reorganization and Corporate Structure — Capitalization of Our Company.” As of December 31, 2022, all aforementioned warrants had been fully exercised. For details, please see Note 32 to the Accountant’s Report set out in Appendix I to this document.
- (4) Represents net finance costs, excluding bank charges.

FINANCIAL INFORMATION

Revenue

During the Track Record Period, we generated revenue primarily from SaaS-based solutions and professional services. For details, please see “Business — Our Business Model.”

The table below sets forth a breakdown of our revenue by business segment and type of customers for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
SaaS-based solutions						
SMBs	242,991	70.1	393,712	76.3	413,822	76.8
Regional partners	65,594	18.9	58,904	11.4	50,130	9.3
Sub-total	308,585	89.0	452,616	87.7	463,952	86.1
Professional services						
Consultation services	38,234	11.0	49,068	9.5	53,279	9.9
Matchmaking services	—	—	14,278	2.8	21,523	4.0
Sub-total	38,234	11.0	63,346	12.3	74,802	13.9
Total	346,819	100.0	515,962	100.0	538,754	100.0

Revenue from SaaS-based Solutions

Our core business is anchored in developing and offering innovative solutions, primarily through our proprietary SATP system. This system is designed to tackle the long-standing challenges that SMBs face in the realm of finance and taxation. We employ two strategic models, the Direct-to-Business Model and the Licensing Model, to provide appropriate solutions for SMBs and regional partners, respectively. For details, please see “Business — Our Business Model — Our SaaS-Based Solutions: Harnessing the Power of Technology.”

Our revenue generated from SaaS-based solutions amounted to RMB308.6 million, RMB452.6 million and RMB464.0 million in 2021, 2022 and 2023, respectively, accounted for 89.0%, 87.7% and 86.1% of our total revenue for the same years, respectively. Revenue from our SaaS-based solutions was primarily contributed by SMB customers, and to a lesser extent, our regional partners, of which the relative revenue contribution decreased throughout the Track Record Period. The continuous increase of our revenue generated from SaaS-based solutions during the Track Record Period was mainly due to acquisition of new SMB customers and increased subscription of our SaaS-based solutions by existing SMB customers. We expect SaaS-based solutions to continue contributing to the vast majority of our revenue going forward. For details, please see “— Year to Year Comparison of Results of Operations.”

FINANCIAL INFORMATION

Revenue from professional services

We also generate revenue from a variety of professional services, primarily consisting of (i) consultation services, including business registration and qualification-related services, and (ii) matchmaking services. For details, please see “Business — Our Business Model — Our Professional Services: Meeting Diverse Business Needs.”

Our revenue generated from professional services amounted to RMB38.2 million, RMB63.3 million and RMB74.8 million in 2021, 2022 and 2023, respectively, which accounted for 11.0%, 12.3% and 13.9% of our total revenue for the same years, respectively. The continuous increase during the Track Record Period was primarily due to customers’ growing demand for our professional services and our commencement of matchmaking services. For details, please see “— Year to Year Comparison of Results of Operations.”

Cost of Revenue

Our cost of revenue presents direct costs associated with our service offerings, which is comprised of (i) labor costs, representing salaries, benefits, bonuses and share-based payments relating to our fulfilment team and fees paid to third-party human resource service providers for our outsourced work directly associated with our service offerings, (ii) depreciation and amortization, primarily related to depreciation of right-of-use assets, (iii) service costs charged by third-party service providers for supportive and *ad hoc* services, (iv) travelling and office expenses mainly incurred by our fulfilment team, and (v) other costs and expenses, mainly representing costs for data processing and storage capabilities from cloud providers.

The table below sets forth a breakdown of our cost of revenue by nature, in absolute amounts and percentage of revenue, for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	<i>(RMB'000)</i>	<i>% of revenue</i>	<i>(RMB'000)</i>	<i>% of revenue</i>	<i>(RMB'000)</i>	<i>% of revenue</i>
Labor costs	138,323	39.9	199,946	38.8	178,599	33.2
Depreciation and amortization	10,653	3.1	16,831	3.3	17,272	3.2
Service costs	9,946	2.9	14,109	2.7	10,767	2.0
Travelling and office expenses	7,155	2.1	11,570	2.2	11,774	2.2
Others	9,445	2.6	5,267	1.0	4,801	0.8
Total	<u>175,522</u>	<u>50.6</u>	<u>247,723</u>	<u>48.0</u>	<u>223,213</u>	<u>41.4</u>

Our cost of revenue increased from 2021 to 2022, primarily driven by its largest component, labor costs. To accommodate our growing customer base, we had expanded our fulfilment capacity both internally and via independent third party, resulting in rising labor costs. As we continue to upgrade and refine our SaaS-based solutions, the improved efficiency of our AI-augmented SATP system allows us to focus our internal resources on technical or specialized tasks that require accounting and tax expertise, and outsource labor-intensive and standardized fulfilment functions

FINANCIAL INFORMATION

so that we can operate more cost-effectively. As a result, the scale of our in-house fulfilment team remained relatively stable in 2021 and 2022, and the increase in our labor costs in 2022 was mainly attributable to the rising service fees paid to third-party human resource service providers. For details, please see “Business — Employees — Labor Outsourcing Arrangement.” We endeavor to improve our efficiency by leveraging technology development so we could rely less on human labor. Such strategy proved to be successful in controlling our cost of revenue, evidenced by the fact that our labor costs decreased from RMB199.9 million in 2022 to RMB178.6 million in 2023, leading to decreased cost of revenue during the same years.

It is noteworthy that our labor costs, as a percentage of revenue, decreased during the Track Record Period, indicating that our revenue growth outpaced the increase in labor costs. This testifies to the fact that our SaaS-based solutions, which are primarily supported by our advanced SATP system rather than labor-intensive manual intervention, allow us to adopt the two-tiered fulfilment approach so that we can maintain a high standard when serving our customers without incurring proportionate labor costs.

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit and gross margin by offering type for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
SaaS-based solutions						
SMBs	113,636	46.8	210,898	53.6	242,394	58.6
Regional partners	53,844	82.1	43,347	73.6	38,172	76.1
Sub-total	167,480	54.3	254,245	56.2	280,566	60.5
Professional services						
Consultation services	3,817	10.0	(188)	(0.4)	13,452	25.2
Matchmaking services	—	—	14,182	N/A ⁽¹⁾	21,523	N/A ⁽¹⁾
Sub-total	3,817	10.0	13,994	22.1	34,975	46.8
Total	171,297	49.4	268,239	52.0	315,541	58.6

Note:

(1) The gross margin of matchmaking services is not indicative as our service fees on such services are recognized on net basis.

FINANCIAL INFORMATION

During the Track Record Period, our SaaS-based solutions contributed substantially to all of our gross profit. As a result, our overall gross margin was heavily influenced by the gross margin of our SaaS-based solutions, which consistently demonstrated growth throughout the period. This can be attributed to the fact that our standard SaaS-based solutions generate recurring subscription revenue with minimal incremental costs.

The gross margin of our SaaS-based solutions offered to SMB customers under Direct-to-Business Model was lower than that offered to regional partners under Licensing Model, mainly due to fulfilment costs associated with dedicated accounting and tax professionals who employ SATP system for SMB customers. Under Direct-to-Business Model, we interact with our SMB customers directly throughout the whole service process and therefore need to maintain an efficient solution fulfilment team and a responsive customer service system, resulting in more cost of revenue. However, despite lower gross margin, Direct-to-Business Model enables us to build close relationship with SMB customers, provides observations of local market and improves our brand exposure, all of which can assist us to explore the potential of upselling opportunities and contribute to our sustainable growth.

The gross margin of professional services improved significantly from 10.0% in 2021 to 22.1% in 2022, and further to 46.8% in 2023, primarily due to the matchmaking services we launched in April 2022, the revenue of which was recognized on net basis. We recommend online service providers to SMBs by leveraging the abundant parameters we accumulated during our usual course of business, and therefore are able to generate revenue without incurring significant incremental costs.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) personnel expenses, representing salaries, benefits, bonuses and share-based payments relating to our sales and marketing staff and service fees for certain preliminary sales and marketing activities we outsourced, (ii) depreciation and amortization, primarily related to amortization of intangible assets acquired and depreciation of right-of-use assets, (iii) travelling and office expenses incurred by our sales and marketing staff, (iv) marketing expenses relating to our sales and marketing activities, and (v) other expenses, mainly representing communication costs incurred by our sales and marketing staff.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our selling and marketing expenses for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Personnel expenses	282,473	77.7	285,088	74.9	220,032	72.7
Depreciation and amortization	24,030	6.6	58,232	15.3	53,757	17.8
Travelling and office expenses	16,227	4.5	17,780	4.7	17,154	5.7
Marketing expenses	32,864	9.0	13,615	3.6	6,258	2.1
Others	8,079	2.2	6,117	1.5	5,466	1.7
Total	<u>363,673</u>	<u>100.0</u>	<u>380,832</u>	<u>100.0</u>	<u>302,667</u>	<u>100.0</u>

Our selling and marketing expenses were relatively higher in 2021 and 2022, primarily due to more personnel expenses incurred to support our growth strategy and the adoption of [REDACTED] Share Option Plan. However, starting from 2021, we have sought to operate in a cost-effective manner by outsourcing routine and repetitive marketing activities to third-party human resource service providers. We further refined our marketing strategy to focus more on the cost-effective customer referral program and gradually downsized our in-house sales and marketing team. As a result, the amount of our personnel expenses in 2023 decreased as compared to that in 2022. Our personnel expenses have represented a decreased percentage of our revenue since 2021, evidencing the effectiveness of our optimized customer acquisition and retention strategy.

The increase in depreciation and amortization from 2021 to 2022 was mainly attributable to increased amortization of customer relationships, which we acquired through the acquisitions of customer service agreements from other market participants, for the purpose of expanding our business presence swiftly and excavating the potential for upselling opportunities, especially in non-top tier cities. The customer relationships acquired are amortized over their estimated useful lives using the straight-line method, reflecting the pattern in which the intangible assets’ future economic benefits are expected to be consumed. For details, please see Notes 15 and 30 to the Accountant’s Report set out in Appendix I to this document. The decrease in depreciation and amortization from 2022 to 2023 was driven by the decrease in right-of-use assets. We ceased to renew certain lease contracts which expired in 2023, catering to the needs of our downsized sales and marketing team.

The decrease in marketing expenses during the Track Record Period was primarily due to our initiative on advertising through online channels. We have leveraged search engine optimization, pay-per-click advertising and social media marketing to increase our digital visibility and therefore incurred relatively higher marketing expenses in 2021. By analyzing the performance of our online marketing efforts, we constantly refine and optimize our advertising strategy, leading to a more refined and effective tactic implemented in 2022 and 2023. For details, please see “Business — Marketing and Promotion — Customer Outreach and Acquisition.” In addition, our marketing strategy in 2023 focused on our customer referral program, which was effective and cost efficient, and our spending on marketing efforts decreased correspondingly.

FINANCIAL INFORMATION

The decrease in other expenses was mainly driven by our spending on communication, and was generally consistent with the decreased scale of our sales and marketing team. As we gradually reduced our sales and marketing team size, the communication costs decreased correspondingly, resulting in continuing decrease in other expenses.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) personnel expenses, representing salaries, benefits, bonuses and share-based payments relating to our management and administrative staff and service fees for outsourced supporting services, (ii) professional fees, representing costs associated with consulting and professional services, (iii) depreciation and amortization associated with our managerial and administrative activities, (iv) travelling and office expenses incurred by our management and administrative staff, and (v) other expenses, mainly representing recruitment expenses and IT infrastructure costs associated with our management and administrative staff.

The table below sets forth a breakdown of our general and administrative expenses for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Personnel expenses	130,020	79.7	92,977	79.8	111,349	72.1
Professional fees	11,623	7.1	8,418	7.2	31,473	20.4
Depreciation and amortization	8,949	5.5	7,564	6.5	6,176	4.0
Travelling and office expenses	4,351	2.7	2,743	2.4	2,909	1.9
Others	8,269	5.0	4,739	4.1	2,601	1.6
Total	<u>163,212</u>	<u>100.0</u>	<u>116,441</u>	<u>100.0</u>	<u>154,508</u>	<u>100.0</u>

Our general and administrative expenses fluctuated during the Track Record Period, primarily due to the fluctuations in personnel expenses and professional fees.

We managed to reduce our personnel expenses in 2022 as compared to that in 2021 by optimizing our organizational structure, reducing our headcount and outsourcing supporting services to third-party human resource service providers. Our personnel expenses increased from 2022 to 2023, primarily because the [REDACTED] Share Options granted to certain management members became vested in 2023.

The fluctuation in our professional fees mainly relates to consulting and professional services associated with the progress of the [REDACTED], our Reorganization and our engagement of a third-party consultant for the enhancement of our fulfilment efficiency. We incurred most professional fees in 2023 during the Track Record Period as we started to prepare for the [REDACTED] and engaged third party professional service providers to assist with the process. We also incurred significant amount of professional services fees in 2021 as we completed a

FINANCIAL INFORMATION

substantial portion of our plan for Reorganization and engaged a consultant for the enhancement of fulfilment efficiency during that year. We incurred RMB1.9 million to such consultant in 2021, who is an Independent Third Party service provider engaged in the provision of strategy consulting services.

The decrease in other expenses from 2021 to 2022 was mainly driven by our spending on recruitment, which decreased by RMB4.6 million in 2022 as compared to that in 2021, as we gradually reduced the headcount of our management team in 2022, resulting in decreased recruitment expenses. The decrease in other expenses from 2022 to 2023 was mainly caused by our less spending on internet services. As we ceased to renew certain lease contracts which expired in 2023, we downsized the coverage of internet services and the relevant expenses decreased correspondingly.

For details, please see “— Year to Year Comparison of Results of Operations.”

Research and Development Expenses

Our research and development expenses consist primarily of (i) personnel expenses, mainly representing salaries, benefits, bonuses and share-based payments relation to our research and development staff, (ii) technical service fees, primarily including fees paid for purchasing servers to support our research and development of RPA, (iii) depreciation and amortization associated with our research and development activities, (iv) travelling and office expenses incurred by our research and development staff, and (v) others.

The following table sets forth a breakdown of research and development expenses for the years presented:

	Year ended December 31,					
	2021		2022		2023	
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Personnel expenses	57,812	82.7	75,319	87.8	97,008	92.8
Technical service fees	8,280	11.8	4,929	5.7	3,706	3.5
Depreciation and amortization	2,311	3.3	3,723	4.3	2,564	2.5
Travelling and office expenses	1,230	1.8	1,388	1.6	960	0.9
Others	245	0.4	465	0.6	319	0.3
Total	69,878	100.0	85,824	100.0	104,557	100.0

Our research and development expenses continuously increased during the Track Record Period, primarily due to the increase in personnel expenses. We hired additional research and development personnel to support our continuous technological innovations in 2022. The adoption of our [REDACTED] Share Option Plan also contributed to increased personnel expenses from 2021 to 2022. Our personnel expenses continued to increase in 2023 because the [REDACTED] Share Options granted to certain members of our research and development team became vested in 2023.

FINANCIAL INFORMATION

The increase in our research and development expenses was partially offset by the decrease in technical service fees, primarily because we purchased servers for our research and development of RPA in 2021. As the research and development of our RPA has entered a stable period, we only incurred maintenance costs in 2022 and 2023.

For details, please see “— Year to Year Comparison of Results of Operations.”

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily relate to impairment on trade receivables and other receivables. We recorded net impairment losses on financial assets of RMB61.0 thousand, RMB38.0 thousand and RMB236.0 thousand in 2021, 2022 and 2023, respectively. We determine the provision for impairment of trade receivables and other receivables on a forward-looking basis and the expected lifetime losses are recognized from initial recognition of the assets by credit risks of our customers in accordance with IFRS 9. For details, please see Note 3 to the Accountant’s Report set out in Appendix I to this document.

Other Income

Our other income primarily consists of (i) government grants, representing non-recurring financial subsidies from local governments in the PRC, (ii) additional deductible input tax, and (iii) others.

The following table sets forth a breakdown of our other income for the years presented:

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB’000)</i>	
Government grants	407	1,592	2,119
Additional deductible input tax	584	570	252
Others	120	565	234
Total	1,111	2,727	2,605

Net Other Gains or Losses

Our net other gains or losses consist primarily of (i) net fair value gains on financial assets at fair value through profit or loss relating to the financial products we purchased, (ii) fair value losses on foreign exchange forward contracts, and (iii) others.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our net other gains or losses for the years presented:

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Net fair value gains on financial assets at fair value through profit or loss	147	27	—
Fair value losses on foreign exchange forward contracts	—	(17,456)	(1,091)
Others	454	1,558	(780)
Total	601	(15,871)	(1,871)

We recorded net other losses in 2022 and 2023, primarily due to fair value losses on foreign exchange forward contracts resulting from the fluctuated foreign exchange rates. As the consideration for several rounds of [REDACTED] Investments were settled in U.S. dollars, we entered into foreign exchange forward contracts with the intention to fix a foreign exchange rate that we consider to be in our favor. However, U.S. dollar has risen to a strong position since 2022, thus we recorded fair value losses in line with the fluctuated foreign exchange rate.

Finance Income and Costs

Our finance income consists of interest income on our bank deposits. Our finance costs mainly comprise (i) our interest expenses on borrowings, (ii) bank charges for general banking services, and (iii) interest on lease liabilities, representing interest recognized in accordance with IFRS 16 in association with our leased liabilities.

The table below sets forth a breakdown of our finance income and costs for the years presented:

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Finance income			
Interest income	1,198	1,241	1,321
Finance costs			
Interest expenses on borrowings ⁽¹⁾	(1,738)	(4,675)	(1,904)
Bank charges	(1,894)	(1,811)	(1,520)
Interest expenses on lease liabilities	(3,335)	(3,360)	(2,112)
	(6,967)	(9,846)	(5,536)
Total	(5,769)	(8,605)	(4,215)

Note:

(1) During the Track Record Period, interest expenses on borrowings mainly represented expenses charged by a related party for the use of its funds. For details, please see Note 35 and Note 37 to the Accountant’s Report set out in Appendix I to this document.

FINANCIAL INFORMATION

Fair Value Changes of Redeemable Convertible Preferred Shares

Our fair value changes of redeemable convertible preferred shares arise primarily from the changes in the carrying amount of our redeemable convertible preferred shares. Prior to the [REDACTED], such redeemable convertible preferred shares have not been traded in an active market and their value at each respective reporting date is determined using valuation techniques. Our Directors have used the discounted cash flow method to determine the underlying equity value of our Company, and adopted equity allocation model to determine the fair value of such redeemable convertible preferred shares.

We had fair value losses of redeemable convertible preferred shares of RMB252.3 million, RMB169.3 million and RMB51.9 million in 2021, 2022 and 2023, respectively. All redeemable convertible preferred shares will be automatically converted to our Shares upon the [REDACTED], and we will no longer recognize fair value changes thereof. For more details, please see “History, Reorganization and Corporate Structure — [REDACTED] Investments — Special Rights of the [REDACTED] Investors” and Note 31 to the Accountant’s Report set out in Appendix I to this document.

Fair Value Changes of Warrant Liability

Our fair value changes of warrant liability arise primarily from the changes in the carrying amount of the warrants issued by us to certain early investors of our Group, pursuant to the terms of which the relevant investors may exercise the warrants to acquire certain shares of Huisuanzhang Holding under certain events. Subsequently, the relevant investors exercised their warrants and their beneficial interests in Huisuanzhang Holding were flipped down to our Company in connection with the Reorganization. As a result, holders of the warrants were issued a certain number of our Preferred Shares or ordinary Shares. We recorded fair value losses of warrant liability of RMB1.1 million in 2021 and fair value gains of warrant liability of RMB0.2 million in 2022, primarily due to a decrease in warrant liability resulting from the exercise of warrants by certain of the foregoing investors and fluctuations in foreign exchange rate. As of December 31, 2022, all warrants had been fully exercised. For details, please see Note 32 to the Accountant’s Report set out in Appendix I to this document. As such, we did not record any fair value changes of warrant liability in 2023.

Income Tax Expense

We did not incur any income tax expense in 2022 and 2023, as we recorded loss before income tax for the same years. However, in 2021, though we still recorded loss before income tax, we incurred income tax expense as a result of taxable profit recorded by certain subsidiaries.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and the PRC.

FINANCIAL INFORMATION

Cayman Islands

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong’s two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2.0 million.

PRC

Our subsidiaries incorporated in China are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was last amended on December 29, 2018, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

Loss for the Year

Our loss for the year amounted to RMB683.0 million, RMB505.8 million and RMB301.8 million in 2021, 2022 and 2023, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by RMB22.8 million, or 4.4%, to RMB538.8 million in 2023 from RMB516.0 million in 2022.

SaaS-based Solutions

Revenue from SaaS-based solutions increased by RMB11.4 million, or 2.5%, to RMB464.0 million in 2023 from RMB452.6 million in 2022, primarily due to an increase of RMB20.1 million generated by SaaS-based solutions offered to SMB customers, and was partially offset by a decrease of RMB8.8 million in revenue generated by SaaS-based solutions offered to regional partners.

FINANCIAL INFORMATION

- *SaaS-based Solutions offered to SMB Customers*

Revenue from SaaS-based solutions offered to SMB customers increased from RMB393.7 million in 2022 to RMB413.8 million in 2023, mainly driven by our refined SaaS-based solutions, enabling us to explore up-selling opportunities and achieve increased ARPU for our existing customers.

The ARPU of our SaaS-based solutions increased from RMB1,858 in 2022 to RMB1,960 in 2023, which was mainly due to (i) less promotional offerings with relatively lower prices since 2022, as we focused more on attracting new customers through customer referral program; and (ii) the upgraded SaaS-based solutions to cover diverse demands arising from SMBs’ business management.

- *SaaS-based Solutions offered to Regional Partners*

Revenue from SaaS-based solutions offered to regional partners decreased from RMB58.9 million in 2022 to RMB50.1 million in 2023, mainly due to our evolving growth strategy and the impact of macroeconomic conditions. SMBs faced unusual challenges since 2022. According to Frost & Sullivan, the number of newly-registered SMBs had continued to decrease since the beginning of 2022 and a large portion of existing SMBs ceased their operations. As a result, certain of our regional partners and us both face challenges in retaining their existing customers or acquiring new customers.

Although our own sales and marketing efforts towards SMB customers are under pressure, we managed to leverage the advantages of our Direct-to-Business Model to acquire SMB customers and retain existing SMB customers to excavate more upselling opportunities. Unlike us, some regional partners lack effective measures to address challenges posed by macroeconomic conditions, and their capability to renew their licensing agreements with us is consequently affected. Therefore, we focused on leveraging the advantages of our Direct-to-Business Model to acquire SMB customers through our own sales and marketing efforts and retain existing SMB customers to excavate more upselling opportunities.

Professional services

Revenue from professional services increased by RMB11.5 million, or 18.2%, to RMB74.8 million in 2023 from RMB63.3 million in 2022, due to increased services fees of RMB4.2 million from consultation services and increased services fees of RMB7.2 million from matchmaking services.

- *Consultation Services*

Revenue from consultation services increased to RMB53.3 million in 2023 from RMB49.1 million in 2022, mainly due to growing customer demand.

FINANCIAL INFORMATION

- *Matchmaking Services*

Revenue from matchmaking services increased to RMB21.5 million in 2023 from RMB14.3 million in 2022. We launched matchmaking services in April 2022 and therefore only recorded limited revenue in 2022. With our deep insight in the business need of SMBs and the abundant parameters we accumulated from our engagement with SMBs, our matchmaking services had been well received by SMBs, resulting in continuous growth of our matchmaking services.

Cost of Revenue

Our cost of revenue decreased by RMB24.5 million, or 9.9%, to RMB223.2 million in 2023 from RMB247.7 million in 2022. The decrease was primarily due to a decrease of RMB21.3 million in labor costs, which was mainly attributable to our downsized in-house fulfilment team. We endeavor to improve our efficiency by leveraging technology development to continuously upgrade and refine our SaaS-based solutions. The improved efficiency of our AI-augmented SATP system allows us to focus our internal resources on technical or specialized tasks that require accounting and tax expertise, and outsource labor-intensive and standardized fulfilment functions so that we can operate more cost-effectively. As a result, we downsized the scale of our in-house fulfilment team and managed to serve our enlarged customer base without incurring proportionately increased labor costs.

Gross Profit and Gross Margin

As a result of foregoing, our gross profit increased by RMB47.3 million, or 17.6%, to RMB315.5 million in 2023 from RMB268.2 million in 2022. Our gross margin increased from 52.0% in 2022 to 58.6% in 2023, primarily attributable to the increased gross margin for our SaaS-based solutions provided to SMBs, and to a lesser extent, the increased gross margin for our professional services.

SaaS-based Solutions

Our gross margin of SaaS-based solutions increased from 56.2% in 2022 to 60.5% in 2023, primarily attributable to the increased gross margin for our SaaS-based solutions offered to SMB customers.

- *SaaS-based Solutions Offered to SMB Customers*

The gross margin of SaaS-based solutions offered to SMB customers increased from 53.6% in 2022 to 58.6% in 2023, primarily due to the enhanced functionality of our SATP system, which was equipped with advanced automation features and build-in standard processes, improved the efficiency of our SaaS-based solutions and enabled us to generate recurring subscription revenue with minimal incremental costs.

FINANCIAL INFORMATION

- *SaaS-based Solutions Offered to Regional Partners*

The gross margin of SaaS-based solutions offered to regional partners increased from 73.6% in 2022 to 76.1% in 2023, primarily because we downsized our in-house supporting team for regional partners in 2023 as a result of our improved operational efficiency.

Professional Services

The gross margin of professional services significantly increased from 22.1% in 2022 to 46.8% in 2023, primarily because (i) we recorded more service fees on matchmaking services which were recorded on net basis, and (ii) we recorded gross profit of RMB13.5 million from consultation services in 2023 as compared to gross loss of RMB0.2 million in 2022, as our revenue generated from such services improved while we managed to control the incremental costs.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by RMB78.2 million, or 20.5%, to RMB302.7 million in 2023 from RMB380.8 million in 2022. This decrease was mainly attributed to a decrease of RMB65.1 million in personnel expenses. We started to further optimized the organizational structure of our in-house sales and marketing team and downsized its scale to achieve improved efficiency in 2022. The decrease of our selling and marketing expenses was also attributable to a decrease of RMB7.4 million in marketing expenses, resulting from (i) refined and optimized advertising strategy in relation to our online marketing efforts and (ii) a more effective marketing strategy with a focus on customer referral program. To a much lesser extent, a decrease of RMB4.8 million in depreciation of right-of-use assets attributed to the decrease of our selling and marketing expenses as well. We did not renew certain lease contracts after their expiration in 2023, as the remaining office space was enough to support our downsized sales and marketing team.

General and Administrative Expenses

Our general and administrative expenses increased by RMB38.1 million, or 32.7%, to RMB154.5 million in 2023 from RMB116.4 million in 2022, primarily due to (i) an increase of RMB18.4 million in personnel expenses because the [REDACTED] Share Options granted to certain management members became vested in 2023, and (ii) an increase of RMB23.1 million in professional fees, as we started to prepare for the [REDACTED] in early 2023 and engaged third party professional service providers to assist with such process.

Research and Development Expenses

Our research and development expenses increased by RMB18.8 million, or 21.9%, to RMB104.6 million in 2023 from RMB85.8 million in 2022, primarily due to an increase of RMB21.7 million in personnel expenses because the [REDACTED] Share Options granted to certain members of our research and development team became vested in 2023. The increase was partially offset by (i) a decrease of RMB1.2 million in technical service fees as the research and

FINANCIAL INFORMATION

development of our RPA has entered a stable period and we only incurred relevant maintenance costs in 2023, and (ii) a decrease of RMB1.2 million in depreciation of right-of-use assets as we ceased to renew certain lease contracts which expired in 2023.

Net Impairment Losses on Financial Assets

We recorded insignificant net impairment losses on financial assets of RMB38.0 thousand and RMB236.0 thousand in 2022 and 2023, respectively.

Other Income

Our other income remained stable at RMB2.7 million in 2022 and RMB2.6 million in 2023.

Net Other Gains or Losses

Our net other losses decreased to RMB1.9 million in 2023 from RMB15.9 million in 2022, primarily due to a decrease in fair value losses on foreign exchange forward contracts. The exchange rate between U.S. dollar and Renminbi was relatively stable in 2023, compared to that in 2022, resulting in a decrease in the fair value losses on such foreign exchange forward contracts.

Operating Loss

As a result of the foregoing, our operating loss amounted to RMB245.7 million in 2023, as compared to that of RMB328.0 million in 2022, representing a 25.1% decrease.

Finance Costs, Net

Our net finance costs decreased to RMB4.2 million in 2023 from RMB8.6 million in 2022, primarily due to a decrease of RMB2.8 million in interest expenses on borrowings, resulting from less interest expenses on borrowings charged by Beijing Gongjin Technology, a related party of our Company. For details, please see Note 37 to the Accountant’s Report set out in Appendix I to this document. The decrease in our net finance costs was also attributable to a decrease of RMB1.2 million in interest expenses on lease liabilities, mainly due to downsized leased office space.

Fair Value Changes of Redeemable Convertible Preferred Shares

We recorded fair value losses of redeemable convertible preferred shares of RMB51.9 million in 2023, as compared to that of RMB169.3 million in 2022, mainly due to the rising valuation of our Company resulting from our solid growth and promising business prospects.

Loss before Income Tax

As a result of the foregoing, we recorded loss before income tax of RMB505.8 million and RMB301.8 million in 2022 and 2023, respectively.

FINANCIAL INFORMATION

Income Tax Expense

We did not record any income tax expense in 2022 and 2023.

Loss for the Year

We recorded loss for the year of RMB505.8 million and RMB301.8 million in 2022 and 2023, respectively.

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

Revenue

Our revenue increased by RMB169.2 million, or 48.8%, to RMB516.0 million in 2022 from RMB346.8 million in 2021, primarily driven by the increased revenue generated from SaaS-based solutions.

SaaS-based Solutions

Revenue from SaaS-based solutions increased by RMB144.0 million, or 46.7%, to RMB452.6 million in 2022 from RMB308.6 million in 2021, primarily due to an increase of RMB150.7 million generated by SaaS-based solutions offered to SMB customers, and was partially offset by a decrease of RMB6.7 million in revenue generated by SaaS-based solutions offered to regional partners.

- *SaaS-based Solutions offered to SMB Customers*

Our acquisition of new customers and increased subscription by existing customers are both driven by our strategic focus on growing our customer base and expanding our business presence in different regions, augmented by enhanced product functionality, improved customer experience and increasing brand recognition. In 2022, the number of SMB customers who we directly served increased by 36,701, from 134,470 as of December 31, 2021 to 171,171 as of December 31, 2022. We achieved a net dollar retention rate of 104.1% and 112.1% for the year ended December 31, 2021 and 2022, respectively.

