

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



Manycore Tech Inc.

(the “Company”)

(Incorporated in 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 the Company, its joint sponsors, overall coordinators, advisers or 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 supplemental, revised or replacement pages on the Stock Exchange’s website does not give rise to any obligation of the Company, its joint sponsors, 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 the 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) the 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, advisers or underwriters 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.

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 have doubt about any of the contents in this document, you should obtain independent professional advice.



Manycore Tech Inc.

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to reallocation)
Number of [REDACTED] : [REDACTED] (subject to reallocation
and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED]
plus brokerage of 1.0%, SFC
transaction levy of 0.0027%, AFRC
transaction levy of 0.00015% and the
Stock Exchange trading fee of
0.00565% (payable in full on
[REDACTED] in Hong Kong dollars,
subject to refund)
Nominal value : US\$0.000025 per [REDACTED]
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED]

J.P.Morgan



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 “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V to this document, 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED], which is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than 12:00 noon on [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED] (Hong Kong time) between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse. Applicants for [REDACTED] are required to pay, on [REDACTED], the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, an AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%, subject to refund if the [REDACTED] as finally determined should be lower than HK\$[REDACTED] per [REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] and/or the [REDACTED] below that stated in this document at any time prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.kujiale.com and the [REDACTED] will be canceled and relaunched at the revised number of [REDACTED] and/or the revised [REDACTED] and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental document or a new document (as appropriate)), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging [REDACTED] under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, see “Structure of the [REDACTED]” and “How to Apply for the [REDACTED].”

Prior to making an [REDACTED] decision, prospective [REDACTED] should carefully consider all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors.”

The obligations of the [REDACTED] under the [REDACTED] to [REDACTED], and to procure [REDACTED], 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]. See “[REDACTED].”

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 [REDACTED], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold (1) solely to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, and (2) outside of the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by us solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of making, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a [REDACTED] and the [REDACTED] and sale 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 rely only on the information contained in this document to make your [REDACTED] decision. The [REDACTED] is made solely on the basis of the information contained and the representations made in this document. 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 contained nor made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the [REDACTED].

	<i>page</i>
Expected Timetable	iv
Contents	vii
Summary	1
Definitions	27
Glossary of Technical Terms	42
Forward-Looking Statements	45
Risk Factors	47

CONTENTS

Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance	116
Information about this Document and the [REDACTED]	122
Directors and Parties Involved in the [REDACTED]	127
Corporate Information	133
Industry Overview	135
Regulatory Overview	145
History, Reorganization and Corporate Structure	174
Business	197
Contractual Arrangements	268
Connected Transactions	285
Directors and Senior Management	290
Substantial Shareholders	301
Share Capital	305
Financial Information.	309
Future Plans and Use of [REDACTED]	357
[REDACTED]	360
Structure of the [REDACTED]	374
How to Apply for [REDACTED]	386
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited [REDACTED] Financial Information.	II-1
Appendix III – Summary of the Constitution of the Company and Cayman Companies Act	III-1

CONTENTS

Appendix IV	–	Statutory and General Information	IV-1
Appendix V	–	Documents Delivered to the Registrar of Companies and Available on Display	V-1

SUMMARY

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

OVERVIEW

Our mission is to realize imagination.

Businesses and designers often struggle to transform their creative designs into tangible, engaging visuals and face challenges in converting these designs into finished products. We have built Manycore to bridge this gap — enabling users to seamlessly realize their design visions, craft compelling visual experiences, and streamline the path from design to final production. Every day, our platform empowers the creation, collaboration, and implementation of millions of design ideas.

Manycore is a fast-growing, disruptive design and visualization platform powered by artificial intelligence (AI) technologies and purpose-built graphics processing unit (GPU) clusters. Our platform empowers businesses of all sizes to create captivating designs and bring them to life through immediate and immersive visuals. Designs crafted on our platform can be translated into production-ready drawings, enabling an automated and accurate manufacturing process. The open architecture of our platform allows for seamless data interoperability, continuous platform upgrades and scalability, offering great potential for broad application in various vertical industries.

Our journey started with a focus on spatial design and visualization. We are the world’s largest spatial design platform, as measured by the number of average monthly active users (MAUs) in 2023, and also the largest software provider in China’s spatial design industry as measured by revenue in 2023, according to Frost & Sullivan. Over the years, we have broadened our offerings to include a wide array of design and visualization solutions, catering to both real-world spaces, such as residences, office buildings, retail stores, and commercial projects, as well as virtual environments, including embodied AI training and e-commerce product staging. As we have evolved into a central hub within an ecosystem that connects millions of designers, retailers, manufacturers, and end consumers, we now offer a comprehensive, end-to-end experience that encompasses design, visualization, implementation, and value chain collaboration. Among our product matrix, our key offerings are highlighted below:

- ***Kujiale (酷家樂)***. Our flagship product, Kujiale, is a spatial design software mainly targeting the China market. It allows users to quickly start a new design by dragging and dropping 3D models and provides instant visualization of their creations through photorealistic renderings. Kujiale features an ever-expanding library of over 362.2

SUMMARY

million 3D models and spatial design elements as of December 31, 2024. Beyond facilitating the design process with its advanced rendering engine, Kujiale can automatically translate detailed design data into production-ready instructions and then directly deliver them to manufacturers for production. In 2021, we introduced an add-on feature KuSpace (酷空間) with enhanced building information modeling (BIM) capabilities that can automatically generate engineering drawings, material takeoff lists, and cost schedules based on 3D designs. These BIM capabilities enable production of a wide range of engineering drawings tailored to the specific needs of enterprise customers, including construction drawings, lighting system plans, and electrical plans, to name a few. Kujiale has been employed in designing residences, office buildings, retail chain stores, and commercial projects, while also expanding into emerging use cases, such as e-commerce product staging.

- ***Coohom***. Coohom, debuted in 2018, is our spatial design software product developed for international users and customers