The increased subscription by existing customers was primarily driven by our refined SaaS-based solutions, which enabled us to explore up-selling opportunities and achieve increased ARPU for our existing customers. The ARPU of our SaaS-based solutions increased from RMB1,576 in 2021 to RMB1,858 in 2022.

FINANCIAL INFORMATION

- *SaaS-based Solutions offered to Regional Partners*

Revenue from SaaS-based solutions offered to regional partners decreased from RMB65.6 million in 2021 to RMB58.9 million in 2022, mainly due to our evolving growth strategy and the impact of macroeconomic conditions. SMBs faced unusual challenges since 2022. According to Frost & Sullivan, the number of newly-registered SMBs had continued to decrease since the beginning of 2022 and a large portion of existing SMBs ceased their operations. As a result, certain of our regional partners faced challenges in retaining their existing customers or acquiring new customers and in turn, affect their capability to renew their licensing agreements with us. Therefore, we focused on leveraging the advantages of our Direct-to-Business Model to acquire SMB customers through our own sales and marketing efforts and retain existing SMB customers to excavate more upselling opportunities.

Professional services

Revenue from professional services increased by RMB25.1 million, or 65.7%, to RMB63.3 million in 2022 from RMB38.2 million in 2021, due to increased services fees of RMB14.3 million from matchmaking services and increased services fees of RMB10.8 million from consultation services.

- *Consultation Services*

Revenue from consultation services increased to RMB49.1 million in 2022 from RMB38.2 million in 2021, mainly due to growing customer demand.

- *Matchmaking Services*

We recorded revenue from matchmaking services of RMB14.3 million in 2022. Although we launched matchmaking services in April 2022, our deep insight in the business need of SMBs and the abundant parameters we accumulated during the ordinary course of our business enabled our matchmaking services to be well received by SMBs, leading to sustainable and strong growth.

Cost of Revenue

Our cost of revenue increased by RMB72.2 million, or 41.1%, to RMB247.7 million in 2022 from RMB175.5 million in 2021, mainly driven by an increase of RMB61.6 million in labor costs. The rise in labor costs was primarily caused by (i) an expanded fulfilment team to manage our growing operational and solution support needs, and (ii) increased service fees paid to third-party human resource service providers as our AI-augmented SATP system with advanced automation features and build-in standard processes, enabled us to outsource certain non-core tasks that do not require accounting and tax expertise. The increase was also attributable to an additional RMB6.2 million depreciation and amortization with regard to right-of-use assets.

FINANCIAL INFORMATION

Gross Profit and Gross Margin

As a result of foregoing, our gross profit increased by RMB96.9 million, or 56.6%, to RMB268.2 million in 2022 from RMB171.3 million in 2021. Our gross margin increased from 49.4% in 2021 to 52.0% in 2022, primarily attributable to the increased gross margin for our SaaS-based solutions provided to SMBs.

SaaS-based Solutions

Our gross margin of SaaS-based solutions increased from 54.3% in 2021 to 56.2% in 2022, primarily attributable to the increased gross margin for our SaaS-based solutions offered to SMB customers.

- *SaaS-based Solutions Offered to SMB Customers*

The gross margin of SaaS-based solutions offered to SMB customers increased from 46.8% in 2021 to 53.6% in 2022, mainly due to the improved efficiency of our SaaS-based solutions resulted from technological innovations and the economies of scale we achieved when serving more SMBs directly.

- *SaaS-based Solutions Offered to Regional Partners*

The gross margin of SaaS-based solutions offered to regional partners decreased from 82.1% in 2021 to 73.6% in 2022, mainly because we expanded our in-house supporting team for regional partners in 2022.

Professional Services

The gross margin of professional services increased from 10.0% in 2021 to 22.1% in 2022, primarily because we launched matchmaking services in April 2022 and recognized our service fees on such services on net basis.

Selling and Marketing Expenses

Our selling and marketing expenses increased moderately by RMB17.2 million, or 4.7%, to RMB380.8 million in 2022 from RMB363.7 million in 2021. This increase was mainly attributed to a RMB32.5 million increase in amortization of customer relationship, which we acquired through the acquisitions of customer service agreements from other market participants, for the purpose of expanding our business presence swiftly and excavating the potential for upselling opportunities. To a much lesser extent, the increase in our selling and marketing expenses was also resulted from a RMB2.6 million increase in personnel expenses due to an expanded sales team under our growth strategy. The increase was partially offset by a RMB19.2 million decrease in marketing expenses due to more cost effective marketing strategy, in particular, our refined online advertising tactics, and reduced marketing activities.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses decreased by RMB46.8 million, or 28.7%, to RMB116.4 million in 2022 from RMB163.2 million in 2021, mainly driven by a decrease of RMB37.0 million in personnel expenses due to improved efficiency among our administrative branch as part of our continuous efforts to optimize our management. More specifically, we were able to reduce the headcount of our in-house administrative staff, and outsource supporting activities such as front desk reception to third-party human resource service providers, leading to a streamlined administrative branch.

Research and Development Expenses

Our research and development expenses increased by RMB15.9 million, or 22.7%, to RMB85.8 million in 2022 from RMB69.9 million in 2021, primarily due to an increase in personnel expenses of RMB17.5 million, attributable primarily to the rising research and development staff headcount to support our business expansion and improve our SATP system towards greater automation and intelligence. The increase was partially offset by a decrease in technical service fees of RMB3.4 million, which is related to server fees that are charged based on actual usage for our RPA.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets maintained at negligible level, being RMB61.0 thousand and RMB38.0 thousand in 2021 and 2022, respectively.

Other Income

Our other income increased to RMB2.7 million in 2022 from RMB1.1 million in 2021, primarily due to the increase in a non-recurring government grants of RMB1.2 million, as part of government’s effort to encourage employment amid the COVID-19 pandemic through a temporary incentive policy.

Net Other Gains or Losses

Our net other gains turned into net other losses from 2021 to 2022, primarily due to fair value losses on foreign exchange forward contracts of RMB17.5 million due to foreign exchange rate fluctuation.

Operating Loss

As a result of the foregoing, our operating loss amounted to RMB328.0 million in 2022, as compared to that of RMB423.8 million in 2021, representing a 22.6% decrease in operating loss.

FINANCIAL INFORMATION

Fair Value Changes of Redeemable Convertible Preferred Shares

We recorded fair value losses of redeemable convertible preferred shares of RMB169.3 million in 2022, as compared to that of RMB252.3 million in 2021, reflecting changes in the valuation of our Company.

Fair Value Changes of Warrant Liabilities

We recorded fair value gains of warrant liabilities of RMB0.2 million in 2022, as compared to fair value losses of RMB1.1 million in 2021, primarily due to the exercise of warrants for the issuance of Series Angel Preferred Shares and fluctuation in foreign exchange rate. For details, please see “History, Reorganization and Corporate Structure — Reorganization — Offshore Reorganization — Flip-down of Shareholding to Our Company.” As of December 31, 2022, all warrants had being exercised. For details, please see “— Discussion of Certain Key Items of Consolidated Statements of Financial Position — Warrant Liability.”

Loss before Income Tax

As a result of the foregoing, we recorded loss before income tax of RMB683.0 million and RMB505.8 million in 2021 and 2022, respectively.

Income Tax Expense

We recorded income tax expense of RMB576 in 2021 despite our loss before income tax of RMB683.0 million, primarily because certain subsidiaries of our Group recorded taxable profit for the same year. We did not record any income tax expense in 2022.

Loss for the Year

We recorded loss for the year of RMB683.0 million and RMB505.8 million in 2021 and 2022, respectively.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our consolidated statements of financial position as of the dates presented, which have been extracted from our audited consolidated financial statements set out in Appendix I to this document.

	As of December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>		
Non-current assets:			
Property, plant and equipment	8,658	6,826	3,880
Right-of-use assets	62,824	39,285	21,050
Intangible assets	92,347	128,770	85,926
Other receivables and prepayments	7,378	6,900	5,226
Contract acquisition costs	40,999	46,856	45,521
Total non-current assets	212,206	228,637	161,603
Current assets:			
Contract acquisition costs	40,826	50,567	58,923
Trade receivables	—	5,603	3,459
Other receivables and prepayments	16,470	15,984	37,090
Financial assets at fair value through profit or loss	5,000	—	—
Term deposits	22,222	—	—
Restricted cash	—	20,894	—
Cash and cash equivalents	13,167	249,091	187,444
Total current assets	97,685	342,139	286,916
Total assets	309,891	570,776	448,519
Non-current liabilities:			
Redeemable convertible preferred shares	1,957,138	2,305,068	2,454,941
Warrant liability	4,722	—	—
Contract liabilities	134,508	158,650	182,119
Lease liabilities	33,365	14,244	5,402
Total non-current liabilities	2,129,733	2,477,962	2,642,462
Current liabilities:			
Trade payables	2,863	3,035	1,211
Other payables and accruals	276,195	260,811	252,398
Contract liabilities	303,443	361,088	359,006
Bank borrowings	—	—	50,000
Lease liabilities	28,921	27,183	16,279
Derivative financial instruments	—	9,037	—
Total current liabilities	611,422	661,154	678,894
Total liabilities	2,741,155	3,139,116	3,321,356
Total deficits	(2,431,264)	(2,568,340)	(2,872,837)
Total deficits and liabilities	309,891	570,776	448,519

FINANCIAL INFORMATION

We recorded net liabilities throughout the Track Record Period, attributable primarily to the redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. Our net liabilities increased from RMB2,431.3 million as of December 31, 2021 to RMB2,568.3 million as of December 31, 2022, and further increased to RMB2,872.8 million as of December 31, 2023 attributable primarily to the increased redeemable convertible preferred shares, which was in line with the changes in the valuation of our Company as a result of our strong growth and promising business prospects. The redeemable convertible preferred shares will be automatically converted into our Shares and re-designated from financial liabilities to equity upon the [REDACTED]. Please also see “Risk Factors — Risks Relating to Our Business and Industry — We recorded net operating cash outflows, net current liabilities and net liabilities during the Track Record Period and we cannot assure you that we will not record the same in the future.”

Cash and Cash Equivalents

During the Track Record Period, we had cash and cash equivalents of RMB13.2 million, RMB249.1 million and RMB187.4 million as of December 31, 2021, 2022 and 2023, respectively. Fluctuation in our cash and cash equivalents during the Track Record Period was primarily the result of following accounting guidance that was specifically applied to account for cash and cash equivalents under the Reorganization. For details, please see Note 1.3 to the Accountant’s Report set out in Appendix I to this document.

Financial Assets at Fair Value through Profit or Loss

During the Track Record Period, our financial assets at fair value through profit or loss represent short-term wealth management products we purchased from reputable commercial banks at fair value, the expected return rates of which ranged from 2.7% to 3.1% in 2021. For details, please see Note 18 to the Accountant’s Report set out in Appendix I to this document.

We recorded financial assets at fair value through profit or loss of RMB5.0 million as of December 31, 2021. We did not record any financial assets at fair value through profit or loss as of December 31, 2022 and 2023, because we ceased to purchase any wealth management products or financial products of similar nature since 2022. We do not have any plans to purchase wealth management products or financial products of similar nature in the future.

Trade Receivables

Trade receivables mainly represent outstanding amount due from our matchmaking services. A trade receivable is recorded when we have an unconditional right to consideration and upon invoicing the customer based on the payment schedule provided in the relevant agreements.

During the Track Record Period, we did not record any trade receivables as of December 31, 2021, as we typically require our customers to settle payment upon signing the agreements with us. In April 2022, as part of our efforts to further diversify our service portfolio, we commenced matchmaking services and typically settle our service fees with our customers on a monthly basis. For details, please see “Business — Our Solutions — Our Professional Services — Matchmaking Services.” As a result, we recorded trade receivables of RMB5.6 million and RMB3.5 million as of December 31, 2022 and 2023, respectively.

FINANCIAL INFORMATION

We generally grant a credit term of up to 30 days to our customers of matchmaking business. The table sets forth below an aging analysis of our trade receivables, based on recognition date, as of the dates presented.

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
— up to 6 months	—	5,675	3,513
Less: allowance for impairment of trade receivable	—	(72)	(54)
Total	—	5,603	3,459

Our trade receivables turnover days were 2.0 days and 3.0 days in 2022 and 2023, respectively. We calculate trade receivables turnover days using the average of the opening and closing trade receivable balances for the year, divided by total revenue for the relevant year, and multiplied by 360 days for 2022 and 2023.

As of April 30, 2024, all of our trade receivables outstanding as of December 31, 2023 had been subsequently settled.

Other Receivables and Prepayments

The table below sets forth our other receivables and prepayments as of the dates presented:

Our other receivables and prepayments consist of (i) rental and other deposits, (ii) receivable for deemed contribution from shareholders of the Group, (iii) prepaid services and goods, (iv) staff advances mainly representing our small amount of advances to staff due to their family emergency, (v) deductible input VAT, and (vi) others.

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Rental and other deposits	12,413	9,147	6,507
Receivable for deemed contribution from shareholders of the Group	—	—	17,200
Prepaid for services and goods	8,220	4,676	8,200
Staff advances	943	693	—
Deductible input VAT	1,998	8,222	10,126
Others	401	240	478
Total	23,975	22,978	42,511
Less: allowance for impairment of other receivables	(127)	(94)	(195)
Net book amount	23,848	22,884	42,316

FINANCIAL INFORMATION

Our other receivables and prepayments increased to RMB42.3 million as of December 31, 2023 from RMB22.9 million as of December 31, 2022, primarily due to (i) the addition of receivable for deemed contribution from shareholders of the Group in 2023, as our Shareholders agreed to inject additional funds to our Group and did not require any Share or other consideration in return, details of which is set out in Note 37 to the Accountant’s Report set out in Appendix I to this document; (ii) increased prepaid services and goods resulting from the prepayment of [REDACTED] expenses; and (iii) increased deductible input VAT resulting from our increased procurement of professional services and outsourcing services. The increase was partially offset by the decreased rental and other deposits resulting from our downsized leased properties.

Our other receivables and prepayments slightly decreased to RMB22.9 million as of December 31, 2022 from RMB23.8 million as of December 31, 2021, primarily due to (i) decreased prepaid services and goods as caused by less prepaid marketing expenses resulting from our optimized marketing strategy, and (ii) decreased rental and other deposits resulting from our downsized leased properties. The decrease was partially offset by the increased deductible input VAT resulting from our increased procurement of outsourcing services and acquisitions of customer service agreements from other market participants.

As of April 30, 2024, RMB6.1 million or 14.4% of our other receivables and prepayments outstanding as of December 31, 2023 had been subsequently settled.

Contract acquisition costs

Our contract acquisition costs relate to the sales commissions payable by us to our sales personnel for sales of our SaaS-based solutions to customers, which are initially capitalized as assets upon the customers’ payment of the subscription fees and are subsequently recognized as selling and marketing expenses over an estimated period of benefit. We amortize our contract acquisition costs over a period of three to four years for initial contracts even though the initial subscription period is usually within one to two years, as we have included expected renewal of contracts into consideration. We amortize contract acquisition costs for renewal contracts over one to two years, which is consistent with the contract term. For details, please see Note 6(b) to the Accountant’s Report set out in Appendix I to this document. Contract acquisition costs are classified as current assets if they are expected to be amortized within one year or less. Otherwise they are presented as non-current assets.

We pay our sales personnel the sales commissions upon customer signing the contracts with us. For the years ended December 31, 2021, 2022 and 2023, the sales commissions we paid to our sales and marketing staff amounted to RMB65.7 million, RMB68.6 million and RMB70.9 million, respectively. The rate of sales commissions we offered generally ranged from 3.0% to 25.0% of the contract value, according to our internal policy. For the years ended December 31, 2021, 2022 and 2023, the average rate of sales commissions we offered to our sales and marketing staff was 17.6%, 13.6% and 13.3% of the contract value, respectively, which was approximately at the similar level as compared to the industry average, according to Frost & Sullivan.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our contract acquisition costs as of the dates presented.

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Current portion	40,826	50,567	58,923
Non-current portion	40,999	46,856	45,521
Total	81,825	97,423	104,444

Our contract acquisition costs amounted to RMB81.8 million, RMB97.4 million and RMB104.4 million as of December 31, 2021, 2022 and 2023, respectively. The increase in our contract acquisition costs over time was primarily due to the increased sales of our SaaS-based solutions.

As of April 30, 2024, RMB21.7 million or 20.8% of our contract acquisition costs as of December 31, 2023 had been subsequently recognized as selling and marketing expenses.

Property, Plant and Equipment

Our property, plant and equipment consists primarily of electronic equipment and office equipment, and leasehold improvement.

The table below sets forth a breakdown of our property, plant and equipment as of the dates presented:

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Electronic equipment and office equipment	12,965	13,862	11,670
Leasehold improvement	3,626	3,943	3,889
<i>Less:</i>			
Depreciation	(7,933)	(10,979)	(11,679)
Total	8,658	6,826	3,880

The gross book value of our property, plant and equipment amounted to RMB16.6 million, RMB17.8 million and RMB15.6 million as of December 31, 2021, 2022 and 2023, respectively. The movement in the gross book value of our property, plant and equipment over time was primarily due to the fluctuation of the gross book value of electronic equipment and office equipment. The addition of electronic equipment and office equipment in 2022 was to support our business growth, while the subtraction of the same in 2023 corresponded with our downsized office space as we focused on improving operational efficiency.

FINANCIAL INFORMATION

Accumulated depreciation with respect to our property, plant and equipment was RMB7.9 million, RMB11.0 million and RMB11.7 million as of December 31, 2021, 2022 and 2023, respectively.

Right-of-Use Assets

Our right-of-use assets relate primarily to the leases of our office space. We recorded right-of-use assets of RMB62.8 million, RMB39.3 million and RMB21.1 million as of December 31, 2021, 2022 and 2023, respectively. The decrease in the amount of our right-of-use assets throughout the Track Record Period was primarily because we adjusted our leased office space from time to time, catering to the changing size of our workforce and our evolving business needs.

Trade Payables

Our trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

Our trade payables increased from RMB2.9 million as of December 31, 2021 to RMB3.0 million as of December 31, 2022 as alongside with our business expansion, the amount of the products and services we procured also increased to support our growth. Our trade payables decreased from RMB3.0 million as of December 31, 2022 to RMB1.2 million as of December 31, 2023, as we started to focus on improving operational efficiency since 2022 and downsized our procurement for goods and services.

During the Track Record Period, our trade payables turnover days remained relatively stable. The table below sets forth an aging analysis of our trade payables, based on invoice date, as of the dates presented:

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Up to six months.	2,782	2,926	1,086
Six months to one year.	81	109	125
Total.	2,863	3,035	1,211

FINANCIAL INFORMATION

Our trade payables turnover days were 4.0 days, 4.3 days and 3.4 days in 2021, 2022 and 2023, respectively. We calculate the trade payables turnover days using the average of the opening and closing trade payable balances for the year, divided by cost of revenue for the relevant year, multiplied by 360 days for 2021, 2022 and 2023.

As of April 30, 2024, approximately RMB0.9 million, or 76.3% of the trade payable as of December 31, 2023 had been settled.

Other Payables and Accruals

Other payables and accruals consist primarily of (i) salary and welfare payable, representing salary and benefits payable to our employees and social insurance and housing provident fund contributions to be made for our employees, (ii) taxes other than income tax, mainly representing value-added tax, (iii) accrued expenses, primarily representing fees payable to third-party human resource service providers following our outsourcing of certain repetitive and labor intensive activities since 2021, and fees payable for consulting and professional services we received, (iv) deposit from regional partners, representing the deposit paid by our regional partners as collateral to secure their performance of the licensing agreements, and such deposit would be returned to regional partners upon expiration of the licensing agreements, (v) payable for acquisition of intangible assets, representing the unpaid consideration arising from acquisition of customer service agreements from other market participants, details of which are set out in “— Intangible Assets” below, (vi) [REDACTED] expenses payable to third-party professional service providers in relation to the [REDACTED], and (vii) others.

The table below sets forth our other payables and accruals as of the dates presented.

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Salary and welfare payable	219,267	200,304	186,271
Taxes other than income tax	32,889	38,671	37,359
Accrued expenses	12,758	13,589	20,355
Deposit from regional partners	2,559	2,230	2,230
Payable for acquisition of intangible assets	3,482	—	—
[REDACTED] expenses payable	[REDACTED]	[REDACTED]	[REDACTED]
Others	5,240	6,017	5,167
Total	276,195	260,811	252,398

FINANCIAL INFORMATION

Our other payables and accruals decreased from RMB276.2 million as of December 31, 2021 to RMB260.8 million as of December 31, 2022, primarily due to (i) decreased salary and welfare payable of RMB19.0 million, resulting from our decreased headcount as we streamlined our organizational structure since 2022 to achieve sustainable growth in a cost-effective manner, and (ii) settlement of payable for acquisition of intangible assets of RMB3.5 million. Our other payables and accruals decreased from RMB260.8 million as of December 31, 2022 to RMB252.4 million as of December 31, 2023, primarily due to decreased salary and welfare payable of RMB14.0 million resulting from our decreased headcount, which was partially offset by increased accrued expenses of RMB6.8 million mainly due to increase in fees payable to third-party human resource service providers to support our business growth.

Contract Liabilities

As we typically charge customers upfront for our SaaS-based solutions and professional services (other than the matchmaking services for which we usually provide our customers with a credit term of up to 30 days), our contract liabilities primarily represent payments received in advance of revenue recognition in relation to customers’ subscriptions to solutions and purchases of our professional services. Our contract liabilities are recognized as revenue upon transfer of control to our customers of our solutions and services, and the recognition of contract liabilities does not involve any cash outflow.

Our contract liabilities increased from RMB438.0 million as of December 31, 2021 to RMB519.7 million as of December 31, 2022, and further increased to RMB541.1 million as of December 31, 2023. The increase of our contract liabilities during the Track Record Period was generally in line with our overall business expansion during the given years.

As of April 30, 2024, RMB153.4 million or 28.3% of our contract liabilities as of December 31, 2023 had been subsequently recognized as revenue.

Intangible Assets

The table below sets forth our intangible assets as of the dates presented:

	As of December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Customer relationships	86,634	116,546	75,797
Software	5,713	12,224	10,129
Total	92,347	128,770	85,926

FINANCIAL INFORMATION

Our intangible assets are comprised of customer relationships and software. Service agreement acquired from other market participants are initially recognized and measured at cost of intangible assets acquired through assets acquisition. They are amortized over their estimated useful lives using the straight-line method, reflecting the pattern in which the intangible assets’ future economic benefits are expected to be consumed. For details, please see Note 15 to the Accountant’s Report set out in Appendix I to this document. The increase in customer relationships as of December 31, 2022 was primarily in line with our expanded customer base. The decrease in customer relationships as of December 31, 2023 was due to amortization in accordance with applicable accounting standards.

Software represents the computer software we purchased to support our daily operations. The carrying value of software increased significantly from RMB5.7 million as of December 31, 2021 to RMB12.2 million as of December 31, 2022, primarily because we purchased certain human resource management and office software in 2022. The carrying value of software decreased from RMB12.2 million as of December 31, 2022 to RMB10.1 million as of December 31, 2023, primarily due to amortization in accordance with applicable accounting standards.

Lease Liabilities

The table below sets forth a breakdown of our lease liabilities as of the dates presented:

	As of December 31,		
	2021	2022	2023
		<i>(RMB’000)</i>	
Current portion	28,921	27,183	16,279
Non-current portion	33,365	14,244	5,402
Total	62,286	41,427	21,681

The carrying amount of our lease liabilities decreased from RMB62.3 million as of December 31, 2021 to RMB41.4 million as of December 31, 2022 and further decreased to RMB21.7 million as of December 31, 2023. The decrease of the carrying amount of our lease liabilities during the Track Record Period was primarily due to the reduced size of our office space as a result of our evolving business needs and the lease payments that we had made over the years.

Redeemable Convertible Preferred Shares

Our redeemable convertible preferred shares mainly represent Series Angel Preferred Shares, Series Pre-A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series B-2 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Share and Series D Preferred Shares issued by us arising from several rounds of the [REDACTED] Investments. The redemption rights embedded our redeemable convertible preferred shares were automatically terminated upon submission of the Application Proof.

FINANCIAL INFORMATION

Our redeemable convertible preferred shares increased from RMB1,957.1 million as of December 31, 2021, to RMB2,305.1 million as of December 31, 2022 and further increased to RMB2,454.9 million as of December 31, 2023. The increase of redeemable convertible preferred shares was mainly due to changes in the valuation of our Company as a result of our strong growth and promising business prospects. The increase of redeemable convertible preferred shares in 2021 was also attributable to the issuance of Series D Preferred Shares. For details, please see “— Consolidated Statements of Comprehensive Loss — Fair Value Changes of Redeemable Convertible Preferred Shares.”

Although our redeemable convertible preferred shares will be automatically converted to our Shares upon [REDACTED], to the extent we need to revalue the Preferred Shares prior to the [REDACTED], any changes in fair value of these redeemable convertible preferred shares will affect our financial positions and results of operations. After the reclassification of our redeemable convertible preferred shares into the share capital upon [REDACTED], we do not expect to recognize any further loss or gain on fair value changes from Preferred Shares in the future. For details, please see Note 31 to the Accountant’s Report set out in Appendix I to this document.

Warrant Liability

In January 2020, Huisuanzhang Holding, our offshore holding company at the time, issued warrants to certain of our early investors, pursuant to which they were granted the right to acquire certain ordinary and preferred shares of Huisuanzhang Holding at the exercise price of par value per share. Subsequently, the relevant investors exercised their warrants and their beneficial interests in Huisuanzhang Holding were flipped down to our Company in connection with the Reorganization. As a result, holders of the warrants were issued a certain number of our Preferred Shares or ordinary Shares.

Our warrant liability decreased from RMB4.7 million in 2021 to nil as of December 31, 2022 due to full exercise of warrants by the foregoing investors, for purchasing our Series Angel Preferred Shares. Due to the same reason, we did not record any warrant liability as of December 31, 2023. For details, please see Note 32 to the Accountant’s Report set out in Appendix I to this document.

FINANCIAL INFORMATION

Net Current Liabilities

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

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>(RMB'000)</i>			<i>(Unaudited)</i>
Current assets:				
Contract acquisition costs	40,826	50,567	58,923	59,176
Trade receivables	—	5,603	3,459	2,405
Other receivables and prepayments	16,470	15,984	37,090	42,705
Financial assets at fair value through profit or loss	5,000	—	—	—
Term deposits	22,222	—	—	—
Restricted cash	—	20,894	—	—
Cash and cash equivalents	13,167	249,091	187,444	114,496
Total current assets	<u>97,685</u>	<u>342,139</u>	<u>286,916</u>	<u>218,782</u>
Current liabilities:				
Trade payables	2,863	3,035	1,211	1,585
Other payables and accruals	276,195	260,811	252,398	252,212
Contract liabilities	303,443	361,088	359,006	361,990
Bank borrowings	—	—	50,000	16,815
Lease liabilities	28,921	27,183	16,279	16,693
Derivative financial instruments	—	9,037	—	—
Total current liabilities	<u>611,422</u>	<u>661,154</u>	<u>678,894</u>	<u>649,295</u>
Net current liabilities*	<u>513,737</u>	<u>319,015</u>	<u>391,978</u>	<u>430,513</u>

* The Directors expect that “IAS 1 (Amendment) ‘Classification of Liabilities as Current or Non-current’,” after its adoption on January 1, 2024, may cause a reclassification of “redeemable convertible preferred shares” from non-current liabilities to current liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time.

We had net current liabilities of RMB430.5 million as of April 30, 2024, which represented an increase of RMB40.8 million as compared to our net current liabilities of RMB392.0 million as of December 31, 2023, primarily due to a decrease in cash and cash equivalents of RMB72.9 million, which was offset by a decrease in bank borrowings of RMB33.2 million.

We had net current liabilities of RMB392.0 million as of December 31, 2023, which represented an increase of RMB73.0 million as compared to our net current liabilities of RMB319.0 million as of December 31, 2022, primarily due to an increase in bank borrowings of RMB50.0 million and a decrease in cash and cash equivalents of RMB61.6 million. The increase in net current liabilities was partially offset by an increase in other receivables and prepayments of

FINANCIAL INFORMATION

RMB21.1 million, mainly as we recorded receivable for deemed contribution from shareholders of the Group in 2023, as detailed in Note 37 to the Accountant’s Report as set out in Appendix I to this document.

We had net current liabilities of RMB319.0 million as of December 31, 2022, which represented a decrease of RMB194.7 million as compared to our net current liabilities of RMB513.7 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents of RMB235.9 million. The decrease in net current liabilities was partially offset by an increase in contract liabilities of RMB57.6 million, mainly attributable to increased payments we received from our customers in advance of revenue recognition, which was in line with our business growth. For details of our contract liabilities, please see above “— Contract Liabilities.”

As of December 31, 2021, we had net current liabilities of RMB513.7 million, consisting of current assets of RMB97.7 million and current liabilities of RMB611.4 million.

During the Track Record Period, we had net current liabilities primarily attributable to the large amount of contract liabilities, mainly due to payments received from our customers in advance of revenue recognition. Our customers make payments upon signing the agreements with us, inevitably resulting in sizable contract liabilities in accordance with the relevant accounting standards. In addition, other payables and accruals, which mainly represent salary and welfare payables, also accounted for a major component of our current liabilities during the Track Record Period. Although we expect our contract liabilities will continue to increase as we expand our business, we endeavor to improve our net current liability position by improving our operating efficiency through enhanced cost control measures and our two-tiered fulfillment approach, leading to sustainable growth with limited incremental costs. Moreover, we can further manage our cash flow, aiming to reach better liquidity and improved cash position which in turn, can increase our current assets. For details, please see “Business — Our Business Sustainability.”

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including development of differentiated solutions, investment in technological innovations and broadening our service network as well as increasing market penetration. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from business operations and capital contributions from Shareholders. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, the [REDACTED] from the [REDACTED], and other future equity or debt financings. As of December 31, 2021, 2022 and 2023, we had cash and cash equivalents of RMB13.2 million, RMB249.1 million and RMB187.4 million, respectively, consisting of cash at bank and in hand.

FINANCIAL INFORMATION

Cash Flow Analysis

The table sets forth below a summary of our cash flows for the years presented:

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB'000)</i>	
Cash used in operations.	(212,580)	(211,267)	(51,004)
Interest received	1,198	1,241	1,321
Interest paid	(5,073)	(8,035)	(4,016)
Income tax paid	(1)	—	—
Net cash outflow from operating activities	(216,456)	(218,061)	(53,699)
Net cash inflow/(outflow) from investing activities	(46,148)	(16,597)	19,461
Net cash inflow/(outflow) from financing activities	249,615	469,585	(28,199)
Net increase/(decrease) in cash and cash equivalents	(12,989)	234,927	(62,437)
Cash and cash equivalents at the beginning of the year.	26,156	13,167	249,091
Effects of exchange rate changes on cash and cash equivalents	—	997	790
Cash and cash equivalents at the end of the year	13,167	249,091	187,444

Net Cash Outflow from Operating Activities

Cash flows from operating activities primarily reflect loss or profit before income tax adjusted for certain non-cash or non-operating activities related items, changes in working capital and income tax.

Our net cash outflow from operating activities in 2023 was RMB53.7 million, primarily attributable to our loss before tax of RMB301.8 million, as adjusted to reflect certain non-cash or non-operating activities related items, which mainly included (i) share-based payments of RMB114.0 million arising from our [REDACTED] Share Option Plan, (ii) changes in fair value of redeemable convertible preferred shares of RMB51.9 million resulting from the rising valuation of our Company in 2023, (iii) amortization of intangible assets of RMB43.5 million primarily attributable to the amortization of customer relationships, and (iv) depreciation of right-of-use assets of RMB32.6 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract liabilities of RMB21.4 million, (ii) a decrease in other payables and accruals of RMB9.2 million, and (iii) a decrease in contract acquisition costs of RMB7.0 million.

FINANCIAL INFORMATION

Our net cash outflow from operating activities in 2022 was RMB218.1 million, primarily attributable to our loss before tax of RMB505.8 million, as adjusted to reflect certain non-cash or non-operating activities related items, which mainly included (i) changes in fair value of redeemable convertible preferred shares of RMB169.3 million resulting from the rising valuation of our Company in 2022, (ii) amortization of intangible assets of RMB42.2 million primarily attributable to the amortization of customer relationships, (iii) depreciation of right-of-use assets of RMB38.8 million, and (iv) share-based payments of RMB36.7 million arising from our [REDACTED] Share Option Plan and transactions in relation to our acquisition of customer service agreements from other market participants. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract liabilities of RMB26.5 million resulting from prepaid subscription fees received from our enlarged customer base, (ii) a decrease in other payables and accruals of RMB28.5 million, and (iii) a decrease in contract acquisition costs of RMB15.6 million.

Our net cash outflow from operating activities in 2021 was RMB216.5 million, primarily attributable to our loss before tax of RMB683.0 million, as adjusted to reflect certain non-cash or non-operating activities related items, which mainly included (i) changes in fair value of redeemable convertible preferred shares of RMB252.3 million resulting from the rising valuation of our Company in 2021 and the issuance of Series D Preferred Shares, (ii) share-based payments of RMB35.9 million arising from our [REDACTED] Share Option Plan and transactions in relation to our acquisition of customer service agreements from other market participants, and (iii) depreciation of right-of-use assets of RMB33.8 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in contract liabilities of RMB88.9 million resulting from prepaid subscription fees received from our enlarged customer base, (ii) an increase in other payables and accruals of RMB80.7 million mainly attributable to increased salary and welfare payable resulting from rising headcount and compensation level, (iii) a decrease in contract acquisition costs of RMB25.8 million, and (iv) a decrease in prepayments and other receivables of RMB14.4 million.

Although net cash outflow from operating activities was recorded during the Track Record Period, our Company remains committed to enhancing our operating cash flow. Our net operating cash outflow position narrowed significantly in 2023, evidencing our continuous revenue growth and improved cost management. Looking ahead, we aim to proactively improve our ability to control costs and operating expenses to ensure sustainable growth. Our approach involves upgrading our SaaS-based solutions to optimize operational efficiency, expanding our customer base, while replacing manual labor work with innovative technologies to manage costs and operating expenses.

Net Cash Inflow/Outflow from Investing Activities

Cash flow from investment activities primarily included, among others, cash outflow of (i) payments for property, plant and equipment, (ii) payments for intangible assets, (iii) purchase of investments in financial assets at fair value through profit and loss, (iv) purchase of term deposits and (v) placement of restricted cash, as well as cash inflow of (i) proceeds from disposal of financial assets at fair value through profit and loss and (ii) proceeds from maturities of term deposits.

FINANCIAL INFORMATION

Net cash inflow from investing activities in 2023 was RMB19.5 million, which consisted primarily of withdrawal of restricted cash of RMB20.9 million, which was placed as deposit to secure our performance of the foreign exchange forward contracts. These contracts expired in March 2023, and therefore we withdrew the restricted cash.

Net cash outflow from investing activities in 2022 was RMB16.6 million, which consisted primarily of (i) RMB19.3 million of cash paid for service agreements acquired from other market participants to expand our customer base swiftly and excavate the potential for upselling additional services, and (ii) placement of restricted cash of RMB20.9 million as deposit to secure our performance of the foreign exchange forward contracts, partially offset by proceeds from maturities of term deposits of RMB22.2 million.

Net cash outflow from investing activities in 2021 was RMB46.1 million, which consisted primarily of (i) purchase of term deposits of RMB22.2 million, and (ii) RMB16.1 million of cash paid for service agreements acquired from other market participants to expand our customer base swiftly and excavate the potential for upselling additional services.

Net Cash Inflow/Outflow from Financing Activities

Cash flow from financing activities primarily included, among others, cash inflow of (i) proceeds from issuance of redeemable convertible preferred shares, (ii) proceeds from issuance of new ordinary shares, and (iii) net deemed contribution from the shareholders of the Group, as well as cash outflow of (i) principal elements of lease payments and (ii) payments for purchase of non-controlling interests.

Net cash outflow from financing activities in 2023 was RMB28.2 million, which consisted primarily of (i) net deemed distribution to the shareholders of the Group of RMB41.4 million, and (ii) principal elements of lease payments of RMB34.2 million, partially offset by proceeds from bank borrowings of RMB50.0 million.

Net cash inflow from financing activities in 2022 was RMB469.6 million, which consisted primarily of (i) proceeds from issuance of redeemable convertible preferred shares of RMB281.6 million arising from the issuance of Preferred Shares as part of the Reorganization, and (ii) net deemed contribution from the shareholders of the Group of RMB225.4 million, partially offset by principal elements of lease payments of RMB36.1 million.

Net cash inflow from financing activities in 2021 was RMB249.6 million, which consisted primarily of net deemed contribution from the shareholders of the Group of RMB284.5 million, partially offset by principal elements of lease payments of RMB34.9 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) purchases of property, plant and equipment, and (ii) expenditures on purchase of intangible assets.

The table below sets forth our capital expenditures for the years presented:

	Year ended December 31,		
	2021	2022	2023
		(RMB'000)	
Property, plant and equipment	7,801	3,628	765
Intangible assets	16,125	19,297	668
Total	23,926	22,925	1,433

We expect to incur approximately RMB2.0 million in the year ending December 31, 2024, primarily related to office renovation, electronic equipment and software purchases. We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED] as well as cash generated from operations.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in China, the availability of financing on terms acceptable to us and changes in the regulatory environment in China. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations and [REDACTED] Investments. Taking into account the financial resources available to us, including, among others, cash flow from operating activities, cash and cash equivalents and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

FINANCIAL INFORMATION

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The table below sets forth a breakdown of our indebtedness as of the dates presented:

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	<i>(RMB'000)</i>			<i>(Unaudited)</i>
Current				
Lease liabilities	28,921	27,183	16,279	16,693
Bank borrowings	—	—	50,000	16,815
Non-current				
Lease liabilities	33,365	14,244	5,402	4,029
Redeemable convertible preferred shares*	1,957,138	2,305,068	2,454,941	2,491,923
Total	<u>2,019,424</u>	<u>2,346,495</u>	<u>2,526,622</u>	<u>2,529,460</u>

* The Directors expect that “IAS 1 (Amendment) ‘Classification of Liabilities as Current or Non-current’,” after its adoption on January 1, 2024, may cause a reclassification of “redeemable convertible preferred shares” from non-current liabilities to current liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time.

During the Track Record Period and as of April 30, 2024, our total indebtedness increased primarily due to the increase in our redeemable convertible preferred shares, mainly as a result of the rising valuation of our Company.

Except as disclosed above, as of April 30, 2024, we did not have any other outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, or guarantees. During the Track Record Period and up to the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the same period.

Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we did not have any other material contingent liabilities.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners’ equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we afforded some interest expenses on borrowings obtained by Beijing Gongjin Technology, an associate of Mr. Zhang, which were allocated to us, as detailed in Note 37 to the Accountant’s Report set out in Appendix I to this document. As a result, we were charged by Beijing Gongjin Technology an interest expense of RMB1.7 million, RMB4.7 million and RMB1.0 million in 2021, 2022 and 2023, respectively. As of December 31, 2023, we had receivable for deemed contribution from shareholders of the Group of RMB17.2 million, as our Shareholders agreed to inject additional funds to our Group and did not require any Share or other consideration in return. Such receivable was fully settled on June 6, 2024.

Our Directors are of the view that the related party transactions set out in Note 36 to the Accountant’s Report set out in Appendix I to this document (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole, and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,		
	2021	2022	2023
Gross margin (%) ⁽¹⁾	49.4	52.0	58.6
Revenue growth (%)	25.9	48.8	4.4
Adjusted EBITDA margin (non-IFRS measures) (%) ⁽²⁾	(99.2)	(40.2)	(6.3)
Adjusted net loss margin (non-IFRS measures) (%) ⁽³⁾	(113.5)	(58.3)	(21.6)

FINANCIAL INFORMATION

Notes:

- (1) Gross margin is calculated based on gross profit divided by revenue of the same year and multiplied by 100%.
- (2) Adjusted EBITDA margin (non-IFRS measures) is calculated based on adjusted EBITDA (non-IFRS measures) divided by revenue of the same year and multiplied by 100%.
- (3) Adjusted net loss margin (non-IFRS measures) is calculated based on adjusted net loss (non-IFRS measures) divided by revenue of the same year and multiplied by 100%.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, see Note 3 to the Accountant’s Report set out in Appendix I to this document.

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Foreign exchange risk is the risk of loss resulting from changes in fluctuation of foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect its consolidated financial position and consolidated statements of comprehensive loss.

The foreign currency assets and liabilities of our Group entities are mainly PRC entities’ cash and cash equivalents denominated in USD. The foreign exchange risk our Group is facing mainly comes from movements in the USD/RMB. During the Track Record Period, our Group did not have any derivative financial instrument for which hedging accounting was applied.

For our subsidiaries in mainland China whose functional currency is RMB, no transaction occurred denominated in USD for the years ended December 31, 2021, 2022 and 2023, respectively.

For our subsidiary outside mainland China whose functional currency is USD, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, loss before income tax for the year would have been approximately nil, RMB3.9 million and RMB0.04 million higher/lower for the years ended December 31, 2021, 2022 and 2023, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in RMB.

We entered into foreign currency forwards in relation to financial assets dominated in foreign currency that do not satisfy the requirements for hedge accounting (economic hedges). During the Track Record Period, our Group did not have any derivative financial instrument for which hedging accounting was applied.

FINANCIAL INFORMATION

Credit Risk

Our Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits as well as trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

Credit risk of cash and cash equivalents, restricted cash and term deposits

To manage risk arising from cash and cash equivalents, restricted cash and term deposits, we only transact with stated-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in mainland PRC and Hong Kong. There has been no recent history of default in relation to these financial institutions. The expected credit loss is immaterial.

Credit risk of trade receivables, other receivables

We have policies in place to ensure that trade receivables with credit terms are made to counter-parties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties.

For trade and other receivables, our Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The loss allowance for trade and other receivables was not material for the years ended December 31, 2021, 2022 and 2023.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of our Group is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements.

For details of the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of our financial liabilities based on contractual undiscounted cash flows, please see Note 3 to the Accountant’s Report set out in Appendix I to this document.

DIVIDENDS

No dividend has been proposed, declared or paid by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

FINANCIAL INFORMATION

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Subject to the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. In accordance with the Cayman Companies Act and our Articles of Association, dividends may be declared and paid out of our profits and reserves lawfully available for distribution.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS Accounting Standards. 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.

DISTRIBUTABLE RESERVES

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

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] and professional fees paid to legal advisers and the reporting accountant for their services rendered in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of our indicative [REDACTED] range for the [REDACTED] and assuming that the [REDACTED] is not exercised, excluding any [REDACTED] which may be payable by us) for the [REDACTED] are approximately RMB[REDACTED], among which (i) [REDACTED]-related expenses, including [REDACTED] and other expenses, are expected to be approximately RMB[REDACTED] and (ii) non-[REDACTED]-related expenses are expected to be approximately RMB[REDACTED], comprising (x) fees and expenses of legal advisers and the reporting accountant of approximately RMB[REDACTED] and (y) other fees and expenses of approximately RMB[REDACTED]. We incurred [REDACTED] expenses of RMB[REDACTED] in 2023, of which (i) RMB[REDACTED] was recognized as administrative expenses; and (ii) RMB[REDACTED] was directly attributable to the issuance of shares and will be recognized as a deduction in equity directly upon the [REDACTED]. We expect to incur additional [REDACTED]

FINANCIAL INFORMATION

expenses of approximately RMB[REDACTED], among which approximately RMB[REDACTED] to be recognized as administrative expenses and approximately RMB[REDACTED] to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2024. Our estimated [REDACTED] expenses represent approximately [REDACTED]% of the gross [REDACTED] based on the same assumption.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to show the effect of the [REDACTED] on our net tangible assets as of December 31, 2023, as if the [REDACTED] had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the [REDACTED] been completed as of December 31, 2023 or at any future date. The unaudited pro forma statement of adjusted net tangible assets is based on the unaudited consolidated total net tangible assets of the Group attributable to the owners of the Company as of December 31, 2023 derived from the Accountant’s Report as set out in Appendix I to this document, and adjusted as follows:

Audited consolidated net tangible liabilities of our Group attributable to owners of the Company as of December 31, 2023	Estimated [REDACTED] from the [REDACTED]	Estimated impact on the conversion of the redeemable convertible preferred shares upon the completion of the	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company as of December 31, 2023	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company per Share	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	(2,905,118)[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	(2,905,118)[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible liabilities of our Group attributable to owners of the Company as of December 31, 2023 has been extracted from the Accountant’s Report as set out in Appendix I to this document, which is based on the audited consolidated net liabilities of our Group attributable to owners of the Company as of December 31, 2023 of RMB2,819,192,000 with an adjustment for the intangible assets attributable to owners of the Company as of December 31, 2023 of RMB85,926,000.

FINANCIAL INFORMATION

- (2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], being the low end and high end of the indicative [REDACTED] range, respectively, after deduction of the [REDACTED] fees and other related expenses payable by our Group, without taking into account of any Shares (a) which may be issued pursuant to the exercise of the [REDACTED]; (b) which may be issued under the [REDACTED] Share Option Plan; or (c) which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors of the Company to issue or repurchase Shares.
- (3) Upon [REDACTED] and completion of the [REDACTED], all the redeemable convertible preferred shares will be automatically converted into ordinary Shares. These redeemable convertible preferred shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB[REDACTED], being the carrying amount of the redeemable convertible preferred shares as of December 31, 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue as of December 31, 2023, assuming the [REDACTED] and [REDACTED] had taken place on December 31, 2023 without taking into account of any Shares (a) any Shares which may be issued pursuant to the exercise of the [REDACTED]; (b) any Shares which may be issued under [REDACTED] Share Option Plan, including but not limited to the exercise of options granted under the [REDACTED] Share Option Plan for 1,608,537 Shares; (c) any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors of the Company to issue or repurchase Shares; or (d) 966,976 Shares held by HSZ Alliance accounted for as treasury shares as of December 31, 2023.
- (5) For the purpose of this unaudited pro forma net tangible assets per Share, amounts denominated in Renminbi have been translated at a rate of RMB1.00: HK\$[1.0982]. No representation is made that any amounts in RMB were or could have been converted into Hong Kong dollars, or vice versa, at such rates or any other exchange rates on such date or any other date.
- (6) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2023.

RECENT DEVELOPMENT

We are still at the stage of rapid business expansion and committed to ramping up our customer base and improving customer retention to realize long-term growth. We have been in a loss-making position during the Track Record Period and we expect to continue to record adjusted net loss and net operating cash outflow for the year ending December 31, 2024, and we may not be able to become profitable in the short term. See “Business — Our Business Sustainability” for a detailed discussion of our historical loss-making position and our path to profitability.

Subsequent to December 31, 2023 and up to April 30, 2024, our business experienced growth on a continual basis. For the four months ended April 30, 2024, according to our unaudited management accounts, we still managed an increase of 3% in the total revenue, compared to that of the same period in 2023, despite the noteworthy growth we had achieved during the same period last year. In addition, our operating loss narrowed substantially by nearly 80.5% compared to that of the same period in 2023 according to the same source, primarily as our continuous efforts in improving cost-effectiveness and upgrading our SaaS-based solutions had achieved satisfactory performance.

Benefitting from our continuous efforts in driving revenue growth by expanding customer base and optimizing ARPU, we are able to continuously improve our cost-efficiency and profitability, leading to sustainable business development.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the date of the latest audited consolidated financial position of our Group as set out in the Accountant’s Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [REDACTED] of the Shares on the Stock Exchange.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please see “Business — Our Business Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-end of the [REDACTED] range stated in this document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- approximately [REDACTED]% (or HK\$[REDACTED]) will be used to expand our operation, increase market penetration, and explore strategic partnerships with leading players across diverse industries. In particular,
 - (i) approximately [REDACTED]% (or HK\$[REDACTED]) will be used for diversified marketing and promotional activities from 2024 to 2028. We plan to invest more on online sales and marketing channels to improve our brand awareness and increase our market penetration. We intend to promote our solutions through targeted and precise performance-based marketing, such as search engine recommendation, and advertisements on third-party content platforms and App stores. We also plan to actively organize regular feedback meetings and solution showcases with our customers, to strengthen our relationships with existing customers and build relationships with potential customers and expand our influences through word-of-mouth referrals;
 - (ii) approximately [REDACTED]% (or HK\$[REDACTED]) will be used to enlarge our customer base and strengthen our leading position. Specifically, we expect to continue to increase and retain our sales and marketing staff, including front-tier sales and marketing staff and back-office sales management professionals to enhance our selling and marketing efforts through both online and offline channels and also our marketing capabilities. In particular,
 - (a) from 2024 to 2028, we plan to use approximately [REDACTED]% (or HK\$[REDACTED]) to recruit approximately 160 to 200 new employees for our sales and marketing team, including front-tier sales and marketing staff with bachelor’s degree or above and back-office sales management professionals with sales experience relevant to SMBs or expertise in management or daily operations; and

FUTURE PLANS AND USE OF [REDACTED]

- (b) from 2024 to 2028, we will also use approximately [REDACTED]% (or HK\$[REDACTED]) to offer competitive compensation and regular on-the-job training, purchase additional devices, software and tools for our sales and marketing team, so that we can improve our search for potential customers, whilst also enhancing our service quality;
- (iii) approximately [REDACTED]% (or HK\$[REDACTED]) will be used to expand and improve our fulfilment team to enhance our service quality and efficiency. To be specific,
 - (a) we plan to use approximately [REDACTED]% (or HK\$[REDACTED]) to expand our fulfilment team, engage professional trainers and arrange trainings and lectures for better solution fulfilment. In particular, from 2024 to 2028, we seek to recruit approximately 40 to 50 new members for our fulfilment team with bachelor’s degree or above and relevant experience or expertise in finance and taxation industry. In particular, we intend to recruit accounting managers, accounting staff, and finance and taxation consultants to support our increasing business needs with the refinement of our SaaS-based solutions and the expected growth of our customer base and diverse customer needs. We plan to engage approximately 10 professional trainers to provide professional trainings to enhance our employees’ industry knowledge to improve their capabilities in providing high-quality solutions, which further enables us to enhance customer loyalty and achieve higher customer retention rate; and
 - (b) we intend to spend approximately [REDACTED]% (or HK\$[REDACTED]) to optimize our customer service policy and standard to evaluate the performance of our fulfilment team and better track customer satisfaction; and
- (iv) approximately [REDACTED]% (or HK\$[REDACTED]) will be used to explore strategic alliances with key players in specific industries such as catering industry and e-commerce industry to develop tailored finance and taxation solution that cater to the features of these industries, while expanding our customer base. We intend to collaborate with the leading companies with extensive expertise and adequate commercial resources in these industries. Based on the expert interviews conducted by Frost & Sullivan, there were sufficient key players as our potential collaboration targets in these industries as of the Latest Practicable Date. This will enable us to reach out to more customers, draw new customers and enhance our brand presence in the industry;

Please see “Business — Our Business Strategies — Continue to expand our operation, increase market penetration, and explore strategic partnerships with leading players across diverse industries.” for more details. We prudently manage our headcount based on our business strategies and existing operational performance. The actual implementation of our recruitment plan will depend on a number of factors, including but not limited to the future market condition, the availability of suitable talents and their intention to join us, and our then business strategies.

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]% (or HK\$[REDACTED]) will be used to enhance our finance and taxation solutions. In particular,
 - (i) our primary focus is to use approximately [REDACTED]% (or HK\$[REDACTED]) to improve the functionality of our SATP system’s existing modules and provide additional solution offerings that cater to diverse requirements of SMBs;
 - (ii) we will also use approximately [REDACTED]% (or HK\$[REDACTED]) to develop industry-tailored managerial accounting services for SMBs belonging in different industries and dealing with diverse business scenarios; and
 - (iii) we plan to increase our investments in data privacy and protection by spending approximately [REDACTED]% (or HK\$[REDACTED]) in upgrading our hardware infrastructure and procuring advanced data security software and services, which will enable us to provide better data privacy and protection to our customers. To be specific,
 - (a) in 2024, we plan to spend approximately [REDACTED]% (or HK\$[REDACTED]) to strengthen the security infrastructure and procure relevant software and services, including but not limited to two web application firewall products, together with relevant servers and the corresponding implementation services, an endpoint security detection and response system together with relevant servers for such system;
 - (b) in 2025, we plan to spend approximately [REDACTED]% (or HK\$[REDACTED]) to further refine security infrastructure primarily through continuous testing and upgrading, develop new information security systems and procure relevant products and services, such as a code audit system and relevant services; and
 - (c) in 2026, we expect to spend approximately [REDACTED]% (or HK\$[REDACTED]) to improve security software and infrastructure and continue to develop new information security systems and procure relevant services and products, such as an asset exposure detection platform, corresponding servers and a database for such detection platform.

Please see “Business — Our Business Strategies — Expand solution offerings to cater to various customer needs, optimize ARPU and enhance customer retention.” for more details;

- approximately [REDACTED]% (or HK\$[REDACTED]) will be used for research and development to enhance our technological capabilities. In particular,
 - (i) we plan to use approximately [REDACTED]% (or HK\$[REDACTED]) to improve the intelligentization of our SATP system by further refining our AI models and gathering model parameters, and attracting more talents in the fields of

FUTURE PLANS AND USE OF [REDACTED]

AI, ML and finance and taxation. We plan to enhance the automation of our SATP system by optimizing our OCR, RPA and technologies supporting our intelligent customer services, such as knowledge graph construction technology and NLP. To implement such automation and intelligentization improvement plan, we plan to recruit 80 to 105 research and development employees, mainly covering system developers, data analysts and data algorithm specialists from 2024 to 2028, respectively; and

- (ii) we intend to use approximately [REDACTED]% (or HK\$[REDACTED]) to procure additional public cloud services to strengthen our information technology infrastructure, accommodating the growing demands on system containerization, stability, scalability and adaptability with the development of our business. Please see “Business — Our Business Strategies — Increase investment in technological innovations and our SATP system upgrades to improve operational efficiency and cost-effectiveness.” for more details;
- approximately [REDACTED]% (or HK\$[REDACTED]) for strategic investments and acquisitions. In particular, by the end of 2028, we plan to explore eight cooperation with solution providers along the industry chain or acquisition opportunities of other market participants when proper opportunities arise to leverage their considerable customer base, extensive experience in customer service and deep knowledge in specific industry verticals, solidifying and further strengthening the competitive strengths of our finance and taxation solutions. Should suitable opportunities arise, we may use (i) approximately [REDACTED]% (or HK\$[REDACTED]) to invest in one target company through minority equity investment in each year from 2024 to 2028; and (ii) approximately [REDACTED]% (or HK\$[REDACTED]) to acquire one target company in each year from 2025 to 2027.

The actual implementation of our investments and acquisitions will depend on a number of factors, including but not limited to the local market condition, the availability of suitable acquisition opportunities, the business negotiation on terms acceptable to us, and our then business strategies.

We typically have the following major evaluation criteria for the potential acquisition targets: (i) geographic locations with economic development potential and reasonable rent levels; (ii) accumulated customer base and professional resources in the local regions; (iii) annual revenue reached over RMB5.0 million and no material weakness in operational and financial performance; (iv) continuous business focus on finance and taxation industry or other industries serving the SMBs; (v) necessary technological capabilities to operate cost-effectively; and (vi) potential synergies with our existing service network. Please see “Business — Our Front Offices” for further details of our evaluation criteria of potential acquisition targets and “Business — Our Business Strategies — Broaden our service network through strategic acquisitions.” for more details of our acquisition strategy. Based on the expert interviews conducted by Frost & Sullivan, there were sufficient companies that meet our selection criteria for strategic investments and acquisition as of the Latest Practicable Date. As of the Latest Practicable Date, we had not identified any definite acquisition targets; and

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]% (or HK\$[REDACTED]) for working capital and other general corporate purposes.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED]. If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low-end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately HK\$[REDACTED]. The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-end of the estimated [REDACTED] range.

The additional [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the high-end of the [REDACTED] range stated in this document), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-end of the [REDACTED] range stated in this document) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the [REDACTED] range stated in this document). Additional [REDACTED] received due to the exercise of any [REDACTED] will be used for the above purposes accordingly on a pro rata basis in the event that the [REDACTED] is exercised.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to allocate part or all of the [REDACTED] to short-term interest-bearing deposits with authorized financial institutions and/or licensed commercial banks as defined under the Securities and Futures Ordinance.

In the event of any material change in our use of [REDACTED] of the [REDACTED] for the purposes described above or in our allocation of the [REDACTED] among the purposes described above, a formal announcement will be made.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SATP HOLDING INC. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of SATP Holding Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-96, which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023, and the consolidated statements of comprehensive loss, the consolidated statements of changes in deficits and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

APPENDIX I

ACCOUNTANT’S REPORT

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022 and 2023 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANT'S REPORT

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 33 to the Historical Financial Information which states that no dividends have been paid by SATP Holding Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standard Board (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31,		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
Revenues from contracts with				
customers	6	346,819	515,962	538,754
SaaS-based solutions		308,585	452,616	463,952
Professional services		38,234	63,346	74,802
Cost of revenues	9	(175,522)	(247,723)	(223,213)
Gross profit		171,297	268,239	315,541
Selling and marketing expenses	9	(363,673)	(380,832)	(302,667)
General and administrative expenses	9	(163,212)	(116,441)	(154,508)
Research and development expenses	9	(69,878)	(85,824)	(104,557)
Net impairment losses on financial assets	20,21	(61)	(38)	(236)
Other income	7	1,111	2,727	2,605
Other gains/(losses), net	8	601	(15,871)	(1,871)
Operating loss		(423,815)	(328,040)	(245,693)
Finance income		1,198	1,241	1,321
Finance costs		(6,967)	(9,846)	(5,536)
Finance costs, net	11	(5,769)	(8,605)	(4,215)
Fair value changes of redeemable convertible preferred shares	31	(252,312)	(169,313)	(51,938)
Fair value changes of warrant liability	32	(1,090)	175	—
Loss before income tax		(682,986)	(505,783)	(301,846)
Income tax expense	12	(1)	—	—
Loss for the year		(682,987)	(505,783)	(301,846)
Loss attributable to:				
— Owners of the Company		(668,151)	(499,910)	(296,103)
— Non-controlling interests		(14,836)	(5,873)	(5,743)
		(682,987)	(505,783)	(301,846)

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS — continued

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Other comprehensive income/(loss)				
<i>Items that may not be reclassified to profit or loss</i>				
Currency translation differences		16,588	(134,787)	(40,115)
Fair value changes of redeemable convertible preferred shares due to own credit risk	31	26,941	(37,844)	(57,030)
Other comprehensive income/(loss) for the year, net of tax		43,529	(172,631)	(97,145)
Total comprehensive loss for the year		(639,458)	(678,414)	(398,991)
Total comprehensive loss attributable to:				
— Owners of the Company		(624,622)	(672,541)	(393,248)
— Non-controlling interests		(14,836)	(5,873)	(5,743)
		(639,458)	(678,414)	(398,991)
Loss per share attributable to owners of the Company (expressed in RMB per share)				
— Basic and diluted	13	(90.22)	(67.52)	(31.29)

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	14	8,658	6,826	3,880
Right-of-use assets	16	62,824	39,285	21,050
Intangible assets	15	92,347	128,770	85,926
Other receivables and prepayments	21	7,378	6,900	5,226
Contract acquisition costs	6	40,999	46,856	45,521
Total non-current assets		212,206	228,637	161,603
Current assets				
Contract acquisition costs	6	40,826	50,567	58,923
Trade receivables	20	—	5,603	3,459
Other receivables and prepayments	21	16,470	15,984	37,090
Financial assets at fair value through profit or loss	18	5,000	—	—
Term deposits	22	22,222	—	—
Restricted cash	22	—	20,894	—
Cash and cash equivalents	22	13,167	249,091	187,444
Total current assets		97,685	342,139	286,916
Total assets		309,891	570,776	448,519
Deficits				
Share capital	23	—	5	7
Treasury shares	23	—	—	(1)
Share premium	23	—	270,415	332,860
Reserves	24	(1,125,015)	(1,113,208)	(1,188,141)
Accumulated losses		(1,262,192)	(1,678,095)	(1,963,917)
Other equity	25	890	445	—
Deficits attributable to owners of the Company		(2,386,317)	(2,520,438)	(2,819,192)
Non-controlling interests		(44,947)	(47,902)	(53,645)
Total deficits		(2,431,264)	(2,568,340)	(2,872,837)

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — continued

	<i>Note</i>	As at December 31,		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Liabilities				
Non-current liabilities				
Redeemable convertible preferred shares . .	31	1,957,138	2,305,068	2,454,941
Warrant liability	32	4,722	—	—
Contract liabilities	6	134,508	158,650	182,119
Lease liabilities	16	33,365	14,244	5,402
Total non-current liabilities		2,129,733	2,477,962	2,642,462
Current liabilities				
Trade payables	28	2,863	3,035	1,211
Other payables and accruals	29	276,195	260,811	252,398
Contract liabilities	6	303,443	361,088	359,006
Borrowings	35	—	—	50,000
Lease liabilities	16	28,921	27,183	16,279
Derivative financial instruments	19	—	9,037	—
Total current liabilities		611,422	661,154	678,894
Total liabilities		2,741,155	3,139,116	3,321,356
Total deficits and liabilities		309,891	570,776	448,519

APPENDIX I

ACCOUNTANT’S REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,		
	Note	2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Prepaid investment in subsidiaries	39(a)	40,613	2,420,690	—
Investment in subsidiaries	39(b)	—	—	2,722,685
Total non-current assets		40,613	2,420,690	2,722,685
Current assets				
Other receivables and prepayments		—	804	3,777
Restricted cash		—	20,894	—
Cash and cash equivalents	22	—	110,603	48,821
Total current assets		—	132,301	52,598
Total assets		40,613	2,552,991	2,775,283
Equity				
Share capital	23	—	5	7
Treasury Shares	23	—	—	(1)
Share premium	23	—	270,415	332,860
Reserves	24	35,891	71,203	150,409
Accumulated losses		—	(102,737)	(164,344)
Total equity		35,891	238,886	318,931
Liabilities				
Non-current liabilities				
Redeemable convertible preferred shares . .	31	—	2,305,068	2,454,941
Warrant liability	32	4,722	—	—
Total non-current liabilities		4,722	2,305,068	2,454,941
Current liabilities				
Other payables and accruals	29	—	—	1,411
Derivative financial instruments	19	—	9,037	—
Total current liabilities		—	9,037	1,411
Total liabilities		4,722	2,314,105	2,456,352
Total equity and liabilities		40,613	2,552,991	2,775,283

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICITS

	Note	Attributable to owners of the Company						Non-controlling interests	Total deficits
		Share capital	Share premium	Other equity	Reserves	Accumulated losses	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2021		—	—	1,038	(764,178)	(802,089)	(1,565,229)	(30,111)	(1,595,340)
Comprehensive loss:									
Loss for the year		—	—	—	(208,048)	(460,103)	(668,151)	(14,836)	(682,987)
Fair value changes of redeemable convertible preferred shares due to own credit risk	24,31	—	—	—	26,941	—	26,941	—	26,941
Currency translation differences		—	—	—	16,588	—	16,588	—	16,588
Total comprehensive loss for the year		—	—	—	(164,519)	(460,103)	(624,622)	(14,836)	(639,458)
Transactions with owners in their capacity as owners:									
Issuance of new ordinary shares		—*	—	—	—	—	—*	—	—*
Deemed distribution to the shareholders of the Group, net	1.3	—	—	—	(232,209)	—	(232,209)	—	(232,209)
Employees share-based compensation scheme — value of employee services	26	—	—	—	35,891	—	35,891	—	35,891
Value of Ordinary Shares Warrant	25	—	—	(148)	—	—	(148)	—	(148)
Total transactions with owners in their capacity as owners		—*	—	(148)	(196,318)	—	(196,466)	—	(196,466)
Balance at December 31, 2021		—*	—	890	(1,125,015)	(1,262,192)	(2,386,317)	(44,947)	(2,431,264)

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICITS — continued

	Attributable to owners of the Company							Non-controlling interests	Total deficits
	Share capital	Share premium	Other equity	Reserves	Accumulated losses	Sub-total			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
Balance at January 1, 2022	—*	—	890	(1,125,015)	(1,262,192)	(2,386,317)	(44,947)	(2,431,264)	
Comprehensive loss:									
Loss for the year	—	—	—	(84,007)	(415,903)	(499,910)	(5,873)	(505,783)	
Fair value changes of redeemable convertible preferred shares due to own credit risk	24,31	—	—	(37,844)	—	(37,844)	—	(37,844)	
Currency translation differences	—	—	—	(134,787)	—	(134,787)	—	(134,787)	
Total comprehensive loss for the year	—	—	—	(256,638)	(415,903)	(672,541)	(5,873)	(678,414)	
Transactions with owners in their capacity as owners:									
Issuance of new ordinary shares	5	—	—	—	—	5	—	5	
Deemed contribution from the shareholders of the Group, net	—	262,135	—	244,883	—	507,018	—	507,018	
Shares repurchase by the Company	—*	—	—	—	—	—*	—	—*	
Employees share-based compensation scheme:									
— value of employee services	—	—	—	35,943	—	35,943	—	35,943	
— vest of restricted shares	—	7,479	—	(7,479)	—	—	—	—	
Share-based payments to regional partners	—	801	—	2,115	—	2,916	—	2,916	
Purchase of non-controlling interests	—	—	—	(7,017)	—	(7,017)	2,918	(4,099)	
Value of Ordinary Shares Warrant	—	—	(445)	—	—	(445)	—	(445)	
Total transactions with owners in their capacity as owners	5	270,415	(445)	268,445	—	538,420	2,918	541,338	
Balance at December 31, 2022	5	270,415	445	(1,113,208)	(1,678,095)	(2,520,438)	(47,902)	(2,568,340)	

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICITS — continued

	Note	Attributable to owners of the Company						Non-controlling interests	Total deficits	
		Share capital	Treasury Shares	Share premium	Other equity	Reserves	Accumulated losses			Sub-total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			RMB'000
Balance at January 1, 2023 . . .		5	—	270,415	445	(1,113,208)	(1,678,095)	(2,520,438)	(47,902)	(2,568,340)
Comprehensive loss:										
Loss for the year		—	—	—	—	(10,281)	(285,822)	(296,103)	(5,743)	(301,846)
Fair value changes of redeemable convertible preferred shares due to own credit risk	24, 31	—	—	—	—	(57,030)	—	(57,030)	—	(57,030)
Currency translation differences		—	—	—	—	(40,115)	—	(40,115)	—	(40,115)
Total comprehensive loss for the year		—	—	—	—	(107,426)	(285,822)	(393,248)	(5,743)	(398,991)
Transactions with owners in their capacity as owners:										
Deemed distribution to the shareholders of the Group, net		—	—	—	—	(19,562)	—	(19,562)	—	(19,562)
Employees share-based compensation scheme:										
— value of employee services		—	—	—	—	107,976	—	107,976	—	107,976
— exercise of option		1	—	45,362	—	(45,276)	—	87	—	87
— vest of restricted shares		—*	—	9,930	—	(9,930)	—	—	—	—
Share-based payments to regional partners		—*	—	6,708	—	(715)	—	5,993	—	5,993
Value of Ordinary Shares Warrant		—*	—	445	(445)	—	—	—	—	—*
Issuance of ordinary shares by the Company	23	1	—	—	—	—	—	1	—	1
Treasury shares	23	—	(1)	—	—	—	—	(1)	—	(1)
Total transactions with owners in their capacity as owners		2	(1)	62,445	(445)	32,493	—	94,494	—	94,494
Balance at December 31, 2023		7	(1)	332,860	—	(1,188,141)	(1,963,917)	(2,819,192)	(53,645)	(2,872,837)

* The balance stated above was less than RMB1,000.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash used in operations	34	(212,580)	(211,267)	(51,004)
Interest received		1,198	1,241	1,321
Interest paid		(5,073)	(8,035)	(4,016)
Income tax paid		(1)	—	—
Net cash outflow from operating activities		(216,456)	(218,061)	(53,699)
Cash flows from investing activities				
Payments for property, plant and equipment		(7,801)	(3,628)	(765)
Payments for intangible assets		(16,125)	(19,297)	(668)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3(a)	—	5,000	—
Purchase of term deposits		(22,222)	—	—
Proceeds from maturities of term deposits		—	22,222	—
Placement of restricted cash	22(b)	—	(20,894)	—
Withdrawal of restricted cash		—	—	20,894
Net cash (outflow)/inflow from investing activities		(46,148)	(16,597)	19,461

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS — continued

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Proceeds from issuance of redeemable convertible preferred shares	31	—	281,625	—
Proceeds from bank borrowings	35	—	—	50,000
Proceeds from issuance of new ordinary shares	23	—	805	—
Principal elements of lease payments	16	(34,934)	(36,143)	(34,154)
Payments for [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Payments for purchase of non-controlling interests		—	(2,094)	(1,003)
Deemed contribution from/(distribution to) the shareholders of the Group, net . .	1.3	284,549	225,392	(41,384)
Net proceeds from exercise of share options		—	—	87
Net proceeds from exercise of warrant . . .	25	—	—	—*
Net cash inflow/(outflow) from financing activities		249,615	469,585	(28,199)
Net decrease/(increase) in cash and cash equivalents		(12,989)	234,927	(62,437)
Cash and cash equivalents at beginning of year		26,156	13,167	249,091
Effects of exchange rate changes on cash and cash equivalents		—	997	790
Cash and cash equivalents at end of year		13,167	249,091	187,444

* The balance stated above was less than RMB1,000.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

SATP Holding Inc. (the “**Company**”) was incorporated in the Cayman Islands on July 14, 2021 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The Company is an investment holding company and its subsidiaries, including consolidated structured entities (together, the “**Group**”) are principally engaged in providing finance and taxation solutions to Small and Medium Businesses (“**SMBs**”) in the People’s Republic of China (the “**PRC**”) (the “[**REDACTED**] Business”).

1.2 Reorganization

Prior to the incorporation of the Company and completion of the group reorganization as described below (the “**Reorganization**”), the [**REDACTED**] Business was carried out through Beijing Gongjin Technology Co., Ltd. (北京公瑾科技有限公司) (“**Beijing Gongjin Technology**”), a limited liability company established in the PRC in April 2015, and its subsidiaries (collectively, the “**Operating Entities**”).

Beijing Gongjin Technology was controlled by Huisuanzhang Cayman Holding Inc. (“**Huisuanzhang Holding**”), an exempted company with limited liability incorporated in the Cayman Islands in July 2019, through a series of contractual agreements among Huisuanzhang Holding and its subsidiaries (Huisuanzhang Holding and its subsidiaries together with Beijing Gongjin Technology are collectively referred to as the “**Huisuanzhang Holding Group**”).

In preparation for the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization, pursuant to which the beneficial interests of the companies engaged in the [**REDACTED**] Business were transferred to the Company. Details of the Reorganization are set out below:

- (i) In December 2019, Beijing Gongjin Technology and its shareholders entered into a series of agreements with Huisuanzhang Holding, which issued ordinary shares and Series Angel, Pre-A, A+, B, B2, C and C1 Preferred Shares to shareholders of Beijing Gongjin Technology in exchange for respective equity interests that held in Beijing Gongjin Technology.

APPENDIX I

ACCOUNTANT’S REPORT

- (ii) On August 7, 2020, Beijing Zhongmou Zongheng Technology Co., Ltd. (北京仲謀縱橫科技有限公司, “**Beijing Zhongmou**”) was established under the laws of the PRC by Mr. ZHANG Shugang and Mr. ZHANG Mingqi. Mr. ZHANG Shugang and Mr. ZHANG Mingqi held 99.99999% and 0.00001% registered capital of Beijing Zhongmou at the time, respectively. On July 21, 2021, Boyue Wenchang obtained control of Beijing Zhongmou through a series of contractual agreements among Beijing Zhongmou, Mr. ZHANG Shugang and Mr. ZHANG Mingqi.
- (iii) On July 14, 2021, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD 50,000 divided into 50,000 shares with a par value of USD 1 each, among which 1 share was issued to Huisuanzhang Holding upon incorporation. As the rest 49,999 shares remain unissued, the Company is a wholly owned subsidiary of Huisuanzhang Holding at the time of incorporation.
- (iv) In July 2021, Beijing Zijing Technology Co., Ltd. (北京子敬科技有限公司, “**Beijing Zijing**”), Beijing Demou Technology Co., Ltd. (北京德謀科技有限公司, “**Beijing Demou**”), Beijing Boyan Ziming Technology Co., Ltd. (北京伯言子明科技有限公司, “**Boyan Ziming**”) and Beijing Boyue Wenchang Technology Co., Ltd. (北京伯約文長科技有限公司, “**Boyue Wenchang**”) were established under the laws of the PRC, as the new wholly owned subsidiaries of Beijing Gongjin Technology (Beijing Zijing, Beijing Demou, Boyan Ziming, Boyue Wenchang and their subsidiaries are collectively referred to as the “**New Operating Entities**”).
- (v) From July 29, 2021 to October 8, 2021, the Company established a series of wholly owned investment holding companies in Cayman Islands, British Virgin Islands (“**BVI**”), and Hong Kong (collectively referred as the “**Offshore Holding Companies**”).
- (vi) On November 1, 2021, the Company split ordinary shares at a 1:10,000 ratio and entered into a series of agreements with Huisuanzhang Holding and its shareholders to complete the Reorganization. As the consideration of spin off of the [REDACTED] Business from the Huisuanzhang Holding Group to the Company, the Company issued an aggregate of 7,396,479 ordinary shares with a par value of USD0.0001 each and 45,750,025 Series Angel, Pre-A, A+, B, B2, C, C1, C2, and D Preferred Shares (Note 31) with a par value of USD 0.0001 from March 17, 2022 to August 6, 2022 to the respective shareholders of Huisuanzhang Holding or their designated representatives on a pro rata basis to reflect and mirror the beneficial ownership of the shareholders of Huisuanzhang Holding in the [REDACTED] Business.
- (vii) From August 4, 2022 to September 1, 2022, the Company established two wholly owned subsidiaries under the Offshore Holding Companies, which are Gongjin (Qingdao) Investment Holding Co., Ltd. (公瑾(青島)投資控股有限公司, “**Qingdao WFOE**”) and Huisuanzhang Technology Development (Dalian) Co., Ltd. (慧算賬科技發展(大連)有限公司, “**Dalian WFOE**”).

APPENDIX I

ACCOUNTANT’S REPORT

- (viii) On September 30, 2022, the Company repurchased all 10,000 ordinary shares with a par value of USD 0.0001 each held by Huisuanzhang Holding.
- (ix) From October 13, 2022 to June 25, 2023, Dalian WFOE and Qingdao WFOE acquired 100% registered capital of the New Operating Entities.
- (x) On February 3, 2023, Mr. ZHANG Shugang and Mr. ZHANG Mingqi transferred 49.99999% and 0.00001% registered capital of Beijing Zhongmou held by them, respectively, to Boyue Wenchang for the purpose to meet the narrowly tailored requirements of The Stock Exchange of Hong Kong Limited. On the same day, a new series of contractual arrangements was entered into among Beijing Zhongmou and Mr. ZHANG Shugang for Boyue Wenchang to continuously control Beijing Zhongmou.
- (xi) As described in (vi), the Company has issued consideration to the shareholders of Huisuanzhang Holding Group for the spinoff of the [REDACTED] Business to the Company as part of the Reorganization. Given such fact, from October 9, 2022 to June 29, 2023, Beijing Gongjin Technology was instructed to enter into a series of agreements with the New Operating Entities and agreed to transfer all assets and liabilities related to the [REDACTED] Business to the New Operating Entities as capital contribution.

Upon completion of the Reorganization by end of June 2023, the Company became the holding company of the companies now comprising the Group.

During the Track Record Period, the Company has direct or indirect interests in the following companies:

Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held			Principal activities and place of operation
			As at December 31,			
			2021	2022	2023	
Directly held by the Company						
SATP Group Ltd	July 29, 2021/Cayman Islands/ limited liability company	USD 50,000	100%	100%	100%	Investment Holding/ Cayman Islands
SME Services Ltd	August 12, 2021/British Virgin Islands/BVI Business company	USD 50,000	100%	100%	100%	Investment Holding/British Virgin Islands
SME SERVICES HK LIMITED	October 8, 2021/Hong Kong/limited company	HKD 1	100%	100%	100%	Investment Holding/Hong Kong

APPENDIX I

ACCOUNTANT’S REPORT

Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held			Principal activities and place of operation
			As at December 31,			
			2021	2022	2023	
INSIGHT TAX CONSULTING LTD	July 29, 2021/ Cayman Islands/limited liability company	USD 50,000	100%	100%	100%	Investment Holding/Cayman Islands
TRIPLE FRONTIER GROUP LTD.	August 16, 2021/British Virgin Islands/BVI Business company	USD 50,000	100%	100%	100%	Investment Holding/British Virgin Islands
GRAND KEEPER LIMITED	October 8, 2021/Hong Kong/limited company	HKD 1	100%	100%	100%	Investment Holding/Hong Kong
Indirectly held by the Company						
Beijing Gongjin Enterprise Management Consulting Company Limited (北京公瑾企業管理諮詢有限公司)	October 22, 2015/PRC/ limited liability company	RMB1,500,000	51%	51%	51%	Sale of product and services/ PRC
Guangzhou Gongjin Finance Consulting Company Limited (廣州公瑾財務諮詢有限公司)	April 6, 2016/PRC/ limited liability company	RMB1,000,000	100%	100%	100%	Sale of product and services/ PRC
Shanghai Gongjin Network Technology Company Limited (上海公瑾網絡科技有限公司)	July 4, 2016/PRC/ limited liability company	RMB1,000,000	100%	100%	100%	Sale of product and services/ PRC
Beijing Boyue Wenchang Technology Company Limited (北京伯約文長科技有限公司)	July 21, 2021/PRC/ limited liability company	RMB50,000,000	100%	100%	100%	Sale of product and services/ PRC
Huisuanzhang (Guangxi) Finance Consulting Company Limited (慧算賬(廣西)財務諮詢有限公司)	November 9, 2021/PRC/ limited liability company	RMB2,000,000	100%	100%	100%	Sale of product and services/ PRC

APPENDIX I

ACCOUNTANT’S REPORT

Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held			Principal activities and place of operation
			As at December 31,			
			2021	2022	2023	
Qingdao Huisuanzhang Intelligence Finance Taxation Technology Company Limited (青島慧算賬智能財稅科技有限公司)	November 4, 2021/PRC/ limited liability company	RMB50,000,000	100%	100%	100%	Sale of product and services/ PRC
Huisuanzhang Technology Development (Dalian) Company Limited 慧算賬科技發展(大連)有限公司 *	September 1, 2022/PRC/ limited liability company	RMB150,000,000	N/A	100%	100%	Investment Holding/ PRC
Beijing Zijing Technology Company Limited (北京子敬科技有限公司)	July 20, 2021/PRC/ limited liability company	RMB150,000,000	100%	100%	100%	Sale of product and services/ PRC
Beijing Zhongmou Zongheng Technology Company Limited (北京仲謀縱橫科技有限公司)	August 7, 2020/PRC/ limited liability company	RMB10,000,000	100%	100%	100%	Sale of product and services/ PRC
Tianjin Gongjin Finance Consulting Company Limited (天津公瑾財務諮詢有限公司)	February 16, 2017/PRC/ limited liability company	RMB1,000,000	100%	100%	100%	Sale of product and services/ PRC
Gongjin (Qingdao) Investment Holding Company Limited (公瑾(青島)投資控股有限公司) *	August 4, 2022/PRC/ limited liability company	RMB200,000,000	N/A	100%	100%	Investment Holding/ PRC
Huisuanzhang (Hebei) Enterprise Management Company Limited (慧算賬(河北)企業管理有限公司)	December 14, 2021/PRC/ limited liability company	RMB3,000,000	100%	100%	100%	Sale of product and services/ PRC

APPENDIX I

ACCOUNTANT’S REPORT

Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held			Principal activities and place of operation
			As at December 31,			
			2021	2022	2023	
Huisuanzhang Shenghua (Dalian) Finance Taxation Consulting Company Limited (慧算賬勝華(大連)財稅諮詢有限公司)	January 7, 2016/PRC/ limited liability company	RMB1,000,000	100%	100%	100%	Sale of product and services/ PRC
Jinan Xiaoqiao Finance Consulting Company Limited (濟南小喬財務諮詢有限公司)	June 7, 2018/PRC/ limited liability company	RMB1,000,000	100%	100%	100%	Sale of product and services/ PRC
Ningbo Gongjin Finance Consulting Company Limited (寧波公瑾財務諮詢有限公司)	February 5, 2018/PRC/ limited liability company	RMB2,000,000	79%	100%	100%	Sale of product and services/ PRC
Zhongmou (Jinan) Finance Management Consulting Company Limited (仲謀(濟南)財務管理諮詢有限公司)	February 16, 2022/PRC/ limited liability company	RMB1,000,000	N/A	100%	100%	Sale of product and services/ PRC
Beijing Boyan Ziming Technology Company Limited (北京伯言子明科技有限公司)	July 21, 2021/PRC/ limited liability company	RMB100,000,000	100%	100%	100%	Sale of product and services/ PRC
Beijing Demou Technology Company Limited (北京德謀科技有限公司)	July 20, 2021/PRC/ limited liability company	RMB1,010,101	100%	100%	100%	Sale of product and services/ PRC

* Registered as wholly foreign owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Track Record Period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

APPENDIX I

ACCOUNTANT’S REPORT

The English names of certain subsidiaries referred herein represent the directors’ best effort at translating the Chinese names of these companies as no English names have been registered.

No statutory audited financial statements were issued for the above companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirement of their respective place of incorporation.

1.3 Basis of presentation

Immediately prior to the Reorganization, the [REDACTED] Business has been conducted by the Operating Entities under control of Huisuanzhang Holding. Pursuant to the Reorganization, the [REDACTED] Business was transferred to the New Operating Entities which are held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the [REDACTED] Business with no change in management of such business and the shareholders remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [REDACTED] Business and, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis and is presented using the carrying values of the [REDACTED] Business under the Operating Entities for all periods presented.

During the Track Record Period, transactions and balances specifically identified as relating to the [REDACTED] Business were consolidated in the Historical Financial Information, except for the bank balances and third-party borrowing of Huisuanzhang Holding Group historically used to finance the [REDACTED] Business which will not be assigned and assumed by the Group upon completion of the Reorganization. Net balances of the excluded assets and liabilities are recorded as deemed contribution from the shareholders of the Group, net or deemed distribution to the shareholders of the Group, net in the consolidated statement of change in deficits and consolidated statement of cash flows.

2 Summary of material accounting policy information

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) (“IFRS Accounting Standards”).

APPENDIX I

ACCOUNTANT’S REPORT

The Historical Financial Information has been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, redeemable convertible preferred shares, warrant liability, and derivative financial instruments which have been measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations are consistently applied to the Group throughout the Track Record Period.

Going concern

For the year ended December 31, 2023, the Group incurred net loss of approximately RMB301.8 million and a net operating cash outflow of approximately RMB53.7 million, and the Group was in a net current liability position of RMB392.0 million as of December 31, 2023, mainly contributed by the contract liabilities of RMB359.0 million. The Group’s source of finance and working capital mainly derived from the issuance of the Company’s redeemable convertible preferred shares, which are classified as financial liabilities. Management of the Group has prepared a cash flow projection covering a period of not less than 12 months from December 31, 2023. Based on the projection prepared by management, the directors of the Company believe that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the next twelve months from December 31, 2023. Consequently, the Historical Financial Information has been prepared on a going concern basis.

2.1.1 Changes in accounting policy and disclosures

New standards, amendments to standards and interpretations not yet adopted

The following new accounting standards and interpretations that are published and are not mandatory during Track Record Period have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to International Accounting Standards (“IAS”) 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non current liabilities with covenants	January 1, 2024

APPENDIX I

ACCOUNTANT’S REPORT

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement	January 1, 2024

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new or revised standards and amendments. The directors expects that “IAS 1 (Amendment) ‘Classification of Liabilities as Current or Non-current’”, after its adoption on January 1, 2024, may cause a reclassification of “redeemable convertible preferred shares” from non-current liabilities to current liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time. Except for this, no significant impact on the financial performance and positions of the Group is expected.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(a) Subsidiaries controlled through Contractual Arrangements

As described in Note 1.2, Boyue Wenchang has entered into a series of contractual arrangements dated February 3, 2023 (the “**Contractual Arrangements**”) with Beijing Zhongmou, Mr. ZHANG Shugang and Mr. ZHANG Mingqi, which enable Boyue Wenchang and the Group to:

- exercise power to direct Beijing Zhongmou’s relevant activities;
- exercise equity holders’ voting rights of Beijing Zhongmou;

APPENDIX I

ACCOUNTANT'S REPORT

- receive 100% of the economic interest returns generated by Beijing Zhongmou, in consideration for the business support by the Boyue Wenchang, at the Boyue Wenchang's discretion;
- obtain an exclusive and irrevocable option to purchase all or part of the equity interests in Beijing Zhongmou from Mr. ZHANG Shugang for the lowest price permitted under PRC law shall apply. At the Boyue Wenchang's request, Mr. ZHANG Shugang will promptly and unconditionally transfer his respective equity interests in Beijing Zhongmou to Boyue Wenchang or its designated representative(s) after the Boyue Wenchang exercises its purchase option, either in part or in full; and
- obtain a pledge over the equity interests of Beijing Zhongmou from Mr. ZHANG Shugang as a collateral security for the obligations to perform the provisions of the Contractual Arrangements.

As a result of the Contractual Arrangements, the Company has right to exercise power over Beijing Zhongmou, receives variable returns from its involvement with Beijing Zhongmou, and has the ability to affect those returns through its power over Beijing Zhongmou. Therefore, the Company is considered to control Beijing Zhongmou. Consequently, the Company regards Beijing Zhongmou as controlled structure entity and consolidates the results and financial position of Beijing Zhongmou in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Zhongmou and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Zhongmou. The directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS Accounting Standards.

APPENDIX I

ACCOUNTANT'S REPORT

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive loss.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

APPENDIX I

ACCOUNTANT’S REPORT

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currencies of the Company and its subsidiaries outside mainland China are United States dollars (“**US\$**” or “**USD**”), while the functional currencies of the Company’s subsidiaries in the mainland China are RMB. As the major operations of the Group during the Track Record Period are within the mainland China, the Group determined to present its Historical Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in consolidated statement of comprehensive loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income/(loss).

APPENDIX I

ACCOUNTANT'S REPORT

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which cases income and expenses are translated at the rate on the dates of the transactions; and
- all resulting currency translation differences are recognized in other comprehensive income/(loss).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income/(loss). When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Electronic equipment and office equipment 3-5 years
- Leasehold improvements shorter of estimated useful lives
and remaining lease terms

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

APPENDIX I

ACCOUNTANT'S REPORT

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other gains/(losses), net" in the consolidated statement of comprehensive loss.

2.6 Intangible assets

(a) Software

Acquired computer software licenses are capitalized on the basis of the purchase costs.

Costs associated with maintaining software are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software or database so that it will be available for use;
- Management intends to complete the software or database, and use or sell it;
- There is an ability to use or sell the software or database;
- It can be demonstrated how the software or database will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software or database are available; and
- The expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended December 31, 2021, 2022 and 2023.

The useful lives of software are 1 to 10 years, which is the best estimation under current business needs.

APPENDIX I

ACCOUNTANT'S REPORT

(b) Customer relationships

Acquired customer relationships are initially recognized and measured at cost or estimated fair value of intangible assets acquired through business combinations or assets acquisitions, which are amortized over their estimated useful lives (generally four years) using the straight-line method which reflects the pattern in which the intangible assets' future economic benefits are expected to be consumed.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("FVOCI").

See Note 17 for details of each type of financial assets.

APPENDIX I

ACCOUNTANT’S REPORT

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “other gains/(losses), net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “other gains/(losses), net”. Interest income from these financial assets is included in finance income using the

APPENDIX I

ACCOUNTANT’S REPORT

effective interest rate method. Foreign exchange gains and losses are presented in “other gains/(losses), net” and impairment expenses are presented as separate line item in the consolidated statement of comprehensive loss.

- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other gains/(losses), net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as “other income” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other gains/(losses), net” in the consolidated statement of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group has the following types of assets subject to IFRS 9’s new expected credit loss model:

- Trade receivables
- Other receivables
- Term deposits
- Restricted cash
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. See Note 3.1(b) for further details.

APPENDIX I

ACCOUNTANT'S REPORT

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from restricted cash, term deposits and cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of trade receivables is described in Note 3.1(b).

2.9 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.10 Term deposits

Term deposits represent cash placed with banks with original maturities of three months or more. If collection of term deposits is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Term deposits are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Interest earned is recorded as finance income in the consolidated statement of comprehensive loss during the periods presented.

2.11 Restricted cash

Restricted cash primarily represents deposits that were pledged to banks as required for foreign exchange forward contracts. The Group can only use segregated bank accounts for those restricted cash and cash in the segregated accounts can only be used for the respective businesses as designated and therefore not available for general use by the other entities within the Group.

APPENDIX I

ACCOUNTANT'S REPORT

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and third-party payment platforms, and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Redeemable convertible preferred shares

Redeemable convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an [REDACTED] of the Company or agreed by majority of the holders as detailed in Note 31.

The Group designated the redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are expensed as incurred.

Subsequently, the component of fair value changes relating to the Company's own credit risk is recognized in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retaining earnings when realized. Other fair value change relating to market risk are recognized in the consolidated statement of comprehensive loss.

Redeemable convertible preferred shares are classified as non-current liabilities until the preferred shareholders can demand the Company to redeem the preferred shares within 12 months after the end of the reporting period.

APPENDIX I

ACCOUNTANT'S REPORT

2.16 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

APPENDIX I

ACCOUNTANT'S REPORT

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.17 Employee benefits

(a) Liabilities for wages and salaries

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

(b) Pension obligations and other social welfare benefits

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulation requires that the Group make contributions to the government for these benefits based on certain percentage of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the required contributions. There are no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

2.18 Share-based payments

The total amount to be expensed is determined by reference to the fair value of the options or restricted shares granted:

- including any market performance conditions (e.g., the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified period of time), and
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or hold shares for a specific period of time).

APPENDIX I

ACCOUNTANT'S REPORT

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options or restricted shares that are expected to vest based on the non-market performance vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

2.20 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

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

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

APPENDIX I

ACCOUNTANT'S REPORT

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines relative standalone selling prices based on its standard price list, taking into consideration market conditions and its overall pricing strategy.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The accounting policy for the Group's revenue sources

The Group mainly derives revenue from (i) fees for SaaS-based solutions provided to SMBs and regional partners; and (ii) professional services, primarily including consultation services and matchmaking services.

(a) SaaS-based solutions provided to SMBs

The Group charges service fees for providing SaaS-empowered bookkeeping and tax filing services to SMBs.

Deliverables for SaaS-based solutions provided to SMBs such as bookkeeping and tax filing results are delivered to customers normally on a monthly basis. The Group enters into contracts with end customers that may include combination of services. The services are accounted for as separate performance obligations if they are capable of being distinct, generally there is no significant modification or integration, and they are not highly dependent with each other. The transaction price is the price after discount and is a fixed amount upon signing of the contract. The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling prices of the products or services being provided to the customer. Revenue is generally recognized at the point in time when the deliverables are provided to the customers, which are normally on a monthly basis during the contract term.

APPENDIX I

ACCOUNTANT'S REPORT

(b) SaaS-based solutions provided to regional partners

The Group charges subscription fees for access to its SaaS-based solutions to regional partners over the contract term. Revenue is generally recognized ratably over the contract term. The Group's subscription service arrangements are non-cancellable and do not contain refund type provisions.

(c) Professional services

Professional services primarily include a variety of services, range from consultation services, including business registration and qualification-related services, to matchmaking services.

Consultation services primarily comprise business registration services, qualification-related services and other offline services. Related revenues are recognized upon delivery of related results.

Matchmaking services represent referral of SMBs to online services providers. The Group settle the performance-based matchmaking service fees with the recommended online service providers on a monthly basis. Revenue is recognized upon confirmation of successful referral by such online service providers.

(d) Incremental costs of obtaining customer contract

Sales commissions earned by the Group's sales force are considered incremental and recoverable costs of obtaining contract with a customer. Sales commissions for initial and renewed contracts are deferred and then amortized on a straight-line basis over a period of benefit. The Group has estimated period of benefit to be three to four years for initial contracts and one to two years for renewed contracts. In arriving at this estimated period of benefit, the Group periodically evaluated both qualitative and quantitative factors which include the estimated life cycles of offerings and customers attrition. Given the fact that commission rates for initial contracts are significantly higher than those for renewed contracts, the Group amortizes capitalized costs to the Group's sales force over the estimated customer life taking expected renewals into consideration for initial contracts, and over the contract period for renewed contracts. Amortization expense of capitalized cost of obtaining customer contracts is included in sales and marketing expenses in the consolidated statement of comprehensive loss. The Group also assesses whether the carrying amount of contract cost has exceeded the remaining amount of consideration that the Group expects to receive, less the costs relate directly to providing those goods or services that have not been recognized as expenses.

APPENDIX I

ACCOUNTANT'S REPORT

2.21 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive loss over the period necessary to match them with the costs that they are intended to compensate. The Group does not have government grants relating to property, plant and equipment, and other non-current assets.

2.22 Leases

The Group leases certain offices. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to finance costs over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, otherwise the lessee's incremental borrowing rate is used.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets represent leased assets with value below amounts equivalent to US\$5,000.

APPENDIX I

ACCOUNTANT'S REPORT

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.23 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), net.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Foreign exchange risk is the risk of loss resulting from fluctuation of foreign currency

APPENDIX I

ACCOUNTANT’S REPORT

exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its consolidated financial position and consolidated statement of comprehensive loss.

The foreign currency assets and liabilities of the Group entities are mainly PRC entities’ cash and cash equivalents denominated in USD. The foreign exchange risk the Group is facing mainly comes from movements in the USD/RMB. During the Track Record Period, the Group did not have any derivative financial instrument for which hedging accounting was applied.

For the Group’s subsidiaries in mainland China whose functional currency is RMB, no transaction occurred denominated in USD for the years ended December 31, 2021, 2022 and 2023.

For the Group’s subsidiary outside mainland China whose functional currency is USD, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, loss before income tax would have been approximately nil, RMB3.9 million and RMB0.04 million higher/lower for the years ended December 31, 2021, 2022 and 2023, respectively, as a result of net foreign exchange losses/gains on translation of net monetary assets denominated in RMB.

The Group entered into foreign currency forward contracts in relation to financial assets dominated in foreign currency that do not satisfy the requirements for hedge accounting (economic hedges). During the Track Record Period, the Group did not have any derivative financial instrument for which hedging accounting was applied.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits as well as trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group’s maximum exposure to credit risk in relation to financial assets.

(i) Credit risk of cash and cash equivalents, restricted cash and term deposits

To manage risk arising from cash and cash equivalents, restricted cash and term deposits, the Group only transacts with stated-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in mainland PRC and Hong Kong. There has been no recent history of default in relation to these financial institutions. The expected credit loss is immaterial.

(ii) Credit risk of trade receivables and other receivables

The Group has policies in place to ensure that trade receivables with credit terms are made to counter-parties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

APPENDIX I

ACCOUNTANT’S REPORT

For trade and other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The loss allowance for trade and other receivables was not material during the years ended December 31, 2021, 2022 and 2023.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate cash and cash equivalents to meet the Group’s liquidity requirements.

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group’s financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2021					
Trade payables	2,863	—	—	—	2,863
Other payables and accruals (excluding salary and welfare payable, and taxes other than income tax)	24,039	—	—	—	24,039
Lease liabilities	31,805	22,064	13,764	—	67,633
Redeemable convertible preferred shares	—	—	1,957,138	—	1,957,138
Warrant liability	—	—	—	4,722	4,722
	58,707	22,064	1,970,902	4,722	2,056,395
As at December 31, 2022					
Trade payables	3,035	—	—	—	3,035
Other payables and accruals (excluding salary and welfare payable, and taxes other than income tax)	21,836	—	—	—	21,836
Lease liabilities	27,629	11,921	2,634	—	42,184
Redeemable convertible preferred shares	—	—	2,305,068	—	2,305,068
Derivative financial instruments	9,037	—	—	—	9,037
	61,537	11,921	2,307,702	—	2,381,160

APPENDIX I

ACCOUNTANT’S REPORT

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2023					
Trade payables	1,211	—	—	—	1,211
Other payables and accruals (excluding salary and welfare payable, and taxes other than income tax)	28,768	—	—	—	28,768
Lease liabilities	16,842	4,784	66	—	21,692
Borrowings	51,300	—	—	—	51,300
Redeemable convertible preferred shares	—	—	2,454,941	—	2,454,941
	98,121	4,784	2,455,007	—	2,557,912

As at December 31, 2021, 2022 and 2023, redeemable convertible preferred shares were classified as a non-current liability because the preferred shareholders cannot demand the Company to redeem their preferred shares within 12 months for the presented balance sheet dates.

The maximum exposure of the redemption of redeemable convertible preferred shares is the higher of the contractual redemption price, which is equal to 100% of the issue price of the respective redeemable convertible preferred shares plus interests calculated using respective interest rate during the period from the issuance of the redeemable convertible preferred shares until the date on which the redemption price is paid in full, and plus any declared but unpaid dividends, or the fair market value of such redeeming preferred share as determined by the appraisal agency and the appraisal method as approved by the shareholders, or the fair market realizable value as mutually agreed by the shareholders, if a redemption event occurs as described in Note 31. The Group recognizes the redeemable convertible preferred shares at fair value through profit or loss. Accordingly, redeemable convertible preferred shares are managed on a fair value basis rather than by maturing dates.

3.2 Capital management

The Group’s objectives when managing capital are to:

- safeguard the Group’s ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company’s shares. In the opinion of the directors of the Company, the Group’s capital risk is low.

APPENDIX I

ACCOUNTANT’S REPORT

3.3 Fair value estimation

(a) *Financial assets and liabilities carried at fair value*

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2021				
Financial assets				
Financial assets at fair value through profit or loss (<i>Note 18</i>)				
Investment in wealth management products	—	—	5,000	5,000
Total financial assets	—	—	5,000	5,000
Financial liabilities				
Redeemable convertible preferred shares (<i>Note 31</i>)	—	—	1,957,138	1,957,138
Warrant liability (<i>Note 32</i>)	—	—	4,722	4,722
Total financial liabilities	—	—	1,961,860	1,961,860
	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2022				
Financial liabilities				
Redeemable convertible preferred shares (<i>Note 31</i>)	—	—	2,305,068	2,305,068
Derivative financial instruments (<i>Note 19</i>)	—	9,037	—	9,037
Total financial liabilities	—	9,037	2,305,068	2,314,105
As at December 31, 2023				
Financial liabilities				
Redeemable convertible preferred shares (<i>Note 31</i>)	—	—	2,454,941	2,454,941
Total financial liabilities	—	—	2,454,941	2,454,941

APPENDIX I

ACCOUNTANT’S REPORT

- **Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended December 31, 2021, 2022 and 2023.

	Financial assets at fair value through profit or loss
	Investment in wealth management products
	<i>RMB’000</i>
Opening balance at January 1, 2021	5,000
Additions	—
Settlements	(147)
Gains recognized in profit or loss	147
Closing balance at December 31, 2021	5,000
Opening balance at January 1, 2022	5,000
Additions	—
Settlements	(5,027)
Gains recognized in profit or loss	27
Closing balance at December 31, 2022	—

APPENDIX I

ACCOUNTANT’S REPORT

As at December 31 2023, the Group did not have any investment in wealth management products.

	Financial liabilities at fair value through profit or loss	
	Warrant liability	Redeemable convertible preferred shares
	<i>RMB’000</i>	<i>RMB’000</i>
Opening balance at January 1, 2021	3,731	1,231,352
Issuance of Series D Preferred Shares	—	510,056
Changes in fair value through profit or loss	1,090	252,312
Changes in fair value through other comprehensive income or loss	—	(26,941)
Foreign exchange adjustments	(99)	(9,641)
Closing balance at December 31, 2021	4,722	1,957,138
Opening balance at January 1, 2022	4,722	1,957,138
Exercise of warrant liability	(4,977)	4,796
Changes in fair value through profit or loss	(175)	169,313
Changes in fair value through other comprehensive income or loss	—	37,844
Foreign exchange adjustments	430	135,977
Closing balance at December 31, 2022	—	2,305,068
Opening balance at January 1, 2023	—	2,305,068
Changes in fair value through profit or loss	—	51,938
Changes in fair value through other comprehensive income or loss	—	57,030
Foreign exchange adjustments	—	40,905
Closing balance at December 31, 2023	—	2,454,941

(iii) Valuation techniques and significant inputs used to determine fair values and valuation process

The valuation technique used to value foreign currency forwards in level 2 is the present value of future cash flows based on the forward exchange rates at the balance sheet dates.

APPENDIX I

ACCOUNTANT’S REPORT

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the financial instruments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included redeemable convertible preferred shares (Note 31), warrant liability (Note 32) and investment in wealth management products. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flow model and market approach etc.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, loss before income tax for the years ended December 31, 2021, 2022 and 2023 would have been approximately RMB0.51 million lower/higher, RMB0.50 million lower/higher, nil lower/higher, respectively.

The following table presents the impact on the loss before income tax for the years ended December 31, 2021, 2022 and 2023 if the Company’s equity value had increased/decreased by 10% which leads to the fair value changes of redeemable convertible preferred shares and warrant liabilities.

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
% changes of the Company’s equity value			
Increased by 10%..	(208,975)	(226,826)	(233,081)
Decreased by 10%...	209,204	227,068	233,715

APPENDIX I

ACCOUNTANT’S REPORT

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value			Significant unobservable inputs	Range of inputs			Relationship of unobservable inputs to fair value
	As at December 31,				As at December 31,			
	2021	2022	2023		2021	2022	2023	
	RMB'000	RMB'000	RMB'000					
Financial assets at fair value through profit or loss								
— Investment in wealth management products	5,000	—	—	Expected rate of return	2.7%-3.1%	N/A	N/A	The higher the expected rate of return, the higher the fair value
Financial liabilities at fair value through profit or loss								
— Warrant liability	(4,722)	—	—	Risk-free interest rate	0.1%	N/A	N/A	The higher the risk-free rate, the lower the fair value
				Volatility	38.9%	N/A	N/A	The higher the expected volatility, the higher the fair value
— Redeemable convertible preferred shares	(1,957,138)	(2,305,068)	(2,454,941)	Discount rate	18.0%	17.5%	16.5%	The higher the discount rate, the lower the fair value
				Risk-free interest rate	1.2%	4.2%	4.2%	The higher the risk-free rate, the lower the fair value
				Discount for lack of marketability (“DLOM”)	10.5%	10.0%	5.9%	The higher the DLOM, the lower the fair value
				Volatility	48.7%	51.9%	48.6%	The higher the expected volatility, the lower the fair value

APPENDIX I

ACCOUNTANT'S REPORT

(b) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash, term deposits, trade receivables and other receivables and the Group's financial liabilities, including trade payables, other payables and accruals approximate to their fair values due to their short maturities.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of redeemable convertible preferred shares and warrants

The redeemable convertible preferred shares and warrants issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the redeemable convertible preferred shares. The Group have used the Black Scholes Model to determine the fair value of warrants.

Details of the valuation models, key assumptions and inputs are disclosed in Note 31 and Note 32.

(b) Recognition of share-based payments expenses

As mentioned in Note 26, the Group has granted share options and restricted shares to its employees. The directors have used the Binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the Binomial option-pricing model.

The Group estimate the expected yearly percentage of grantees that will stay within the Group and meet the non-market performance conditions at the end of the vesting periods of the share options and restricted shares (the "**Expected Retention Rate**") in order to determine the amount of share-based payments expenses charged to the consolidated statement of comprehensive loss. The Expected Retention Rate is estimated based on historical pattern of retentions and management's best estimates.

APPENDIX I

ACCOUNTANT'S REPORT

(c) Period of benefit for incremental costs of obtaining customer contract

As mentioned in Note 2.20 (d), sales commissions for initial and renewed contracts are deferred and then amortized on a straight-line basis over a period of benefit that the Group has estimated to be one to four years.

The Group estimate the period of benefit considering both qualitative and quantitative factors which include the estimated life cycles of offerings, commission rate for initial and renewed contracts and customers attrition. The Group have determined that period of benefit for capitalized costs to the Group's sales force is customer life for initial contracts, and contract period for renewed contracts.

(d) Allocation of selling price of each distinct performance obligation

As disclosed in Note 2.20, contracts with customers may include multiple performance obligations. When the performance obligations are assessed to be distinct, the Group allocates revenue to each performance obligation based on their relative standalone selling prices. The Group generally determines relative standalone selling prices based on its standard price list, taking into consideration of market conditions and the Group's overall pricing strategy.

5 Segment information

The Group's business activities are mainly in providing SaaS-based solutions and professional services, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM (Note 2.3). As a result of this evaluation, the Group determined that it has operating segments as follows:

- SaaS-based solutions — SMB
- SaaS-based solutions — Regional partners
- Professional services

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Fair value changes of redeemable convertible preferred shares, fair value changes of warrant liability, other income, other gains/(losses), net, finance income, finance costs and income tax expenses are also not allocated to individual operating segments.

APPENDIX I

ACCOUNTANT’S REPORT

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Revenues from SaaS-based solutions — SMB segment is derived from providing SaaS-empowered bookkeeping and tax filing services to SMBs. Revenues from SaaS-based solutions — Regional partners segment are derived from service fees charged to regional partners for access to the Group’s SaaS platform. The revenues from professional services segment primarily include fees charged for consultation services, including business registration and qualification-related services, and matchmaking services.

The Group’s cost of sales for SaaS-based solutions — SMB and SaaS-based solutions — Regional partners segment primarily consist of (i) employee benefit expenses, and (ii) depreciation of right-of-use assets, depreciation & amortization expenses and other office expenses. The Group’s cost of sales for others segment primarily consist of (i) employee benefit expenses, (ii) depreciation of right-of-use assets, depreciation & amortization expenses and other office expenses and (iii) services costs paid to third-party service providers.

There were no material inter-segment sales during the years ended December 31, 2021, 2022 and 2023. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of comprehensive loss.

The segment results for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31, 2021			
	SaaS-based solutions — SMB	SaaS-based solutions — Regional partners	Professional services	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Segment revenues	242,991	65,594	38,234	346,819
Cost of revenues	(129,355)	(11,750)	(34,417)	(175,522)
Gross profit.	113,636	53,844	3,817	171,297
	Year ended December 31, 2022			
	SaaS-based solutions — SMB	SaaS-based solutions — Regional partners	Professional services	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Segment revenues	393,712	58,904	63,346	515,962
Cost of revenues	(182,814)	(15,557)	(49,352)	(247,723)
Gross profit.	210,898	43,347	13,994	268,239

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended December 31, 2023			
	SaaS-based solutions — SMB	SaaS-based solutions — Regional partners	Professional services	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Segment revenues	413,822	50,130	74,802	538,754
Cost of revenues	(171,428)	(11,958)	(39,827)	(223,213)
Gross profit.	242,394	38,172	34,975	315,541

The reconciliation of gross profit to profit before income tax is shown in the consolidated statement of comprehensive loss.

All of the Group’s revenues for the years ended December 31, 2021, 2022 and 2023 were generated in the PRC.

As at December 31, 2021, 2022 and 2023, all of the Group’s non-current assets are located in the PRC.

6 Revenues from contracts with customers

(a) Disaggregation of revenue from contracts with customers

Revenue for the Track Record Period are as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
SaaS-based solutions			
SMBs	242,991	393,712	413,822
Regional partners	65,594	58,904	50,130
Professional services	38,234	63,346	74,802
	<u>346,819</u>	<u>515,962</u>	<u>538,754</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Recognized over time	65,594	58,904	50,130
Recognized at a point in time	281,225	457,058	488,624
	<u>346,819</u>	<u>515,962</u>	<u>538,754</u>

APPENDIX I

ACCOUNTANT'S REPORT

(b) Contract acquisition costs

The Group has recognized an asset in relation to costs to acquire contracts. This is presented as contract acquisition costs in consolidated statement of financial position.

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total contract acquisition costs	81,825	97,423	104,444
Less: amounts to be amortized within one year	(40,826)	(50,567)	(58,923)
Contract acquisition costs — non-current . .	<u>40,999</u>	<u>46,856</u>	<u>45,521</u>

The following table shows the changes of contract acquisition costs balances:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Asset recognized from costs incurred to obtain a contract	65,720	68,625	70,885
Amortization recognized as selling and marketing expenses related to services or products during the year	(39,963)	(53,027)	(63,864)

(c) Contract liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

The following table shows how much of the revenue recognized during the Track Record Period is included in the contract liabilities at the beginning of each year:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in the contract liability balance at the beginning of the year	<u>222,296</u>	<u>303,443</u>	<u>361,088</u>

APPENDIX I

ACCOUNTANT’S REPORT

(d) Transaction price allocated to remaining performance obligations

	As at December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Transaction price allocated to remaining performance obligations of contracts	437,951	519,738	541,125
To be recognized as revenue within 1 year .	(303,443)	(361,088)	(359,006)
To be recognized as revenue over 1 year. . .	134,508	158,650	182,119

7 Other income

	Year ended December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Government grants (a)	407	1,592	2,119
Additional deductible input tax (b)	584	570	252
Others	120	565	234
	1,111	2,727	2,605

(a) Governments grants received during the period primarily comprised the financial subsidies received from various local government authorities in mainland China. There are no unfulfilled conditions or contingencies relating to these incomes.

(b) On March 20, 2019, the Ministry of Finance, the State Taxation Administration and General Customs Administration announced that from April 1, 2019 to December 31, 2021, taxpayers engaging in providing modern services are allowed to deduct an extra 10% of the deductible input tax for the then current period from the tax payable. In March 2022, the effective period of this tax incentive policy was extended to December 31, 2022. In January 2023, the deduction rate was reduced to 5% and the effective period was extended to December 31, 2023.

8 Other gains/(losses), net

	Year ended December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Net fair value gains on financial assets at fair value through profit or loss (Note 18)	147	27	—
Fair value losses on foreign exchange forward contracts (Note 19)	—	(17,456)	(1,091)
Others	454	1,558	(780)
	601	(15,871)	(1,871)

APPENDIX I

ACCOUNTANT’S REPORT

9 Expenses by nature

The following table sets forth a breakdown of the cost of revenues, selling and marketing expenses, general and administrative expenses and research and development expenses by nature for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses (<i>Note 10</i>)	599,389	542,756	433,300
Human resource outsourcing and other			
labor costs	9,239	110,574	173,688
Traveling expenses	11,984	13,700	13,183
Depreciation of right-of-use assets			
(<i>Note 16</i>)	33,828	38,823	32,630
Marketing expenses	32,864	13,615	6,458
Professional fees	12,140	8,879	7,246
Depreciation & amortization expenses			
(<i>Notes 14&15</i>)	12,115	47,527	47,139
Technical service fees	16,969	10,508	7,793
Office expenses	16,979	19,781	17,141
Recruitment expenses	5,849	1,242	890
Service costs	9,946	14,109	10,771
Tax surcharges	1,400	1,008	926
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Others	9,583	8,298	8,460
	772,285	830,820	784,945

10 Employee benefit expenses

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	450,480	404,338	252,046
Share-based payments — ESOP (<i>Note 26</i>) . .	35,891	35,943	107,976
Pension cost-defined contribution plans	42,136	36,846	17,685
Other social security costs	28,144	22,432	10,579
Housing benefits	25,126	24,160	9,498
Other employee welfare	17,612	19,037	35,516
Total	599,389	542,756	433,300

APPENDIX I

ACCOUNTANT'S REPORT

(i) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2021, 2022 and 2023, include 1, 1 and 2 directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments paid to the remaining 4, 4 and 3 individuals for each of the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bonuses	28,136	15,138	224
Share-based payment expenses	1,351	19,763	55,782
Wages and salaries	3,703	1,322	2,258
Pension cost-defined contribution plans	74	79	142
Housing benefits	53	73	120
Other social security costs	47	51	85
Total	33,364	36,426	58,611

(ii) The emoluments fell within the following bands:

	Year ended December 31,		
	2021	2022	2023
HK\$500,001 to HK\$1,000,000 (equivalent to approximately RMB453,110 to RMB906,220)	—	—	—
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB906,220 to RMB1,359,330)	—	—	—
HK\$1,500,001 to HK\$2,000,000 (equivalent to approximately RMB1,359,330 to RMB1,812,440)	—	—	—
HK\$2,000,001 to HK\$2,500,000 (equivalent to approximately RMB1,812,440 to RMB2,265,550)	—	—	—
HK\$2,500,001 to HK\$3,000,000 (equivalent to approximately RMB2,265,550 to RMB2,718,660)	—	—	—
HK\$3,000,001 to HK\$3,500,000 (equivalent to approximately RMB2,718,660 to RMB3,171,770)	—	—	1
Over HK\$3,500,000 (equivalent to approximately Over RMB3,171,770)	4	4	2
	<u>4</u>	<u>4</u>	<u>3</u>

APPENDIX I

ACCOUNTANT’S REPORT

11 Finance costs, net

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance income	1,198	1,241	1,321
Finance costs			
Interest expenses on borrowings			
<i>(Note 35&37(a)(i))</i>	(1,738)	(4,675)	(1,904)
Bank charges.	(1,894)	(1,811)	(1,520)
Interest expenses on lease liabilities			
<i>(Note 16(b))</i>	(3,335)	(3,360)	(2,112)
	<u>(6,967)</u>	<u>(9,846)</u>	<u>(5,536)</u>
Finance costs, net	<u>(5,769)</u>	<u>(8,605)</u>	<u>(4,215)</u>

12 Income tax expense

The income tax expense of the Group for the years ended December 31, 2021, 2022 and 2023 are analyzed as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	1	—	—
Income tax expense	<u>1</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANT’S REPORT

The tax on the Group’s loss before income tax differs from the theoretical amount that would arise using the tax rate of 25%, which is the tax rate applicable to the major consolidated entities, as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loss before income tax	682,986	505,783	301,846
Taxation calculated at the tax rates applicable to profit in the country concerned	(170,747)	(79,955)	(55,578)
Tax effects of:			
Effect of preferential tax rates	97,581	35,745	(15,256)
Expenses not deductible for tax purpose . . .	4,722	6,206	45,735
Research and development expenses super-deduction	(11,497)	(9,348)	(16,019)
Deductible temporary differences for which no deferred tax asset was recognized . . .	11,025	4,591	17,783
Tax losses for which no deferred asset was recognized	68,917	42,761	23,335
Income tax expense	1	—	—

(a) Cayman Islands

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to Cayman Islands income tax. As such, the operating results reported by the Company, including the fair value change of redeemable convertible preferred shares (Note 31), is not subject to any income tax.

(b) Hong Kong Income Tax

Hong Kong income tax rate is two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK dollar 2 million and 16.5% for any assessable profits in excess of HK dollar 2 million. Hong Kong profits tax was provided for the assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% or 2.5% for enterprises qualified as small scale entities on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

APPENDIX I

ACCOUNTANT’S REPORT

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Track Record Period.

(d) PRC Withholding Tax (“WHT”)

According to the PRC Enterprise Income Tax Law (“**EIT Law**”), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

During the Track Record Period, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand the business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

13 Loss per share

(a) Basic

	Year ended December 31,		
	2021	2022	2023
Total loss attributable to owners of the Company <i>(in RMB’000)</i>	(668,151)	(499,910)	(296,103)
Weighted average number of ordinary shares in issue <i>(in thousand) (i)</i>	7,406	7,404	9,464
Basic loss per share <i>(in RMB)</i>	(90.22)	(67.52)	(31.29)

(i) The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Group’s Reorganization (Note 1.2).

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred net losses for the years ended December 31, 2021, 2022 and 2023, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021, 2022 and 2023 are the same as basic loss per share of the respective periods.

APPENDIX I

ACCOUNTANT’S REPORT

The basic and diluted loss per share as presented above has not taken into account the proposed [REDACTED] of each share in the Company’s issued and unissued share capital with a par value of US\$0.0001 each into [REDACTED] shares of the corresponding class with a par value of US\$[REDACTED] each (the “[REDACTED]”) pursuant to the shareholders’ resolution passed on [•], 2024 because the proposed [REDACTED] has not become effective as of the date of this Historical Financial Information.

14 Property, plant and equipment

	Electronic equipment and office equipment	Leasehold improvement	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2021			
Cost	8,286	1,100	9,386
Accumulated depreciation	(4,366)	(197)	(4,563)
Net book amount.	3,920	903	4,823
Year ended December 31, 2021			
Opening net book amount	3,920	903	4,823
Additions	4,877	2,668	7,545
Disposals.	(14)	—	(14)
Depreciation charge.	(2,283)	(1,413)	(3,696)
Closing net book amount.	6,500	2,158	8,658
As at December 31, 2021			
Cost	12,965	3,626	16,591
Accumulated depreciation	(6,465)	(1,468)	(7,933)
Net book amount.	6,500	2,158	8,658
Year ended December 31, 2022			
Opening net book amount	6,500	2,158	8,658
Additions	1,433	2,296	3,729
Disposals.	(177)	(23)	(200)
Disposal of subsidiaries	(80)	—	(80)
Depreciation charge.	(2,310)	(2,971)	(5,281)
Closing net book amount.	5,366	1,460	6,826
As at December 31, 2022			
Cost	13,862	3,943	17,805
Accumulated depreciation	(8,496)	(2,483)	(10,979)
Net book amount.	5,366	1,460	6,826

APPENDIX I

ACCOUNTANT’S REPORT

	Electronic equipment and office equipment	Leasehold improvement	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2023			
Opening net book amount	5,366	1,460	6,826
Additions	746	225	971
Disposals	(208)	(82)	(290)
Depreciation charge	(2,534)	(1,093)	(3,627)
Closing net book amount	3,370	510	3,880
As at December 31, 2023			
Cost	11,670	3,889	15,559
Accumulated depreciation	(8,300)	(3,379)	(11,679)
Net book amount	3,370	510	3,880

Depreciation of the Group’s property, plant and equipment has been recognized as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of revenues	1,174	2,123	1,545
General and administrative expenses	1,204	1,147	756
Research and development expenses	305	361	388
Selling and marketing expenses	1,013	1,650	938
	3,696	5,281	3,627

15 Intangible assets

	Software	Customer relationships (Note 30)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2021			
Cost	6,338	5,138	11,476
Accumulated amortization	(2,212)	(1,820)	(4,032)
Net book amount	4,126	3,318	7,444
Year ended December 31, 2021			
Opening net book amount	4,126	3,318	7,444
Additions	2,913	90,409	93,322
Amortization charge	(1,326)	(7,093)	(8,419)
Closing net book amount	5,713	86,634	92,347

APPENDIX I

ACCOUNTANT’S REPORT

	Software	Customer relationships	Total
	<i>RMB'000</i>	<i>(Note 30)</i>	<i>RMB'000</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2021			
Cost	9,250	95,451	104,701
Accumulated amortization	(3,537)	(8,817)	(12,354)
Net book amount	5,713	86,634	92,347
Year ended December 31, 2022			
Opening net book amount	5,713	86,634	92,347
Additions	9,248	69,421	78,669
Amortization charge	(2,737)	(39,509)	(42,246)
Closing net book amount	12,224	116,546	128,770
As at December 31, 2022			
Cost	18,499	164,936	183,435
Accumulated amortization	(6,275)	(48,390)	(54,665)
Net book amount	12,224	116,546	128,770
Year ended December 31, 2023			
Opening net book amount	12,224	116,546	128,770
Additions	668	—	668
Amortization charge	(2,763)	(40,749)	(43,512)
Closing net book amount	10,129	75,797	85,926
As at December 31, 2023			
Cost	19,166	164,936	184,102
Accumulated amortization	(9,037)	(89,139)	(98,176)
Net book amount	10,129	75,797	85,926

Amortization of the Group’s intangible assets was recognized as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenues	133	876	954
General and administrative expenses	949	801	981
Research and development expenses	25	117	114
Selling and marketing expenses	7,312	40,452	41,463
	8,419	42,246	43,512

APPENDIX I

ACCOUNTANT’S REPORT

16 Leases

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position show the following amounts relating to leases:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Right-of-use assets			
— Office	62,824	39,285	21,050
Lease liabilities			
— Current	28,921	27,183	16,279
— Non-current	33,365	14,244	5,402
	<u>62,286</u>	<u>41,427</u>	<u>21,681</u>

(i) The movement of right-of-use assets in the consolidated statement of financial position are as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost			
At beginning of the year	83,314	105,933	94,276
Additions	43,313	15,284	15,278
Maturity of lease term	(20,236)	(25,540)	(21,893)
Early termination of lease	(458)	(1,401)	(1,528)
At the end of the year	<u>105,933</u>	<u>94,276</u>	<u>86,133</u>
Accumulated depreciation			
At beginning of the year	(29,975)	(43,109)	(54,991)
Depreciation charge	(33,828)	(38,823)	(32,630)
Maturity of lease term	20,236	25,540	21,893
Early termination of lease	458	1,401	645
At the end of the year	<u>(43,109)</u>	<u>(54,991)</u>	<u>(65,083)</u>
Net book amount			
At the end of the year	<u>62,824</u>	<u>39,285</u>	<u>21,050</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) Amounts recognized in the consolidated statement of comprehensive loss

The consolidated statements of comprehensive loss show the following amounts relating to leases:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets			
— Office	33,828	38,823	32,630
Interest expense (included in finance costs)			
<i>(Note 11)</i>	3,335	3,360	2,112
Expense relating to low value leases	2,040	4,438	3,518

The total cash outflow for leases for the years ended December 31, 2021, 2022 and 2023 were approximately RMB40.3 million, RMB44.0 million and RMB39.8 million, respectively.

17 Financial instruments by category

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Financial assets at amortized cost:			
— Trade receivables <i>(Note 20)</i>	—	5,603	3,459
— Other receivables (excluding prepayments and deductible VAT input) <i>(Note 21)</i>	13,630	9,986	23,990
— Term deposits <i>(Note 22)</i>	22,222	—	—
— Restricted cash <i>(Note 22)</i>	—	20,894	—
— Cash and cash equivalents <i>(Note 22)</i>	13,167	249,091	187,444
Financial assets at fair value through profit or loss <i>(Note 18)</i>	5,000	—	—
	54,019	285,574	214,893

APPENDIX I

ACCOUNTANT’S REPORT

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial liabilities			
Financial liabilities at amortized cost:			
— Trade payables (<i>Note 28</i>)	2,863	3,035	1,211
— Other payables and accruals (excluding salary and welfare payable, taxes other than income tax) (<i>Note 29</i>)	24,039	21,836	28,768
— Borrowings (<i>Note 35</i>)	—	—	50,000
— Lease liabilities (<i>Note 16</i>)	62,286	41,427	21,681
Financial liabilities at fair value through profit or loss:			
— Redeemable convertible preferred shares (<i>Note 31</i>)	1,957,138	2,305,068	2,454,941
— Warrant liability (<i>Note 32</i>)	4,722	—	—
— Derivative financial instruments (<i>Note 19</i>)	—	9,037	—
	<u>2,051,048</u>	<u>2,380,403</u>	<u>2,556,601</u>

18 Financial assets at fair value through profit or loss

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets			
— Wealth management product	5,000	—	—
	<u>5,000</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) Amounts recognized in consolidated statement of comprehensive loss

During the years ended December 31, 2021, 2022 and 2023, the following gains were recognized in consolidated statement of comprehensive loss:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fair value gains of financial assets at fair value through profit or loss recognized in “Other gains/(losses), net”	147	27	—

19 Derivative financial instruments

Group and Company

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Not qualified for hedge accounting:			
Foreign exchange forward contract — current (a)	—	9,037	—

During the years ended December 31, 2021, 2022 and 2023, the following losses were recognized in consolidated statement of comprehensive loss:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net changes in fair value included in “Other gains/(losses), net”	—	(17,456)	(1,091)

(a) The notional amount of these foreign exchange forward contracts as at December 31, 2022 was approximately USD24,000,000. These contracts require the Company to exchange US dollars to RMB with settlement dates up to March 6, 2023 and strike rates (USD: RMB) range from 6.41 to 6.53.

APPENDIX I

ACCOUNTANT’S REPORT

20 Trade receivables

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables from contracts with customers.	—	5,675	3,513
Less: allowance for impairment of trade receivables.	—	(72)	(54)
	<u>—</u>	<u>5,603</u>	<u>3,459</u>

The credit terms given to trade customers are determined on an individual basis.

The aging analysis of the trade receivables based on recognition date is as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
— Up to 6 months	<u>—</u>	<u>5,675</u>	<u>3,513</u>

The Group applies the simplified approach permitted by IFRS 9, which requires the expected lifetime losses to be recognized from initial recognition of the assets. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP), consumer price index (CPI) and broad money (M2) of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

APPENDIX I

ACCOUNTANT’S REPORT

21 Other receivables and prepayments

Group

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:			
Rental and other deposits	7,378	6,900	5,226
Current:			
Receivable for deemed contribution from shareholders of the Group (<i>Note 37</i>)	—	—	17,200
Prepaid for services and goods	8,220	4,676	4,673
Prepaid [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Staff advances	943	693	—
Rental and other deposits	5,035	2,247	1,281
Deductible input VAT	1,998	8,222	10,126
Others	401	240	478
Total	23,975	22,978	42,511
Less: allowance for impairment of other receivables	(127)	(94)	(195)
Net Book Amount	23,848	22,884	42,316

Company

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Others	—	804	250
	—	804	3,777

APPENDIX I

ACCOUNTANT’S REPORT

22 Cash and cash equivalents, restricted cash and term deposits

Group

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash at bank and in hand (a)	31,703	269,231	183,649
Deposits in third-party payment platforms. .	3,686	754	3,795
Less: Term deposits.	(22,222)	—	—
Less: Restricted cash (b)	—	(20,894)	—
Cash and cash equivalents	13,167	249,091	187,444

(a) As at December 31, 2021, 2022 and 2023, cash and cash equivalents of the Group were denominated in the following currencies:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
USD	—	78,544	48,889
RMB.	35,389	191,441	138,555
	35,389	269,985	187,444

(b) Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated statement of financial position and is not included in the total cash and cash equivalents in the consolidated statement of cash flows.

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash deposit for foreign currency forward contracts and others	—	20,894	—
	—	20,894	—

As at December 31, 2021 and 2022, all restricted cash were denominated in USD. As at December 31 2023, the Group did not have any restricted cash.

Company

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash at bank	—	131,497	48,821
Less: Restricted cash	—	(20,894)	—
	—	110,603	48,821

APPENDIX I

ACCOUNTANT’S REPORT

As at December 31, 2022 and 2023, cash at bank of the Company was denominated in the following currencies:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
USD	—	57,582	732
RMB	—	53,021	48,089
	—	110,603	48,821

23 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares
		<i>USD’000</i>
Authorized:		
Ordinary shares upon incorporation	50,000	50
Shares split on November 1, 2021 (<i>Note 1.2</i>)	499,950,000	—
As at December 31, 2021	500,000,000	50
Reclassification from ordinary shares to redeemable convertible preferred shares (<i>Note 1.2</i>)	(45,750,025)	(5)
As at December 31, 2022 and 2023	454,249,975	45

APPENDIX I

ACCOUNTANT’S REPORT

A summary of movements in the Group’s and Company’s share capital and share premium is as follows:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Treasury shares	Share premium
		<i>USD’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Issued:					
As of July 23, 2021 (date of incorporation of the Company)	1	—*	—*	—	—
Shares split on November 1, 2021 (<i>Note 1.2</i>)	9,999	—	—	—	—
As at December 31, 2021	10,000	—*	—*	—	—
Shares repurchase by the Company (<i>Note 1.2</i>)	(10,000)	—*	—*	—	—
Shares issued to the Original Shareholders in Reorganization (<i>Note 1.2</i>)	7,396,479	1	5	—	—
Share-based payments	—	—	—	—	8,280
Deemed contribution from the shareholders of the Group, net	—	—	—	—	262,135
As at December 31, 2022	7,396,479	1	5	—	270,415
Share-based payments	1,934,048	—*	1	—	62,000
Issuance of ordinary shares in relation to unvested restricted shares	146,642	—*	—*	—	—
Exercise of Ordinary Shares Warrant	444,517	—*	—*	—	445
Issuance of ordinary shares to HSZ Alliance Holding Limited (“ HSZ Alliance ”)	966,976	—*	1	—	—
Less: Treasury shares for HSZ Alliance (<i>a</i>)	(966,976)	—*	—	(1)	—
As at December 31, 2023	9,921,686	1	7	(1)	332,860

* The balance stated above was less than USD1,000 or RMB1,000, as appropriate.

(a) On February 25, 2023, 1,773,870 ordinary shares were issued by the Company to HSZ Alliance, a shareholding platform for the Group’s current or former regional partners (or their affiliates) and employees. As HSZ Alliance is controlled by the Company, 966,976 ordinary shares held by HSZ Alliance yet to be granted to any grantee were presented as treasury shares.

APPENDIX I

ACCOUNTANT’S REPORT

24 Reserves

Group

The movements of the Group’s reserves are as follows:

	Capital Reserve	Share-based payments	Currency translation differences	Changes in fair value of redeemable convertible preferred shares attributable to own credit risk change	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2021	(890,350)	—	23,775	102,397	(764,178)
Loss for the year	(208,048)	—	—	—	(208,048)
Deemed distribution to the shareholders of the Group, net . .	(232,209)	—	—	—	(232,209)
Share-based payments	—	35,891	—	—	35,891
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	26,941	26,941
Currency translation differences . .	—	—	16,588	—	16,588
As at December 31, 2021	(1,330,607)	35,891	40,363	129,338	(1,125,015)
As at January 1, 2022	(1,330,607)	35,891	40,363	129,338	(1,125,015)
Loss for the year	(84,007)	—	—	—	(84,007)
Deemed contribution from the shareholders of the Group, net . .	244,883	—	—	—	244,883
Share-based payments	—	30,579	—	—	30,579
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(37,844)	(37,844)
Currency translation differences . .	—	—	(134,787)	—	(134,787)
Purchase of non-controlling interests	(7,017)	—	—	—	(7,017)
As at December 31, 2022	(1,176,748)	66,470	(94,424)	91,494	(1,113,208)

APPENDIX I

ACCOUNTANT’S REPORT

	Capital Reserve	Share-based payments	Currency translation differences	Changes in fair value of redeemable convertible preferred shares attributable to own credit risk change	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023	(1,176,748)	66,470	(94,424)	91,494	(1,113,208)
Loss for the year	(10,281)	—	—	—	(10,281)
Deemed distribution to the shareholders of the Group, net . .	(19,562)	—	—	—	(19,562)
Share-based payments	—	52,055	—	—	52,055
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(57,030)	(57,030)
Currency translation differences . .	—	—	(40,115)	—	(40,115)
As at December 31, 2023	(1,206,591)	118,525	(134,539)	34,464	(1,188,141)

Company

The movements of the reserve of the Company are as follows:

	Share-based payments	Deemed contribution/(distribution) from the shareholders of the Group, net	Currency translation differences	Changes in the fair value attributable to own credit risk change of redeemable convertible preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2021	—	—	—	—	—
Share-based payments	35,891	—	—	—	35,891
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	—	—
Currency translation differences . .	—	—	—	—	—
As at December 31, 2021	35,891	—	—	—	35,891

APPENDIX I

ACCOUNTANT’S REPORT

	Share-based payments	Deemed contribution/ (distribution) from the shareholders of the Group, net	Currency translation differences	Changes in the fair value attributable to own credit risk change of redeemable convertible preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2022	35,891	—	—	—	35,891
Share-based payments	30,579	—	—	—	30,579
Deemed distribution to the shareholders of the Group, net	—	(1,262)	—	—	(1,262)
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(15,199)	(15,199)
Currency translation differences . .	—	—	21,194	—	21,194
As at December 31, 2022	66,470	(1,262)	21,194	(15,199)	71,203
As at January 1, 2023	66,470	(1,262)	21,194	(15,199)	71,203
Share-based payments	53,048	—	—	—	53,048
Exercise of ordinary shares warrant	—	(445)	—	—	(445)
Deemed contribution from the shareholders of the Group	—	80,103	—	—	80,103
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(57,030)	(57,030)
Currency translation differences . .	—	—	3,530	—	3,530
As at December 31, 2023	119,518	78,396	24,724	(72,229)	150,409

25 Other equity

Before the Track Record Period, the Group has granted warrants to some of its investors representing 1,038,069 ordinary shares of Huisuanzhang Holding. On April 21, 2021 warrants representing 148,133 ordinary shares of Huisuanzhang Holding was exercised and the ordinary shares issued was immediately donated to the ESOP pool. In connection with the Reorganization, the Company granted warrants to the aforementioned investors of Huisuanzhang Holding on July 14, 2021, which permits those investors to acquire the Company’s 889,963 ordinary shares (the “**Ordinary Shares Warrants**”), as a replacement of the outstanding warrants granted by Huisuanzhang Holding. On April 2, 2022, Ordinary Shares Warrant representing 445,446 ordinary shares of the Company was redesignated as Preferred Shares Warrant. The rest of the Ordinary Shares Warrant representing 444,517 ordinary shares of the Company was exercised on January 18, 2023.

APPENDIX I

ACCOUNTANT’S REPORT

Management concluded that such warrants should be recorded as an equity classified financial instrument.

26 Share-based payments

Total expenses arising from share-based payment transactions recognized during the Track Record Period were as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share-based payments — ESOP (a)	34,540	17,398	101,960
Restricted shares granted to the Selling Parties (b)	1,351	18,545	6,016
	35,891	35,943	107,976

(a) Share-based payments — ESOP

On November 1, 2021, the Company adopted the 2021 Stock Incentive Plan (“**Employee Stock Ownership Plan**”, or “**ESOP**”) which permits the grant of share options to the employees and directors of the Company and its affiliates.

The share options shall vest under service condition and non-market performance condition. The granted share options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

Movements in the number of share options granted to employees and directors of the Company under ESOP and their related weighted average exercise prices are as below:

	Year ended December 31,					
	2021		2022		2023	
	Average exercise price per share option	Number of share options	Average exercise price per share option	Number of share options	Average exercise price per share option	Number of share options
	<i>USD</i>	<i>'000</i>	<i>USD</i>	<i>'000</i>	<i>USD</i>	<i>'000</i>
At beginning of the year . . .	—	—	1.29	1,990	1.22	2,347
Granted during the year . . .	1.33	2,043	1.64	637	0.10	3,154
Exercised during the year . .	—	—	—	—	0.01	(2,882)
Forfeited during the year . .	2.71	(53)	2.70	(280)	2.71	(60)
At end of the year	1.29	1,990	1.22	2,347	1.18	2,559
Vested and exercisable at end of the year	0.68	855	0.83	1,289	0.99	1,743

APPENDIX I

ACCOUNTANT’S REPORT

In January and November 2023, unvested share options representing 378,170 and 1,608,537 ordinary shares of the Company held by certain management members, respectively, was accelerated for vesting. During the year ended 31 December 2023, grant date fair value of such share options amounting to an aggregate of RMB26.4 million, RMB29.5 million and RMB0.8 million were recognized in general and administrative expenses, research and development expenses and selling and marketing expenses in the consolidated statement of comprehensive loss, respectively, upon the respective acceleration of vesting.

No share options expired during the periods covered by the above tables.

Share options outstanding at the end of the reporting period have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	As at December 31,		
			2021	2022	2023
		(USD)	Number of share options		
			'000	'000	'000
November 1, 2021	10 years	0.01-2.71	1,990	1,798	730
January 1, 2022	10 years	2.71	—	32	32
April 1, 2022	10 years	0.01-2.71	—	442	176
October 1, 2022	10 years	0.01-2.71	—	75	75
April 1, 2023	10 years	0.01-2.71	—	—	295
July 1, 2023	10 years	0.01	—	—	1,251
		Total	1,990	2,347	2,559
Weighted average					
remaining contractual					
life of share options					
outstanding at end of					
the reporting period			9.84 years	8.94 years	8.77 years

Fair value of share options

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimate.

APPENDIX I

ACCOUNTANT’S REPORT

Based on fair value of the underlying ordinary share, the directors have used binomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	Year ended December 31,		
	2021	2022	2023
Contractual terms (in years)	10	10	10
Risk-free interest rate	1.52%	2.98%	3.81%–3.82%
Expected volatility	48.44%-48.46%	49.35%-49.61%	50.1%–50.2%
Expected dividend yield	—	—	—

(b) Restricted shares granted to Selling Parties

For the year ended December 31, 2021 and 2022, the Group granted 539,874 and 368,682 restricted shares of the Company to the founders of certain Selling Parties (Note 30) in the course of asset acquisition deals with such Selling Parties, respectively. Given the fact that (i) the grantee of the restricted shares joined the Group as employees after the asset acquisition deals were closed, and (ii) the restricted shares granted are with service and non-market performance conditions, the directors of the Group determined that the restricted shares granted do not constitute part of consideration of the asset acquisition and should be accounted for separately in accordance with the Group’s accounting policy (Note 2.18).

Movements in the number of awarded restricted shares for the years ended December 31, 2021, 2022 and 2023 are as follows:

	Year ended December 31,		
	2021	2022	2023
	'000	'000	'000
At beginning of the year	—	540	909
Granted during the year	540	369	—
Forfeited during the year	—	—	(75)
At end of the year	540	909	834
Vested at end of the year	—	211	714

(c) Shares granted to non-employee

On February 7, 2022, the Group granted 24,723 shares to Huisuanzhang Shenghua (Dalian) Finance Taxation Consulting Company Limited (慧算賬勝華(大連)財稅諮詢有限公司), the Selling Party in an asset acquisition deal (Note 30). The shares granted are without any vesting condition and are treated as part of the consideration for the acquisition.

APPENDIX I

ACCOUNTANT’S REPORT

During the year ended December 31, 2022 and 2023, the Group granted 37,800 and 131,290 shares, respectively, to certain regional partners to encourage them to place more orders with the Group. The shares granted are without any vesting condition. Directors of the Company considered that the shares granted as a payment to customers and therefore recorded the fair value of the relevant shares at grant date, net of any applicable share subscription price received by the Company, as a deduction of revenue. The amounts recorded as deduction of revenue amounted to RMB0.7 million and RMB6.0 million for the year ended December 31, 2022 and 2023, respectively.

27 Deferred income tax assets and liabilities

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:			
— to be recovered after more than 12 months	—	285	586
— to be recovered within 12 months	29,243	31,963	26,639
	29,243	32,248	27,225
	<u>29,243</u>	<u>32,248</u>	<u>27,225</u>
	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax liabilities:			
— to be settled after more than 12 months	—	(285)	(586)
— to be settled within 12 months	(29,243)	(31,963)	(26,639)
	(29,243)	(32,248)	(27,225)
	<u>(29,243)</u>	<u>(32,248)</u>	<u>(27,225)</u>

The Group has nil net balances of deferred tax assets and deferred tax liabilities after offsetting as of December 31, 2021, 2022 and 2023.

APPENDIX I

ACCOUNTANT’S REPORT

The movements in deferred income tax assets are as follows:

	<u>Tax losses</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2021	20,471	20,471
Credited to profit or loss	8,772	8,772
As at December 31, 2021	29,243	29,243
As at January 1, 2022	29,243	29,243
Credited to profit or loss	3,005	3,005
As at December 31, 2022	32,248	32,248
As at January 1, 2023	32,248	32,248
Credited to profit or loss	(5,023)	(5,023)
As at December 31, 2023	27,225	27,225

The movements in deferred income tax liabilities are as follows:

	<u>Timing difference on revenue recognition</u>	<u>Deferred expenses</u>	<u>Others</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2021	(18)	(9,518)	(10,935)	(20,471)
Charged to profit or loss	(185)	(5,168)	(3,419)	(8,772)
As at December 31, 2021	(203)	(14,686)	(14,354)	(29,243)
As at January 1, 2022	(203)	(14,686)	(14,354)	(29,243)
(Charged)/credited to profit or loss ..	(5,508)	(293)	2,796	(3,005)
As at December 31, 2022	(5,711)	(14,979)	(11,558)	(32,248)
As at January 1, 2023	(5,711)	(14,979)	(11,558)	(32,248)
(Charged)/credited to profit or loss ...	442	1,349	3,232	5,023
As at December 31, 2023	(5,269)	(13,630)	(8,326)	(27,225)

APPENDIX I

ACCOUNTANT’S REPORT

The net movement on the deferred income tax accounts are as follows:

	Deferred tax assets	Deferred tax liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2021	20,471	(20,471)	—
Charged to profit or loss	8,772	(8,772)	—
As at December 31, 2021	29,243	(29,243)	—
As at January 1, 2022	29,243	(29,243)	—
Charged to profit or loss	3,005	(3,005)	—
As at December 31, 2022	32,248	(32,248)	—
As at January 1, 2023	32,248	(32,248)	—
Charged to profit or loss	(5,023)	5,023	—
As at December 31, 2023	27,225	(27,225)	—

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

As at December 31, 2021, 2022 and 2023, the Group did not recognize deferred income tax assets of RMB124,189,001, RMB124,139,669 and RMB156,865,711, respectively in respect of tax losses amounting to RMB470,906,000, RMB709,431,000 and RMB581,075,000 that can be carried forward against future taxable income, respectively.

The expiry calendar years of the related tax losses are as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2022	—	—	—
2023	43,336	—	—
2024	45,085	13,923	—
2025	190,814	202,254	—
2026	191,671	188,673	97,763
2027	—	304,581	266,852
2028	—	—	216,460
	470,906	709,431	581,075

APPENDIX I

ACCOUNTANT’S REPORT

28 Trade Payables

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	2,863	3,035	1,211

The aging analysis of trade payables based on recognition date is as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Up to 6 months	2,782	2,926	1,086
6 months to 1 year	81	109	125
	2,863	3,035	1,211

29 Other payables and accruals

Group

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salary and welfare payable	219,267	200,304	186,271
Taxes other than income tax	32,889	38,671	37,359
Accrued expenses	12,758	13,589	20,355
Deposit from regional partners	2,559	2,230	2,230
Payable for acquisition of intangible assets (Note 30)	3,482	—	—
[REDACTED] expense payable	[REDACTED]	[REDACTED]	[REDACTED]
Others	5,240	6,017	5,167
	276,195	260,811	252,398

Company

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Accrued expenses	—	—	395
[REDACTED] expense payable	[REDACTED]	[REDACTED]	[REDACTED]
	—	—	1,411

APPENDIX I

ACCOUNTANT’S REPORT

30 Asset acquisition

During the Track Record Period, the Group acquired from certain of its regional partners and other SMB finance and taxation solution providers (collectively referred to as the “**Selling Parties**”) a number of service agreements in connection with their customers’ subscription for bookkeeping and tax filing services. The Group elected to apply the concentration test to assess the above acquisition transactions individually. As substantially all of the fair value of the gross assets acquired is concentrated in the customer relationships represented by the Selling Parties’ service agreements with customers, the concentration tests were met and these acquisition transactions have been accounted for as asset acquisition.

The following table shows the reconciliation of consideration paid or payable, contract liabilities assumed, other assets and liabilities obtained, and customer relationships obtained in the asset acquisition deals:

	Year ended December 31,	
	2021	2022
Cash consideration paid or payable	17,372	14,915
Shares consideration paid (<i>Note 26(c)</i>)	1,400	—
Total considerations	18,772	14,915
Contract liabilities assumed, net	66,531	54,895
Other liabilities assumed, net	6,894	1,340
Total considerations and net liabilities assumed	92,197	71,150
Less: Deductible VAT	(1,788)	(1,729)
Addition in customer relationships (<i>Note 15</i>)	90,409	69,421

Upon completion of the transactions, certain founders of the Selling Parties will join the Group to help it maintain and develop customers. Cash paid or payable to such Selling Parties amounting to RMB28.1 million and RMB18.2 million for the years ended December 31, 2021 and 2022, respectively, were considered as incentives for founders of the Selling Parties to join the Group and were excluded from consideration of asset acquisition. The incentives given were non-refundable and were recorded as selling and marketing expenses in the Group’s consolidated statement of comprehensive loss when such founders of the Selling Parties join the Group.

APPENDIX I

ACCOUNTANT’S REPORT

31 Redeemable convertible preferred shares

The details of the Group’s and the Company’s redeemable convertible preferred shares are set out in the table below (after taking into consideration of the Reorganization):

Series of financing	Issue date	Number of shares issued	Issue price per share
			<i>(USD)</i>
Angel, Pre-A, A, A+, B, B2, C, C1, C2 . . .	Prior to 2020	36,175,187	0.92–6.63
C1&C2	June 30, 2020	649,706	4.74–6.63
D	April 16, 2021	8,925,132	8.96

From March 17, 2022 to August 6, 2022, as part of the Reorganization (Note 1.2), the Company issued an aggregate of 45,750,025 Series Angel, Pre-A, A+, B, B2, C, C1, C2, and D Preferred Shares with a par value of USD 0.0001 each to shareholders of Huisuanzhang Holding in exchange for respective equity interests in the [REDACTED] Business that were held by Huisuanzhang Holding.

The Series Angel, Pre-A, A, A+, B, B2, C, C1, C2, and D Redeemable Convertible Preferred Shares are collectively referred to as the “Preferred Shares”.

The key terms of the Preferred Shares upon completion of the Reorganization are summarized as follows:

(a) Dividends rights

The Board of Directors of the Company may from time to time declare dividends and distributions on shares outstanding and authorize payment of the same out of the funds of the Company lawfully available therefor.

No dividends or other distributions shall be made or declared, whether in cash, in property, or in any other shares, with respect to ordinary shares, unless and until dividends in like amount have been first paid in full on the Preferred Shares (on an as-converted and fully-diluted basis) pro rata based on its then shareholding percentage in the Company.

(b) Conversion of Preferred Shares

Any Preferred Share may, at the option of the Preferred Shares holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid ordinary shares based on the then-effective applicable conversion price.

APPENDIX I

ACCOUNTANT'S REPORT

In addition, each Preferred Share shall automatically be converted, based on the then-effective applicable conversion price, without the payment of any additional consideration, into fully-paid ordinary shares upon the earlier of (i) the qualified [REDACTED] ("Qualified [REDACTED]"); (ii) with respect to each series of Preferred Shares, the date specified by written consent or agreement of the holders of a majority of the voting power of all issued and outstanding of each series of Preferred Shares (on an as-exercised basis as if the warrant has been fully exercised).

The number of ordinary shares to which a shareholder shall be entitled upon conversion of each Preferred Share shall be the quotient of the applicable issue price divided by the then effective conversion price, which shall initially be the applicable issue price, and shall be adjusted from time to time, resulting in an initial conversion ratio for Preferred Shares of 1:1, and shall be subject to adjustment based on adjustments of the applicable conversion price as the following: a) adjustment for share splits and combinations, b) adjustment for ordinary share dividends and distributions, c) adjustments for reorganizations, mergers, consolidations, d) adjustments to conversion price for dilutive issuance.

(c) Redemption feature

At any time (the "**Redemption Start Date**") after the occurrence of any of the following event (the "**Redemption Event**"):

- (i) the Company fails to complete the Qualified [REDACTED] on or before the fifth(5th) anniversary of the Series D Issue Date,
- (ii) any material breach by any Group Company or any Founder Party of the Transaction Documents, which has not been cured within thirty (30) days after receipt of written request from any of the Key Investors,
- (iii) any material breach of applicable laws by any Group Company (including but not limited to subject to administrative or criminal penalties) which results in the Group Companies' failure to conduct their ordinary course of business, taken as a whole,
- (iv) any incompliance with applicable laws of business of any Group Company that meets certain criteria defined in the Purchase Agreement,
- (v) any material breach of applicable laws by any Founder which results in such Founder's failure to continue serving as a Director or devote his full time and attention to the business of the Group Companies,
- (vi) any act of material dishonesty by any Founder Party or any Group Company, and which has not been cure within thirty (30) days after receipt of written request from any of the Key Investors,

APPENDIX I

ACCOUNTANT'S REPORT

- (vii) any breach of Full-time Commitment and Non-compete under the Shareholders Agreement by any Founder (excluding the death, totally loss of the capability to work or accidental injury of such Founder), which has not been cured within thirty (30) days after receipt of written request from any of the Key Investors, and
- (viii) any Shareholder gives a written notice to the Company requesting redemption of all or part of the Shares held by such Shareholder(s) in accordance with the applicable provisions mentioned above through (i) to (vii).

The Redemption Price at an amount equivalent to the higher of one hundred percent (100%) of the applicable Issue Price, plus simple interest at a rate of eight percent (8%) per annum calculating from the applicable Issue Date to the Redemption Price Payment Date and any declared but unpaid dividends on such Redeeming Preferred Share, or the fair market value of such Redeeming Preferred Share determined by the method defined in the Purchase Agreement.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable law) shall be distributed to the Shareholders as follows:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of previous series Preferred Shares and ordinary shares by reason of their ownership of such shares, the amount equal to the higher of (i) one hundred percent (100%) of the Preferred Shares Issue Price, plus an interest rate of ten percent (10%) compounded per annum (calculated on a pro rata basis in case of a partial year) and all declared but unpaid dividends on such Preferred Share, or (ii) an amount declared pro rata on the ordinary shares and the Preferred Shares on a *pari passu* basis according to the number of ordinary shares outstanding or issuable upon conversion, as applicable (for this purpose, each holder of Preferred Shares is to be treated as holding the greatest whole number of ordinary shares then issuable upon conversion of all Preferred Shares held by such holder at the then-effective applicable Conversion Price for such Preferred Shares) (the "**Liquidation Amount**").

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series D Preferred Shares, second to holders of Series C-2 Preferred Shares, third to holders of Series C Preferred Shares, fourth to holders of Series B Preferred Shares, fifth to holders of Series A+ Preferred Shares, sixth to holders of Series A Preferred Shares and last to holders of Series Angel Preferred Shares.

APPENDIX I

ACCOUNTANT'S REPORT

If the assets and funds shall be insufficient to permit the payment to any series Preferred Shares holders of the full Liquidation Amount, then the entire assets and funds of the Company legally available for distribution of such series Preferred Shares shall be distributed ratably among the holders of such series Preferred Shares in proportion to the aggregate Liquidation Amount each such holder is otherwise entitled to receive.

(e) Voting rights

Each holder of Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which the Preferred Shares held by such holder could be converted as of the record date.

On June 26, 2023, the Company passed a special resolution and amended its memorandum and articles. The amended memorandum and articles states that the redemption feature of the Company's Preferred Shares shall automatically terminate immediately before the Company or its sponsor submit the first [REDACTED] application to the Hong Kong Stock Exchange. However, if such [REDACTED] application is withdrawn, revoked or rejected for any reason or if the [REDACTED] application is not renewed within 6 months of the expiration of the [REDACTED] application, the redemption feature of the Company's Preferred Shares shall automatically take effect to an extent as if it had never been terminated.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the fair value changes in relation to the Company's own credit risk recognized as other comprehensive income, while fair value changes in relation to market risk recorded in profit or loss. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

The classification of Redeemable Convertible Preferred Shares as current or non-current liabilities is based on whether the preferred shareholders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period. All Redeemable Convertible Preferred Shares are classified as non-current liabilities as of December 31, 2021, 2022 and 2023.

APPENDIX I

ACCOUNTANT’S REPORT

The movement of the redeemable convertible preferred shares is set out as below:

	<i>RMB’000</i>
As at January 1, 2021	1,231,352
Issuance of Series D Preferred Shares	510,056
Changes in fair value through profit or loss	252,312
Changes in fair value through other comprehensive income or loss	(26,941)
Foreign exchange adjustments	(9,641)
As at December 31, 2021	1,957,138
As at January 1, 2022	1,957,138
Exercise of Preferred Shares Warrants	4,796
Changes in fair value through profit or loss	169,313
Changes in fair value through other comprehensive income or loss	37,844
Foreign exchange adjustments	135,977
As at December 31, 2022	2,305,068
As at January 1, 2023	2,305,068
Changes in fair value through profit or loss	51,938
Changes in fair value through other comprehensive income or loss	57,030
Foreign exchange adjustments	40,905
As at December 31, 2023	2,454,941

The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the redeemable convertible Preferred Shares as at the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	As at December 31,		
	2021	2022	2023
Discount rate	18.0%	17.5%	16.5%
Risk-free interest rate	1.2%	4.2%	4.2%
Discount for lack of marketability (“DLOM”)	10.5%	10.0%	5.9%
Volatility	48.7%	51.9%	48.6%

APPENDIX I

ACCOUNTANT’S REPORT

32 Warrant liability

Before the Track Record Period, the Group has granted warrants to some of its investors representing 1,184,946 Preferred Shares of Huisuanzhang Holding. In connection with the Reorganization, the Company granted warrants to the aforementioned investors of Huisuanzhang Holding on January 17, 2020, which permits those investors to acquire the Company’s 1,184,946 Preferred Shares (the “**Preferred Shares Warrant**”), as a replacement of the outstanding warrants granted by Huisuanzhang Holding. The Preferred Shares Warrant representing 628,726 and 556,220 Preferred Shares of the Company was exercised on June 30, 2020 and April 2, 2022, respectively.

Management concluded that such warrants should be recorded as a financial liability measured at fair value through profit or loss.

The movement of the warrant liability is set out as below:

	<i>RMB’000</i>
As at January 1, 2021	3,731
Changes in fair value through profit or loss	1,090
Foreign exchange adjustments	(99)
As at December 31, 2021	4,722
As at January 1, 2022	4,722
Exercise Warrant	(4,977)
Changes in fair value through profit or loss	(175)
Foreign exchange adjustments	430
As at December 31, 2022	—

The Group did not grant any other warrant after December 31, 2022.

Key valuation assumptions used to determine the fair value of warrant liability are as follows:

	As at December 31,	
	2021	2022
Discount rate	N/A	N/A
Risk-free interest rate	0.1%	4.1%
Volatility	38.9%	32.7%

33 Dividends

No dividends have been paid or declared by the Company or the companies now comprising the Group for the years ended December 31, 2021, 2022 and 2023.

APPENDIX I

ACCOUNTANT’S REPORT

34 Cash flow information

(a) Cash (used in)/generated from operations

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Loss before income tax	(682,986)	(505,783)	(301,846)
Adjustments for:			
Depreciation of property, plant and equipment	3,696	5,281	3,627
Amortization of intangible assets	8,419	42,246	43,512
Depreciation of right-of-use assets	33,828	38,823	32,630
Net impairment losses on financial assets	61	38	236
Share-based payments	35,891	36,659	113,969
Finance costs, net	3,875	6,794	2,695
Fair value losses on foreign exchange forward contracts	—	17,456	1,091
Changes in fair value of warrant liability	1,090	(175)	—
Changes in fair value of redeemable convertible preferred shares	252,312	169,313	51,938
Loss on disposal of property, plant and equipment	14	280	290
Loss on termination of right-of-use assets	—	—	14
Change in working capital:			
(Increase)/decrease in trade receivables	—	(5,675)	2,162
(Increase)/decrease in prepayment and other receivables	(14,436)	946	(5,630)
(Decrease)/increase in trade payables	1,827	172	(908)
Increase/(decrease) in other payables and accruals	80,684	(28,550)	(9,150)
Increase in contract liabilities	88,902	26,506	21,387
Increase in contract acquisition costs	(25,757)	(15,598)	(7,021)
Cash used in operations	(212,580)	(211,267)	(51,004)

(b) Non-cash investing and financing activities

The major non-cash investing and financing transactions during the Track Record Period mainly include (i) the additions of the right-of-use assets and lease liabilities described in Note 16, (ii) the net contract liabilities assumed in assets acquisition as described in Note 30, which is RMB66.5 million, RMB54.9 million and nil for the years ended December 31, 2021, 2022 and 2023 respectively, and (iii) 24,723 ordinary shares granted to the Selling Party in an asset acquisition deal as described in Note 26(c).

APPENDIX I

ACCOUNTANT’S REPORT

(c) *Net debt reconciliation*

This section sets out an analysis of net debt and the movements in net cash for the years ended December 31, 2021, 2022 and 2023.

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents (<i>Note 22</i>)	13,167	249,091	187,444
Redeemable convertible preferred shares (<i>Note 31</i>)	(1,957,138)	(2,305,068)	(2,454,941)
Warrant liability (<i>Note 32</i>)	(4,722)	—	—
Lease liabilities (<i>Note 16</i>)	(62,286)	(41,427)	(21,681)
Borrowings (<i>Note 35</i>)	—	—	(50,000)
Net debt	(2,010,979)	(2,097,404)	(2,339,178)

	Liabilities from financing activities				Other assets	
	Leases	Redeemable convertible preferred shares	Warrant liability	Borrowings	Cash and cash equivalents	Total
		<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	
Net debt as at January 1, 2021	(53,907)	(1,231,352)	(3,731)	—	26,156	(1,262,834)
Cash flows	34,934	(510,056)	—	—	(12,989)	(488,111)
Changes in fair values	—	(225,371)	(1,090)	—	—	(226,461)
Foreign exchange adjustments	—	9,641	99	—	—	9,740
Additions — non cash	(43,313)	—	—	—	—	(43,313)
Interest expenses on lease liabilities	(3,335)	—	—	—	—	(3,335)
Interest payments	3,335	—	—	—	—	3,335
Net debt as at December 31, 2021	(62,286)	(1,957,138)	(4,722)	—	13,167	(2,010,979)
Net debt as at January 1, 2022	(62,286)	(1,957,138)	(4,722)	—	13,167	(2,010,979)
Cash flows	36,143	—	—	—	234,927	271,070
Exercise of warrant	—	(4,796)	4,977	—	—	181
Changes in fair values	—	(207,157)	175	—	—	(206,982)
Foreign exchange adjustments	—	(135,977)	(430)	—	997	(135,410)
Additions — non cash	(15,284)	—	—	—	—	(15,284)
Interest expenses on lease liabilities	(3,360)	—	—	—	—	(3,360)
Interest payments	3,360	—	—	—	—	3,360
Net debt as at December 31, 2022	(41,427)	(2,305,068)	—	—	249,091	(2,097,404)

APPENDIX I

ACCOUNTANT’S REPORT

	Liabilities from financing activities				Other assets	
	Leases	Redeemable convertible preferred shares	Warrant liability	Borrowings	Cash and cash equivalents	Total
					RMB'000	RMB'000
Net debt as at January 1, 2023	(41,427)	(2,305,068)	—	—	249,091	(2,097,404)
Cash flows	34,154	—	—	(50,000)	(62,437)	(78,283)
Exercise of warrant	—	—	—	—	—	—
Changes in fair values	—	(108,968)	—	—	—	(108,968)
Foreign exchange adjustments	—	(40,905)	—	—	790	(40,115)
Additions — non cash	(15,278)	—	—	—	—	(15,278)
Termination	870	—	—	—	—	870
Interest expenses on lease liabilities . .	(2,112)	—	—	—	—	(2,112)
Interest payments	2,112	—	—	—	—	2,112
Net debt as at December 31, 2023 . .	(21,681)	(2,454,941)	—	(50,000)	187,444	(2,339,178)

35 Borrowings

The aggregate principal amounts of short-term bank borrowings and applicable interest rates are as follows:

	As at December 31, 2023	
	Amount	Interest rate
	RMB'000	(per annum)
RMB unsecured bank borrowings	50,000	5.20%

36 Commitments

As at December 31, 2021, 2022 and 2023, the Group did not have any significant capital commitments.

37 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

APPENDIX I

ACCOUNTANT’S REPORT

Other than deemed contribution from the shareholders of the Group, net and deemed distribution to the shareholders of the Group, net, the following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Transactions and year end balances with related parties

The following companies are related parties of the Group that had significant transactions and/or balance with the Group during the Track Record Period.

Names of the major related parties	Relationship
Beijing Gongjin Technology	Entity with same shareholders of the Company
HSZ Qingdao	Entity with same shareholders of the Company

The Group’s transactions with Beijing Gongjin Technology are shown as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest expenses on borrowings (i)	1,738	4,675	1,159

(i) Interest expenses on borrowings primarily represents expenses charged by Beijing Gongjin Technology to the [REDACTED] Business for use of fund from bank borrowings obtained by Beijing Gongjin Technology.

The Group’s balances with HSZ Qingdao at the end of the reporting period are shown as below:

	As at December 31, 2023
	<i>RMB’000</i>
Receivable for deemed contribution from shareholders of the Group (i)	17,200

(i) In June 2023, shareholders of the Group agreed to inject additional funds to the [REDACTED] Business through HSZ Qingdao, which is a wholly owned subsidiary of Huisuanzhang Cayman. Shareholders of the Group did not require any share or other consideration from the Group in exchange for such additional funds provided thus the funds provided is recorded as deemed contribution from the shareholders of the Group, net in the consolidated statement of changes in deficits with the receivable amount recorded as other receivables and prepayments in the consolidated statement of financial position. Such receivable for deemed contribution from shareholders of the Group were fully settled in June 6, 2024.

As of December 31, 2021, 2022 and 2023, the Group does not have material balance with Beijing Gongjin Technology.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Key management personnel compensations

Key management includes executive directors and other members of the Company’s senior management team. The compensations payable to key management for employee services are shown below:

	Year ended December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Share-based compensation	23,202	5,365	34,263
Wages, salaries and bonuses	4,972	4,641	3,856
Pension cost — defined contribution plans	230	240	232
Housing benefits	175	181	176
Other social security costs	135	158	150
	28,714	10,585	38,677

38 Benefits and interests of directors

The remuneration of every director of the Company for the year ended December 31, 2021 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension cost — defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Tian Li (i)	—	899	48	32	40	23,020	24,039
Mr. Zhang Shugang (i)	—	864	36	16	25	—	941
Mr. Zhang Mingqi (i)	—	731	53	25	40	—	849
Ms. Zhang Minli (ii)	—	—	—	—	—	—	—
Mr. Wang Baoqing (ii)	—	—	—	—	—	—	—
Ms. Hong Jing (ii)	—	—	—	—	—	—	—
Mr. Sheng Lei (i)	—	1,681	53	35	40	—	1,809
	—	4,175	190	108	145	23,020	27,638

APPENDIX I

ACCOUNTANT’S REPORT

The remuneration of every director of the Company for the year ended December 31, 2022 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension cost — defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Tian Li (i)	—	1,028	58	38	43	4,083	5,250
Mr. Zhang Shugang (i)	—	862	40	26	32	—	960
Mr. Zhang Mingqi (i)	—	731	57	38	43	143	1,012
Ms. Zhang Minli (ii)	—	—	—	—	—	—	—
Mr. Wang Baoqing (ii)	—	—	—	—	—	—	—
Ms. Hong Jing (ii)	—	—	—	—	—	—	—
Mr. Sheng Lei (i)	—	1,183	27	18	20	—	1,248
	—	3,804	182	120	138	4,226	8,470

The remuneration of every director of the Company for the year ended December 31, 2023 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension cost — defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Tian Li (i)	—	999	63	41	47	18,720	19,870
Mr. Zhang Shugang (i)	—	932	43	27	35	1,120	2,157
Mr. Zhang Mingqi (i)	—	890	63	41	47	12,952	13,993
Ms. Zhang Minli (ii)	—	—	—	—	—	—	—
Mr. Wang Baoqing (ii)	—	—	—	—	—	—	—
Ms. Hong Jing (ii)	—	—	—	—	—	—	—
Mr. Sheng Lei (i)	—	—	—	—	—	—	—
Mr. Jiang Wen (iii)	—	—	—	—	—	—	—
	—	2,821	169	109	129	32,792	36,020

(i) Mr. Tian Li, Mr. Zhang Shugang, Mr. Zhang Mingqi and Mr. Sheng Lei were appointed as the Company’s directors on July 14, 2021.

Mr. Sheng Lei resigned on May 28, 2022.

(ii) Ms. Zhang Minli, Mr. Wang Baoqing and Ms. Hong Jing were appointed as the Company’s directors on August 8, 2022. Ms. Zhang Minli resigned on May 30, 2023. Ms. Hong Jing resigned on June 24, 2023.

(iii) Mr. Jiang Wen was appointed as the Company’s director on May 30, 2023.

APPENDIX I

ACCOUNTANT’S REPORT

39 Subsidiaries

Company

(a) Prepaid investments in subsidiaries

As of December 31, 2021 and 2022, the Company has paid certain consideration for obtaining investment in the [REDACTED] Business from Huisuanzhang Holding and yet did not obtain any shareholder’s right as the transaction was still in process. Fair value of the consideration paid are recorded as prepaid investments in subsidiaries.

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Prepaid cash consideration	—	139,989	—
Deemed prepaid investment arising from share-based payment	35,891	73,949	—
Deemed prepaid investment arising from the Reorganization (i)	4,722	2,206,752	—
	40,613	2,420,690	—

(i) Deemed prepaid investment arising from the Reorganization represented fair value of the financial instruments issued to acquire the [REDACTED] Business from its shareholders.

(b) Investments in subsidiaries

	As at December 31, 2023
	<i>RMB’000</i>
Investments in subsidiary	290,572
Deemed investment arising from share-based payment	187,942
Deemed investment arising from the Reorganization (i)	2,244,171
	2,722,685

(i) Deemed investment arising from the Reorganization represented fair value of the financial instruments issued to acquire the Listing Business from its shareholders.

40 Contingent liabilities

The Group did not have any material contingent liabilities as at December 31, 2021, 2022 and 2023.

APPENDIX I

ACCOUNTANT’S REPORT

41 Events after the reporting period

There were no other material subsequent events undertaken by the Company or by the Group after December 31, 2023.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2023 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix II does not form part of the Accountant’s Report from [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” of this document and the Accountant’s Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2023 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2023 or at any future dates following the completion of the [REDACTED].

Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at December 31, 2023	Estimated [REDACTED] from the [REDACTED]	Estimated impact on the conversion of the redeemable convertible preferred shares upon the completion of the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2023	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share	
<i>RMB’000</i> <i>Note 1</i>	<i>RMB’000</i> <i>Note 2</i>	<i>RMB’000</i> <i>Note 3</i>	<i>RMB’000</i>	<i>RMB</i> <i>Note 4</i>	<i>HK\$</i> <i>Note 5</i>
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED].	(2,905,118)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED].	(2,905,118)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at December 31, 2023 has been extracted from the Accountant’s Report as set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to owners of the Company as at December 31, 2023 of RMB2,819,192,000 with an adjustment for the intangible assets attributable to owners of the Company as at December 31, 2023 of RMB85,926,000.
2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], being the low end and high end of the indicative [REDACTED] range, respectively, after deduction of the [REDACTED] fees and other related expenses payable by the Group, without taking into account of any Shares (a) which may be issued pursuant to the exercise of the [REDACTED]; (b) which may be issued under [REDACTED] Share Option Plan; or (c) which may be issued or repurchased by the Company pursuant to the general mandates granted to the directors of the Company to issue or repurchase Shares.
3. Upon [REDACTED] and completion of the [REDACTED], all the redeemable convertible preferred shares will be automatically converted into ordinary shares. These redeemable convertible preferred shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB[REDACTED], being the carrying amount of the redeemable convertible preferred shares as at December 31, 2023.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue as at December 31, 2023, assuming the [REDACTED] and [REDACTED] had taken place on December 31, 2023 without taking into account of (a) any Shares which may be issued pursuant to the exercise of the [REDACTED]; (b) any Shares which may be issued under [REDACTED] Share Option Plan, including but not limited to the exercise of options granted under the [REDACTED] Share Option Plan for 1,608,537 Shares; (c) any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the directors of the Company to issue or repurchase Shares; or (d) 966,976 Shares held by HSZ Alliance accounted for as treasury shares as at December 31, 2023.
5. For the purpose of this unaudited pro forma net tangible assets per Share, amounts denominated in Renminbi (“RMB”) have been translated at a rate of RMB1.00: HK\$[1.0982]. No representation is made that any amounts in RMB were or could have been converted into Hong Kong dollars, or vice versa, at such rates or any other exchange rates on such date or any other date.
6. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 14, 2021 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] and will become effective on the [REDACTED]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of Shares*

The share capital of the Company consists of a single class of ordinary shares.

(b) *Variation of Rights of Existing Shares or Classes of Shares*

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) *Alteration of Capital*

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and
- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns from his office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

2.5 Meetings of Members

(a) *Special and Ordinary resolutions*

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) *Voting Rights and Right to Demand a Poll*

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

Where a general meeting is postponed:

- (A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;
- (B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and
- (b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on July 14, 2021 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 14, 2021. Our Company has established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 13, 2023. Ms. CHEUNG Yuet Fan (張月芬) and Ms. YEUNG Siu Wai Kitty (楊小慧) have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Act is set forth in “Appendix III — Summary of the Constitution of the Company and Cayman Companies Act.”

2. Changes in the share capital of our Company

On July 14, 2021, our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. On the same day, one share was allotted and issued to Osiris International Cayman Limited, which was subsequently transferred to Huisuanzhang Holding.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

- (a) On January 18, 2023, our Company allotted and issued 800,000 ordinary Shares to Almanack Holding, 286,049 ordinary Shares to GCP Holding Limited, 296,345 ordinary Shares to LSF Holding Limited, 34,188 ordinary Shares to HSZ BJBranch Limited, 72,462 ordinary Shares to LXP Holding Limited, 75,423 ordinary Shares to NicoleLu Holding Limited, 76,923 ordinary Shares to YAA Holding and 76,923 ordinary Shares to EmilyLaw Holding Limited.
- (b) On February 25, 2023, our Company allotted and issued 1,773,870 ordinary Shares to HSZ Alliance.
- (c) On May 7, 2024, our Company allotted and issued 1,608,537 ordinary Shares to Tailwind Management.

Save as disclosed above, there has been no alternation in our share capital within the two years immediately preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Resolutions in writing of all our Shareholders passed on [•], 2024

Pursuant to the written resolutions passed by our Shareholders on [•], 2024, it was resolved, among others:

- (a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon the [REDACTED];

- (b) conditional on (i) the Stock Exchange granting the approval for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be issued (pursuant to the [REDACTED], the [REDACTED] and the exercise of the [REDACTED] and the [REDACTED] Share Options) and such [REDACTED] and permission not having been subsequently revoked prior to the commencement of [REDACTED] in the Shares on the Stock Exchange, (ii) the [REDACTED] being determined, (iii) the execution and delivery of the [REDACTED], and (iv) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Sponsor and the [REDACTED] (for themselves and on behalf of the [REDACTED])) and remaining unconditional and the [REDACTED] not being terminated in accordance with their terms or otherwise:
 - (i) the [REDACTED], the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to effect the same (including but not limited to, to agree the structure of the [REDACTED], to increase or reduce the number of Shares initially [REDACTED] for subscription in the [REDACTED] and to determine the [REDACTED]) and to allot and issue [REDACTED] pursuant to the [REDACTED] and the [REDACTED];

 - (ii) the grant of the [REDACTED] by our Company to the [REDACTED], exercisable by the [REDACTED] and [REDACTED] (for themselves and on behalf of the [REDACTED]), pursuant to which the [REDACTED] and [REDACTED] (for themselves and on behalf of the [REDACTED]) may require our Company to allot and issue up to an aggregate of additional [REDACTED] Shares to cover, among others, the over-allocation in the [REDACTED] was approved; and

 - (iii) the proposed [REDACTED] was approved and our Directors were authorized to implement the [REDACTED].

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such Convertible Securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with, and to resell treasury shares of the Company, at any time subject to the requirement that the aggregate number of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued and treasury shares to be resold, shall not exceed the sum of 20% of the aggregate number of Shares in issue immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options and treasury shares of the Company, if any).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
 - (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,
- (d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options and treasury shares of the Company, if any).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued and treasury share maybe resold by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate number of the Shares in issue immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options and treasury shares of the Company, if any)).

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [REDACTED]. For further details, see “History, Reorganization and Corporate Structure — Reorganization.”

5. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountant’s Report in Appendix I to this document.

Save as disclosed below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries within the two years immediately preceding the date of this document:

Nantong Xiaoqiao

On October 18, 2022, Nantong Xiaoqiao was established in the PRC with a registered capital of RMB1 million.

Beijing Zijing

On October 25, 2022, the registered capital of Beijing Zijing was increased from RMB1,010,101 to RMB60 million.

On December 27, 2022, the registered capital of Beijing Zijing was increased from RMB60 million to RMB150 million.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

Ningbo HSZ

On November 2, 2022, Ningbo HSZ was established in the PRC with a registered capital of RMB1 million.

Dalian WFOE

On November 24, 2022, the registered capital of Dalian WFOE was increased from RMB135 million to RMB150 million.

Qingdao WFOE

On January 5, 2023, the registered capital of Qingdao WFOE was decreased from RMB670 million to RMB200 million.

Boyan Ziming

On March 16, 2023, the registered capital of Boyan Ziming was increased from RMB1,010,101 to RMB100 million.

Boyue Wenchang

On March 23, 2023, the registered capital of Boyue Wenchang was increased from RMB1,010,101 to RMB50 million.

Qingdao HSZ

On March 27, 2023, the registered capital of Qingdao HSZ was increased from RMB1 million to RMB50 million.

Shanghai Huizhi

On December 26, 2023, the registered capital of Shanghai Huizhi was increased from RMB101,010 to RMB1 million.

Ningbo Xiaoqiao

On January 22, 2024, Ningbo Xiaoqiao was established in the PRC with a registered capital of RMB1 million.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Repurchase of Shares by our Company

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of all our Shareholders passed on [•], a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate number not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options and treasury shares of the Company, if any), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased securities

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. The repurchased shares might be held as treasury shares subject to market conditions and the Company's capital management needs at the relevant time of the repurchases. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company shall be treated as cancelled and the amount of the company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Act.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(vi) Reporting requirements

Certain information relating to the repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase, over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Companies Act, a repurchase of Shares may also be paid out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this document in the event that the Repurchase Mandate is exercised in full.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED] of the Shares, could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period until the earlier of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable law or the Memorandum and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholders' proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances. No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

7. Further Information of Regional Partners Grantees

Set forth below are the details of the Regional Partners Grantees, which are the beneficial owners of each of Shanghai Huimeng, Shanghai Huilin and Shanghai Huiying.

	Name of Regional Partners Grantees	Relationship with our Group
Shanghai Huimeng	Bazhou Huizhong Network Technology Company Limited (巴州惠眾網絡科技有限公司)	Our current regional partner
	Chengdu Baiyi Wanjia Finance Taxation Consulting Company Limited (成都百益萬嘉財稅諮詢有限公司)	Our current regional partner
	Chengdu Gongqun Enterprise Management Consulting Company Limited (成都公群企業管理諮詢有限公司)	Our current regional partner
	Dazhou Chenzaoyao Enterprise Management Company Limited (達州趁早企業管理有限公司)	Our current regional partner
	Lanzhou Internet Times Enterprise Management Company Limited (蘭州互聯時代企業管理有限公司)	Our current regional partner
	Qinghai Huisuanzhang Finance Taxation Affairs Company Limited (青海慧算賬財稅事務有限公司)	Our current regional partner
	Shanxi Huisuanzhang Finance Taxation Service Company Limited (山西慧算賬財稅服務有限公司)	Our current regional partner
	Xi'an Chenyue Enterprise Management Company Limited (西安宸悅企業管理有限公司)	Our current regional partner, the supervisor of which is a former shareholder of Shijiazhuang Gongjin
	Xinjiang Huisuanzhang Finance Consulting Company Limited (新疆慧算賬財稅諮詢有限公司)	Our current regional partner
	Xinjiang Xingjiujiang Finance Management Company Limited (新疆興九江財務管理有限公司)	Our current regional partner
	Meishan Zhongteng Finance Taxation Service Company Limited (眉山衆騰財稅服務有限公司)	Our former regional partner
	Dezhou Huilin Enterprise Management Consulting Company Limited (德州慧林企業管理諮詢有限公司)	Our former regional partner
	Dalian Fuzhiyong Technology Company Limited (大連福至雍科技術有限公司)	An affiliate of our former regional partner
	Hunan Dayuebo Finance Consulting Company Limited (湖南達悅博財稅諮詢有限公司)	An affiliate of our current regional partner

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

	Name of Regional Partners Grantees	Relationship with our Group
	Zhengzhou Junyuan Agricultural Products Company Limited (鄭州君源農產品有限公司)	An affiliate of our current regional partner
Shanghai Huilin	Bazhou Huizhong Network Technology Company Limited (巴州惠眾網絡科技有限公司)	Our current regional partner
	Fenyang Jindeyuan Finance Consulting Service Company Limited (汾陽市金德源財務諮詢服務有限公司)	Our current regional partner
	Hefei Huizhong Finance Management Company Limited (合肥市慧眾財務管理有限公司)	Our current regional partner
	Hebei Jucheng Accounting Service Company Limited (河北聚誠會計服務有限公司)	Our current regional partner
	Honghe Ant Finance Taxation Information Consulting Service Company Limited (紅河州螞蟻財稅信息諮詢服務有限公司)	Our current regional partner
	Hubei Dianshui Finance Management Company Limited (湖北點稅財務管理有限公司)	Our current regional partner
	Hunan Jucheng Finance Taxation Consulting Company Limited (湖南聚誠財稅諮詢有限公司)	Our current regional partner, the largest shareholder of which is a former shareholder of Zibo Gongjin
	Jiangxi Limu Finance Taxation Consulting Company Limited (江西立木財稅諮詢有限公司)	Our current regional partner
	Jiujiang Shensuanzi Finance Consulting Company Limited (九江神算子財務諮詢有限公司)	Our current regional partner
	Lanzhou Internet Times Enterprise Management Company Limited (蘭州互聯時代企業管理有限公司)	Our current regional partner
	Langfang Dingyuan Accounting Consulting Service Company Limited (廊坊市鼎源會計諮詢服務有限公司)	Our current regional partner
	Pingxiang Runda Finance Taxation Service Company Limited (萍鄉市潤達財稅服務有限公司)	Our current regional partner
	Qingdao Yicai Tianxia Enterprise Management Service Consulting Company Limited (青島易財天下企業管理服務諮詢有限公司)	Our current regional partner
	Shanxi Yiqibang Incubator Company Limited (山西億企邦孵化園有限公司)	Our current regional partner

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

	Name of Regional Partners Grantees	Relationship with our Group
	Shangrao Dayuebo Accounting Service Company Limited (上饒市達悅博會計服務有限公司)	Our current regional partner
	Wuhan Lejie Enterprise Service Company Limited (武漢樂捷企業服務有限公司)	Our current regional partner
	Wuhan Saiweisi Finance Taxation Service Company Limited (武漢賽微思財稅服務有限公司)	Our current regional partner
	Yingtian Boyue Accounting Service Company Limited (鷹潭市博越會計服務有限公司)	Our current regional partner
	Zhongcheng Enterprise Service (Hubei) Company Limited (中呈企業服務(湖北)有限公司)	Our current regional partner
	Deyang Juhe Finance Taxation Service Company Limited (德陽聚和財稅服務有限公司)	Our former regional partner
	Luohe Jinxiao Enterprise Marketing Planning Center (漯河錦瀟企業營銷策劃中心)	An affiliate of our current regional partner
	Zhengzhou Junyuan Agricultural Products Company Limited (鄭州君源農產品有限公司)	An affiliate of our current regional partner
	Huangshan Wanrui Business Training Company Limited (黃山市皖瑞業務培訓有限公司)	An affiliate of our current regional partner
Shanghai Huiying	Guangxi Yishui Finance Consulting Company Limited (廣西逸稅財務諮詢有限公司)	Our current regional partner
	Guizhou Zhongguang Hechuang Technology Company Limited (貴州中廣和創科技有限公司)	Our current regional partner and an affiliate of two of our current regional partners
	Hebei Zhenghe Accounting Service Company Limited (河北正合會計服務有限公司)	Our current regional partner
	Hubei Huisuanzhang Finance Management Company Limited (湖北慧算賬財務管理有限公司)	Our current regional partner
	Hunan Chunjin Accounting Consulting Company Limited (湖南春瑾會計諮詢有限公司)	Our current regional partner
	Hunan Xinqiyang Accounting Service Company Limited (湖南新啟揚會計服務有限公司)	Our current regional partner

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of Regional Partners Grantees	Relationship with our Group
Huzhou Huihang Finance Consulting Company Limited (湖州慧航財務諮詢有限公司)	Our current regional partner
Jinan Huixin Finance Consulting Company Limited (濟南市慧信財務諮詢有限公司)	Our current regional partner
Lanzhou Huisuanzhang Finance Consulting Company Limited (蘭州慧算賬財務諮詢有限公司)	Our current regional partner
Linyi Hengchen Enterprise Management Consulting Company Limited (臨沂恆辰企業管理諮詢有限公司)	Our current regional partner
Liu'an Zhonghui Technology Service Company Limited (六安眾慧科技服務有限公司)	Our current regional partner
Nanjing Huisuanzhang Finance Consulting Company Limited (南京慧算賬財務諮詢有限公司)	Our current regional partner, the largest shareholder and the director of which is a former shareholder of Nanjing Xiaoqiao and the supervisor of which is a former shareholder of Xuzhou HSZ
Panzhuhua Zhangyuanxin Finance Service Company Limited (攀枝花賬源信財務服務有限公司)	Our current regional partner
Shanxi Zhengfeng Finance Taxation Service Company Limited (山西正楓財稅服務有限公司)	Our current regional partner
Xinjiang Huisuanzhang Finance Consulting Company Limited (新疆慧算賬財務諮詢有限公司)	Our current regional partner
Xinjiang Xingjiujiang Finance Management Company Limited (新疆興九江財務管理有限公司)	Our current regional partner
Xuancheng Huiying Finance Service Company Limited (宣城慧贏財務服務有限公司)	Our current regional partner
Yunnan Gundong Finance Management Company Limited (雲南滾動財務管理有限公司)	Our current regional partner
Zhangjiajie Langlang Finance Consulting Company Limited (張家界朗朗財務諮詢有限公司)	Our current regional partner
Changji Huilian Finance Consulting Company Limited (昌吉州慧聯財務諮詢有限公司)	Our current regional partner

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of Regional Partners Grantees	Relationship with our Group
Dehong Huicheng Finance Consulting Company Limited (德宏慧誠財務諮詢有限公司)	Our current regional partner
Hainan Huitongxiao Enterprise Consulting Management Company Limited (海南慧通曉企業諮詢管理有限公司)	An affiliate of two of our regional partners
Inner Mongolia Yunfeng E-commerce Company Limited (內蒙古芸楓電子商務有限公司)	An affiliate of our current regional partner
Shanxi Huisuanzhang Network Technology Company Limited (山西慧算賬網絡技術有限公司)	An affiliate of our current regional partner
Shaanxi Mingwang Group Company Limited (陝西銘望集團有限公司)	An affiliate of our current regional partner
Shaanxi Zhugeyun E-commerce Finance and Taxation Service Company Limited (陝西諸葛雲電商財稅服務有限公司)	An affiliate of our current regional partner, a current shareholder holding 40% equity interest in Shijiazhuang Gongjin, an insignificant subsidiary of our Group
Wuhu Huizhong Finance Management Company Limited (蕪湖慧眾財務管理有限公司)	An affiliate of our current regional partner, the shareholders of which are former shareholders of Wuxi Gongjin
Guangxi Jiri Qicheng Investment Management Group Company Limited (廣西即日企程投資管理集團有限公司)	An affiliate of our former regional partner, the ultimate beneficial owner of which is a regional director of Guangxi HSZ
Dezhou Liuheshun Enterprise Management Consulting Company Limited (德州六闖順企業管理諮詢有限公司)	An affiliate of our former regional partner

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this document and are or may be material:

- (a) an exclusive business cooperation agreement dated February 3, 2023 entered into by and between Beijing Zhongmou and Boyue Wenchang, as further described in “Contractual Arrangements;”

APPENDIX IV





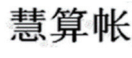
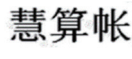

STATUTORY AND GENERAL INFORMATION

- (b) an exclusive option agreement dated February 3, 2023 entered into by and among Beijing Zhongmou, Mr. Zhang and Boyue Wenchang, as further described in “Contractual Arrangements;”
- (c) an equity pledge agreement dated February 3, 2023 entered into by and among Beijing Zhongmou, Mr. Zhang and Boyue Wenchang, as further described in “Contractual Arrangements;”
- (d) a power of attorney dated February 3, 2023 executed by Mr. Zhang in favor of Boyue Wenchang, as further described in “Contractual Arrangements;”
- (e) [the Deed of Non-competition]; and
- (f) [the [REDACTED]].

2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
1.		Hong Kong	306095403	Beijing Zijing	9, 35, 42	October 31, 2022	October 30, 2032
2.		PRC	57377121	Beijing Zijing	35	January 7, 2022	January 6, 2032
3.		PRC	57357826	Beijing Zijing	38	January 7, 2022	January 6, 2032
4.		PRC	57375619	Beijing Zijing	9	January 7, 2022	January 6, 2032
5.		PRC	41548666	Beijing Zijing	35	September 21, 2020	September 20, 2030
6.		PRC	41561270	Beijing Zijing	35	September 21, 2020	September 20, 2030
7.		PRC	32523188	Beijing Zijing	35	April 7, 2019	April 6, 2029

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
8.		PRC	21161068	Beijing Zijing	35	October 28, 2017	October 27, 2027
9.		PRC	21161375	Beijing Zijing	36	October 28, 2017	October 27, 2027
10.		PRC	21161536	Beijing Zijing	42	November 7, 2017	November 6, 2027
11.	Kungeek	PRC	16921626	Beijing Zijing	35	July 14, 2016	July 13, 2026
12.	Kungeek	PRC	16921626	Beijing Zijing	42	July 14, 2016	July 13, 2026
13.	公瑾	PRC	16541118	Beijing Zijing	35	May 7, 2016	May 6, 2026
14.	公瑾	PRC	16541118	Beijing Zijing	42	May 7, 2016	May 6, 2026
15.	 慧盈业财	PRC	72955372	Boyan Ziming	9	January 21, 2024	January 20, 2034

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

(i) *Computer software copyrights*

No.	Copyright	Registered owner	Registration number	Place of registration	Date of certificate
1.	Huisuanzhang Operating Platform Software (慧算賬運營平台軟件)	Beijing Zijing	2022SR0566745	PRC	May 10, 2022
2.	Huisuanzhang Finance and Taxation Business Platform Software (慧算賬財稅業務平台軟件). . . .	Beijing Zijing	2022SR0566764	PRC	May 10, 2022

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(ii) Artwork copyrights

No.	Copyright	Registered owner	Registration number	Place of registration	Date of certificate
1.	Huisuanzhang logo (慧算賬標識)	Beijing Zijing	Guozuodengzi-2022-F-10093155	PRC	May 6, 2022
2.	Huixiaoshuai (慧小帥)	Beijing Zijing	Guozuodengzi-2022-F-10093154	PRC	May 6, 2022

Domain Name

As of the Latest Practicable Date, we have registered the following domain name which we consider to be or may be material to our business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	satp.com.cn	Beijing Zijing	April 11, 2023	April 11, 2026

Patents

As of the Latest Practicable Date, we had been granted the following patents which we consider to be or may be material to our business:

No.	Patent	Class	Applicant	Application number	Place of registration	Date of application
1.	Voucher generation method and device based on machine learning model (基於機器學習模型的單據生成憑證方法及設備)	Invention	Beijing Zijing	201911231690.0	PRC	December 5, 2019
2.	Method, device and equipment of document identification (票據識別方法、裝置和設備)	Invention	Beijing Zijing	202010187416.4	PRC	March 17, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Class	Applicant	Application number	Place of registration	Date of application
1.	Method, device, equipment and storage of tax filing (稅務申報方法、裝置、設備和儲存介質)	Invention	Beijing Zijing	202010022203.6	PRC	May 26, 2022
2.	A system and method for running high-density RPA robots (一種運行高密度RPA機器人的系統及方法)	Invention	Beijing Zijing	202311068560.6	PRC	August 23, 2023
3.	A commodity encoding method, device, equipment and storage medium (一種商品的編碼方法、裝置、設備及存儲介質)	Invention	Beijing Zijing	202311140278.4	PRC	September 5, 2023
4.	A method of identifying bank statements (一種銀行對賬單的識別方法)	Invention	Beijing Zijing	202311140282.0	PRC	September 5, 2023
5.	An automated checkout method and equipment (一種自動化結賬方法及設備)	Invention	Beijing Zijing	202311235777.1	PRC	September 22, 2023

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Disclosure of interest — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the [REDACTED] Share Options), the interests or short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED], will be as follows:

(i) *Interests in the Shares of our Company*

Name of Director/ Chief Executive	Nature of interest	Number of Shares immediately following the [REDACTED] and the [REDACTED]	Approximate percentage of shareholding immediately following the [REDACTED] and the [REDACTED] (1)
Mr. Zhang ⁽²⁾⁽³⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
	Interest held through voting powers entrusted by other persons	[REDACTED]	[REDACTED]%
Mr. Zhang Mingqi (張明淇) ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
Mr. Tian Li (田里) ⁽⁵⁾⁽⁶⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
	Beneficiary of trust	[REDACTED]	[REDACTED]%
Mr. Wang Baoqing (王葆青) ⁽⁷⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Notes:

- (1) The table above is calculated on the basis that the [REDACTED] is not exercised and no further Shares are issued under [REDACTED] Share Option Plan.
- (2) Sparking Sky is wholly owned by Mr. Zhang. Therefore, Mr. Zhang is deemed to be interested in all the Shares directly held by Sparking Sky by virtue of the SFO.
- (3) Pursuant to the entrustment under the Voting Agreements as described in “History, Reorganization and Corporate Structure — Voting Agreements,” Mr. Zhang and Sparking Sky are able to exercise the voting rights attaching to the Shares directly held by the Voting Grantors, and are therefore deemed to be interested in all the Shares directly held by the Voting Grantors by virtue of the SFO.
- (4) Each of Universe Shining and Shining Universe is wholly owned by Mr. Zhang Mingqi. Therefore, Mr. Zhang Mingqi is deemed to be interested in the Shares directly held by Universe Shining and Shining Universe by virtue of the SFO.
- (5) Almanack Holding is wholly owned by Mr. Tian Li. Therefore, Mr. Tian Li is deemed to be interested in the Shares directly held by Almanack Holding by virtue of the SFO.
- (6) Mr. Tian Li is a beneficiary of the ARK Trust, which holds (i) SATP Management, the shareholder of HSZ Management, through which Mr. Tian Li is ultimately interested in [REDACTED] Shares following the [REDACTED]; and (ii) Tailwind Holding, the shareholder of Tailwind Management, through which Mr. Tian Li is ultimately interested in [REDACTED] Shares following the [REDACTED].
- (7) Evergreen Oliver is wholly owned by Mr. Wang Baoqing. Therefore, Mr. Wang Baoqing is deemed to be interested in the Shares directly held by Evergreen Oliver by virtue of the SFO.

(ii) *Interests in underlying Shares of our Company*

Name of Director/ Chief Executive	Nature of interest	Number of underlying Shares immediately following the [REDACTED] and the [REDACTED] subject to the [REDACTED] Share Options	Approximate percentage of shareholding immediately following the [REDACTED] and the [REDACTED] (1)
Mr. Zhang	Beneficial interest	[REDACTED]	[REDACTED]%
Mr. Zhang Mingqi (張明淇).	Beneficial interest	[REDACTED]	[REDACTED]%
Mr. Tian Li (田里)	Beneficial interest	[REDACTED]	[REDACTED]%

Note:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued upon the exercise of the [REDACTED] and the [REDACTED] Share Options).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iii) Interests in our associated corporation

<u>Name of Director/ Chief Executive</u>	<u>Nature of interest</u>	<u>Name of associated corporation</u>	<u>Approximate percentage of shareholding</u>
Mr. Zhang	Beneficial interest	Beijing Zhongmou ⁽¹⁾	50%

Note:

(1) Beijing Zhongmou is a subsidiary of our Company by virtue of the Contractual Arrangements and therefore is an associated corporation of our Group.

(b) Disclosure of interest — interests and short positions disclosable under Divisions 2 and 3 of the Part XV of the SFO

Save as disclosed in “Substantial Shareholders,” our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued upon the exercise of the [REDACTED] and the [REDACTED] Share Options), have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

Save as disclosed in this document, as of the Latest Practicable Date, so far as is known to our Directors, the following persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or had option in respect of such capital.

<u>Name of shareholder</u>	<u>Nature of interest</u>	<u>Name of member of our Group</u>	<u>Approximate percentage of shareholding</u>
Changxing Youyang Corporation Management Consulting Partnership (Limited Partnership) (長興悠揚企業管理諮詢合夥企業(有限合夥)) (“Changxing Youyang”) .	Beneficial owner	Beijing Gongjin Consulting	49%
Zhu Huaizhi (朱懷志)	Interest in controlled corporation ⁽¹⁾	Beijing Gongjin Consulting	49%
Liu Lihua (劉利華)	Interest in controlled corporation ⁽¹⁾	Beijing Gongjin Consulting	49%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

<u>Name of shareholder</u>	<u>Nature of interest</u>	<u>Name of member of our Group</u>	<u>Approximate percentage of shareholding</u>
Shaanxi Zhugeyun E-commerce Finance and Taxation Service Company Limited (陝西諸葛雲電商財稅服務有限公司) (“Zhugeyun E-commerce”)	Beneficial owner	Shijiazhuang Gongjin	40%
Liu Minjuan (劉敏娟)	Interest in controlled corporation ⁽²⁾	Shijiazhuang Gongjin	40%
Mr. Wu Mingtao (吳明燾).	Beneficial owner	Nantong Gongjin	40%

Notes:

- (1) Zhu Huaizhi (朱懷志) is interested in 60% and Liu Lihua (劉利華) is interested in 40% of the equity interest in Changxing Youyang. Thus, Zhu Huaizhi (朱懷志) and Liu Lihua (劉利華) are deemed to be interested in the shareholding interest in Beijing Gongjin Consulting held by Changxing Youyang by virtue of the SFO.
- (2) Liu Minjuan (劉敏娟) is interested in 90% of the equity interest in Zhugeyun E-commerce. Thus, Liu Minjuan (劉敏娟) is deemed to be interested in the shareholding interest in Shijiazhuang Gongjin held by Zhugeyun E-commerce by virtue of the SFO.

2. Particulars of service contracts and letters of appointment

Each of Mr. Zhang, Mr. Zhang Mingqi (張明淇) and Mr. Tian Li (田里), being our executive Directors, [has entered into] a service contract with our Company, under which they agreed to act as executive Directors for an initial term of three years commencing from the [REDACTED]. The service contracts may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Jiang Wen (蔣文) and Mr. Wang Baoqing (王葆青), being our non-executive Directors, [has entered into] a letter of appointment with our Company, under which they agreed to act as non-executive Directors for an initial term of three years commencing from the [REDACTED]. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Wei Chenyang (魏晨陽), Mr. Zhang Ping (張平), Mr. Chau Kwok Keung (鄒國強) and Mr. Liao Pin-Chao (廖彬超), being our independent non-executive Directors, [has entered into] a letter of appointment with our Company, under which they agreed to act as independent non-executive Directors for an initial term of three years commencing from the [REDACTED]. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, wages, salaries and bonuses, pension cost — defined contribution plans, other social security costs, housing benefits and share-based compensation) paid to our Directors for the years ended December 31, 2021, 2022 and 2023 were approximately RMB27.64 million, RMB8.47 million and RMB36.02 million, respectively.

None of our Directors has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2021, 2022 and 2023, by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

The aggregate remuneration (inclusive of benefits in kind and estimated share-based payment expense in relation to the [REDACTED] Share Options granted to our Directors to be recognized in our Group's profit or loss for the year ending December 31, 2024, but exclusive of any discretionary bonuses) of our Directors for the year ending December 31, 2024 is estimated to be approximately RMB43.62 million, based on the arrangements currently in force.

4. Personal Guarantees

Save as disclosed in this document, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

- (a) Save as disclosed in "— 1. Disclosure of Interests," none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are [REDACTED].

- (b) Save as disclosed in “— 1. Disclosure of Interests,” taking no account of any Shares which may be taken up under the [REDACTED], so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED], have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.
- (c) Save as disclosed in “— 2. Particulars of Service Contracts and Letters of Appointment,” none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (d) none of our Directors or any of the experts referred to in “— E. Other Information — 7. Qualification of Experts” has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (e) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. [REDACTED] SHARE OPTION PLAN

The [REDACTED] Share Option Plan of our Company was adopted by the Board on November 1, 2021.

We have applied for, and [have been] granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules and (ii) an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

information of the [REDACTED] Share Options granted. For further details, see “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to the [REDACTED] Share Option Plan.”

The following is a summary of the principal terms of the [REDACTED] Share Option Plan. The terms of the [REDACTED] Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of options or awards by our Company after the [REDACTED].

1. Summary of terms

(a) Purpose

The purposes of the [REDACTED] Share Option Plan are to attract and retain the best available personnel, to provide additional incentives to Directors, employees, consultants of our Company or any related entity or other persons to be determined by the Administrator (as defined below) to promote the success of the Company’s business.

(b) Eligibility

Persons eligible for the grant of the Awards (as defined below) include Directors, employees and consultants of our Company or any related entity, or trusts or entities established in connection with any employee benefit plan of the Company (including the [REDACTED] Share Option Plan) for the benefit of a grantee, as determined by the Administrator (as defined below).

(c) Administration

The [REDACTED] Share Option Plan shall be administered by the chief executive officer of the Company (the “Administrator”).

The Administrator determines or approves, among other things, the grantee to receive Awards, whether and to what extent Awards are granted, the type and the number of Awards to be granted, the number of Shares and the amount of consideration to be covered by each Award granted, the forms of Award Agreements (as defined below) for use under the [REDACTED] Share Option Plan, and the terms and conditions of each Award granted including without limitation the vesting schedule and exercise price.

(d) Awards

The awards (the “Awards”) under the [REDACTED] Share Option Plan include the grant of [REDACTED] Share Options.

The grant of an Award is evidenced by a written stock option award agreement executed by the Company and the grantee (the “Award Agreement”).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(e) Terms and conditions of the [REDACTED] Share Option Plan

Unless sooner terminated or otherwise extended by the Board, the [REDACTED] Share Option Plan shall continue in effect for a term of ten (10) years after the date of adoption. The term of each Award shall be the term stated in the Award Agreement. The [REDACTED] Share Options (and the rights conferred thereby) may not be transferred or disposed of in any manner other than the death of grantee. Notwithstanding the foregoing, the grantee may designate one beneficiary of the grantee's [REDACTED] Share Option in the event of the grantee's death on a beneficiary designation form provided by the Administrator.

(f) Exercise of Award

Subject to applicable laws, any Award granted shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the [REDACTED] Share Option Plan and specified in the Award Agreement.

An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price.

(g) Exercise Price or Consideration

Unless otherwise determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award, the exercise or purchase price, if any, for the Shares covered by any [REDACTED] Share Option shall be determined by the Administrator. The exercise or purchase price shall be paid in accordance with the [REDACTED] Share Option Plan and Award Agreement.

(h) Vesting Schedule

The Awards to be issued to any grantee under the [REDACTED] Share Option Plan shall be subject to the vesting schedule as specified in the Award Agreement of such grantee. The Administrator shall have the right to adjust the vesting schedule of the Awards granted to the Grantees.

(i) Capitalization Adjustment

Subject to any required action by the Shareholders, the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the [REDACTED] Share Option Plan but as to which no Awards have yet been granted or which have been returned to the [REDACTED] Share Option Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Awards may be granted to any grantee in any fiscal year of the Company, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) as the Administrator may determine in its discretion, any other transaction with respect to the Shares including a corporate merger, consolidation, acquisition of property or equity, separation (including a spin-off or other distribution of shares or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator and its determination shall be final, binding and conclusive.

(j) Termination of relationship or change in status

Following the date of termination of grantee's status of the provision of services to the Company or a related entity in any capacity of a director, employee or consultant or change in status scenarios described therein for any reason, the grantee may exercise the [REDACTED] Share Option only as set forth in the Award Agreement. If the grantee does not exercise or cannot exercise this [REDACTED] Share Option within the applicable periods, the [REDACTED] Share Option shall terminate in its entirety.

(k) Amendment, suspension or termination

The Board may at any time amend (including extend the term of the [REDACTED] Share Option Plan), suspend or terminate the [REDACTED] Share Option Plan; provided, however, that no such amendment shall be made without the approval of the Shareholders to the extent (i) such approval is required by applicable laws (ii) such approval is required by the shareholders' agreement and/or charter documents of our Company; or (iii) that such amendment would change any of the provisions of this paragraph.

No Award may be granted during any suspension of the [REDACTED] Share Option Plan or after termination of the [REDACTED] Share Option Plan. Unless otherwise determined by the Administrator in good faith, the suspension or termination of the [REDACTED] Share Option Plan shall not materially adversely affect any rights under Awards already granted to a grantee.

2. Outstanding share options

As of the Latest Practicable Date, [REDACTED] Share Options to subscribe for an aggregate of 5,445,237 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been granted to Directors, senior management, other employees of our Group and other grantees, of which (i) [REDACTED] Share Options to subscribe for 2,882,333 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been exercised and issued, which included [REDACTED] Share Options granted to one Director and two other senior management members with respect to 2,623,337 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), three other employees with respect to 182,073 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), and one former employee of our Group with respect to 76,923 underlying Shares (or [REDACTED] Shares as adjusted after the [REDACTED]), and (ii) [REDACTED] Share Options to subscribe for 2,562,904 Shares (or

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

[REDACTED] Shares as adjusted after the [REDACTED]) were outstanding and held by grantees. Save as disclosed herein, no [REDACTED] Share Options were granted to other connected persons of the Company and no consideration was paid for the [REDACTED] Share Options granted.

Details of the outstanding [REDACTED] Share Options as of the Latest Practicable Date are set out below:

Name of grantee	Position	Address	Exercise price as adjusted after the [REDACTED] (US\$/Share)	Date of grant	Vesting Period	Total number of Shares underlying the outstanding and unexercised [REDACTED] Share Options as adjusted after the [REDACTED]	Underlying Shares of the outstanding and unexercised [REDACTED] Share Options as a percentage of issued Shares immediately after completion of the [REDACTED] and the [REDACTED] (Note 1)
DIRECTORS AND/OR SENIOR MANAGEMENT							
Mr. Zhang	Chairman of the Board, executive Director, chief executive officer	Room 1402, No. 11, Zhiyi, Haile Road, Tianhe District, Guangzhou City, Guangdong Province, PRC	0.002	July 1, 2023	Note 2	[REDACTED]	[REDACTED]%
Mr. Zhang Mingqi. . .	Executive Director, senior vice president and chief of direct-to-business business	Room 303, No. 2, Lane 177, Qiheng Road, Pudong New Area, Shanghai, PRC	0.002	October 1, 2022	Note 4	[REDACTED]	[REDACTED]%
			0.002	April 1, 2023	Note 5	[REDACTED]	[REDACTED]%
			0.002	July 1, 2023	Note 2	[REDACTED]	[REDACTED]%
Mr. Tian Li	Executive Director, senior vice president and chief of licensing business	Room 701, Unit 2, No. 3, Sunshine Shinkansen, Datun Street, Chaoyang District, Beijing, PRC	0.002	April 1, 2023	Note 6	[REDACTED]	[REDACTED]%
Ms. Luo Yuan	General counsel, vice president and joint company secretary	Room 304, Unit 3, Building 11, No. 125, Xinxing 2nd Road, Changzhou District, Wuzhou, Guangxi Zhuang Autonomous Region, PRC	0.002	July 1, 2023	Note 3	[REDACTED]	[REDACTED]%
Total						<u>[REDACTED]</u>	<u>[REDACTED]</u> %

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Position	Address	Exercise price as adjusted after the [REDACTED] (US\$/Share)	Date of grant	Vesting Period	Total number of Shares underlying the outstanding and unexercised [REDACTED] Share Options as adjusted after the [REDACTED]	Underlying Shares of the outstanding and unexercised [REDACTED] Share Options as a percentage of issued Shares immediately after completion of the [REDACTED] and the [REDACTED] (Note 1)
OTHER EMPLOYEES OF OUR GROUP							
Other 160 employees of our Group (Note 19)			0.002	July 1, 2023	Note 3	[REDACTED]	[REDACTED]%
			0.40	November 1, 2021	Note 4	[REDACTED]	[REDACTED]%
			0.002 or 0.542	January 1, 2022-April 1, 2023	Note 7	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 8	[REDACTED]	[REDACTED]%
			0.40 or 0.542	November 1, 2021	Note 9	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 10	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 11	[REDACTED]	[REDACTED]%
			0.542	April 1, 2023	Note 12	[REDACTED]	[REDACTED]%
			0.542	April 1, 2022	Note 13	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 14	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 15	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 16	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 17	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 18	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 20	[REDACTED]	[REDACTED]%
			0.40 or 0.542	November 1, 2021	Note 23	[REDACTED]	[REDACTED]%
Total						<u>[REDACTED]</u>	<u>[REDACTED]%</u>

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of grantee	Position	Address	Exercise price as adjusted after the [REDACTED] (US\$/Share)	Date of grant	Vesting Period	Total number of Shares underlying the outstanding and unexercised [REDACTED] Share Options as adjusted after the [REDACTED]	Underlying Shares of the outstanding and unexercised [REDACTED] Share Options as a percentage of issued Shares immediately after completion of the [REDACTED] and the [REDACTED] (Note 1)
OTHER GRANTEES							
28 former employees of our Group (Note 28)			0.40 or 0.542	November 1, 2021	Note 4	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 11	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 20	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 21	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 22	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 23	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 24	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 26	[REDACTED]	[REDACTED]%
			0.542	January 1, 2022	Note 27	[REDACTED]	[REDACTED]%
Sub-total						[REDACTED]	[REDACTED]%
18 other grantees (Note 29)			0.40, 0.542 or 0.882	November 1, 2021	Note 4	[REDACTED]	[REDACTED]%
			0.542	April 1, 2022	Note 7	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 11	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 20	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 21	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 23	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 25	[REDACTED]	[REDACTED]%
			0.542	November 1, 2021	Note 26	[REDACTED]	[REDACTED]%
Sub-total						[REDACTED]	[REDACTED]%
Total						<u>[REDACTED]</u>	<u>[REDACTED]%</u>

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Notes:

- (1) Approximate percentage of shareholding is calculated as the number of Shares underlying the outstanding [REDACTED] Share Options granted to a Grantee divided by [REDACTED] Shares, being the total number of Shares in issue immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]).
- (2) The vesting schedule for these [REDACTED] Share Options is: (i) 50% to be vested on the date of [REDACTED]; and (ii) 50% to be vested six months thereafter;
- (3) The vesting schedule for these [REDACTED] Share Options is: (i) 50% to be vested on the date of [REDACTED]; and (ii) 50% to be vested one year thereafter;
- (4) The vesting schedule for these [REDACTED] Share Options is 100% vested at the date of grant;
- (5) The vesting schedule for these [REDACTED] Share Options is: (i) 50% vested at the date of grant; and (ii) 25% to be vested every year thereafter;
- (6) The vesting schedule for these [REDACTED] Share Options is: (i) 75% vested at the date of grant; and (ii) 25% to be vested nine months thereafter;
- (7) The vesting schedule for these [REDACTED] Share Options is 25% to be vested every year from the date of grant;
- (8) The vesting schedule for these [REDACTED] Share Options is: (i) 25% to be vested after five months from the date of grant; and (ii) 25% to be vested every year thereafter;
- (9) The vesting schedule for these [REDACTED] Share Options is: (i) 25% to be vested after two months from the date of grant; and (ii) 25% to be vested every year thereafter;
- (10) The vesting schedule for these [REDACTED] Share Options is: (i) 25% vested at the date of grant; (ii) 25% to be vested after two months from the date of grant; and (iii) 25% to be vested every year thereafter;
- (11) The vesting schedule for these [REDACTED] Share Options is: (i) 75% vested at the date of grant; and (ii) 25% to be vested two months thereafter;
- (12) The vesting schedule for these [REDACTED] Share Options is: (i) 25% vested at the date of grant; and (ii) 25% to be vested every year thereafter;
- (13) The vesting schedule for these [REDACTED] Share Options is: (i) 50% to be vested after two years from the date of grant; and (ii) 25% to be vested every year thereafter;
- (14) The vesting schedule for these [REDACTED] Share Options is: (i) one-third vested at the date of grant; (ii) one-third to be vested after two months from the date of grant; and (iii) one-third to be vested two years thereafter;
- (15) The vesting schedule for these [REDACTED] Share Options is: (i) 50% to be vested after 38 months from the date of grant; and (ii) 50% to be vested one year thereafter;
- (16) The vesting schedule for these [REDACTED] Share Options is: (i) 33% to be vested after two months from the date of grant; (ii) 33% to be vested after 14 months from the date of grant; and (iii) 34% to be vested after 26 months from the date of grant;
- (17) The vesting schedule for these [REDACTED] Share Options is: (i) 50% to be vested after two months from the date of grant; and (ii) 50% to be vested two years thereafter;
- (18) The vesting schedule for these [REDACTED] Share Options is: (i) 25% to be vested after eight months from the date of grant; and (ii) 25% to be vested every year thereafter;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (19) As of the Latest Practicable Date, outstanding [REDACTED] Share Options to subscribe for 1,143,748 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been granted to an aggregate of 160 employees of our Group, who are not (i) Directors, (ii) senior management members, (iii) connected persons, or (iv) consultants of our Group, and none of these employees has been granted [REDACTED] Share Options to subscribe for 100,000 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]);
- (20) The vesting schedule for these [REDACTED] Share Options is: (i) one-third vested at the date of grant; (ii) one-third to be vested after two months from the date of grant; and (iii) one-third to be vested one year thereafter;
- (21) The vesting schedule for these [REDACTED] Share Options is: (i) 50% vested at the date of grant; and (ii) 50% to be vested two months thereafter;
- (22) The vesting schedule for these [REDACTED] Share Options is: (i) 25% to be vested after 11 months from the date of grant; and (ii) 25% to be vested every year thereafter;
- (23) The vesting schedule for these [REDACTED] Share Options is 100% to be vested after two months from the date of grant;
- (24) The vesting schedule for these [REDACTED] Share Options is: (i) 50% to be vested after two months from the date of grant; and (ii) 50% to be vested one year thereafter;
- (25) The vesting schedule for these [REDACTED] Share Options is 100% to be vested after five months from the date of grant;
- (26) The vesting schedule for these [REDACTED] Share Options is 100% to be vested after eight months from the date of grant;
- (27) The vesting schedule for these [REDACTED] Share Options is 50% to be vested every year from the date of grant;
- (28) As of the Latest Practicable Date, outstanding [REDACTED] Share Options to subscribe for 93,518 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been granted to 28 former employees of our Group, who are neither (i) connected persons, nor (ii) consultants of our Group;
- (29) As of the Latest Practicable Date, [REDACTED] Share Options to subscribe for 65,964 Shares (or [REDACTED] Shares as adjusted after the [REDACTED]) had been granted to 18 former or current employees of subsidiaries of Huisuanzhang Holding. All of these [REDACTED] Share Options remain unexercised, and will be exercisable in accordance with their vesting schedules.

Assuming full exercise of all outstanding [REDACTED] Share Options, the shareholding of our Shareholders immediately following the [REDACTED] and the [REDACTED] will be diluted by approximately [REDACTED]%, if calculated on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and assuming that the [REDACTED] is not exercised. As our Group incurred losses for the years ended December 31, 2021, 2022 and 2023, the dilutive potential ordinary Shares, including the [REDACTED] Share Options, were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021, 2022 and 2023 was the same as basic loss per share for the corresponding periods.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

3. Sole Sponsor and Sole Sponsor's fee

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the Shares to be issued as mentioned in this document (including the additional Shares which may fall to be issued pursuant to exercise of the [REDACTED] (if any), and the [REDACTED] Share Options granted or to be granted).

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of US\$0.8 million for acting as the sponsor for the [REDACTED].

4. Preliminary expenses

The preliminary expenses incurred by our Company amount to approximately RMB24,800.

5. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

6. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [REDACTED] in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or [REDACTED] in the Shares or exercise of any rights attaching to them.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

<u>Name</u>	<u>Qualifications</u>
CITIC Securities (Hong Kong) Limited	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on Corporate Finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants under Professional Accountants Ordinance (Cap. 50) and registered public interest entity auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Haiwen & Partners	PRC legal advisors to our Company
Harney Westwood & Riegels	Cayman Islands legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Global Law Office	PRC legal advisors to our Company as to PRC data compliance law

8. Consents of experts

Each of CITIC Securities (Hong Kong) Limited, PricewaterhouseCoopers, Haiwen & Partners, Harney Westwood & Riegels, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and Global Law Office has given and has not withdrawn its consent to the issue of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

9. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any member of our Group had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any member of our Group; and
 - (iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group.
- (b) Save as disclosed in this document, no share or loan capital of our Company or any member of our Group had been under option or agreed conditionally or unconditionally to be put under option.
- (c) Save as disclosed in this document, there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any member of our Group.
- (d) Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (e) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (f) Our principal register of members will be maintained by our principal registrar, [REDACTED], in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong share registrar, [REDACTED], in Hong Kong. All transfers and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong.
- (g) All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED].
- (h) No company within our Group is listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any [REDACTED] of, or permission to [REDACTED], the Share or loan capital of our Company on any other stock exchange.
- (i) There is no arrangement under which future dividends are waived or agreed to be waived.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Appendix IV — Statutory and General Information — E. Other Information — 8. Consents of experts” in this document; and
- (b) a copy of each of the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published at the websites of the Stock Exchange (www.hkexnews.hk) and our Company at (www.satp.com.cn) up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, the text of which is set out in “Appendix I — Accountant’s Report” in this document;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2021, 2022 and 2023;
- (d) the report on unaudited pro forma financial information from PricewaterhouseCoopers, Certified Public Accountants, the text of which is set out in “Appendix II — Unaudited Pro Forma Financial Information” in this document;
- (e) the letter of advice prepared by Harney Westwood & Riegels, our legal advisors as to Cayman Islands laws, summarizing certain aspects of the Cayman Companies Act referred to in “Appendix III — Summary of the Constitution of the Company and Cayman Companies Act” in this document;
- (f) the Cayman Companies Act;
- (g) the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in this document;
- (h) the service contracts and letters of appointment with Directors, referred to in “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of service contracts and letters of appointment” in this document;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES IN HONG KONG AND ON DISPLAY**

- (i) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant;
- (j) the written consents referred to in “Appendix IV — Statutory and General Information — E. Other Information — 8. Consents of experts” in this document;
- (k) the legal opinion issued by Haiwen & Partners, our PRC Legal Advisors in respect of certain aspects of our Group and our property interests in the PRC;
- (l) the legal opinions issued by Global Law Office, our PRC Legal Advisors in respect of PRC data compliance law; and
- (m) the terms of the [REDACTED] Share Option Plan.

C. DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the [REDACTED] Share Option Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Tian Yuan Law Firm LLP at Suites 3304-3309, 33/F, Jardine House, One Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.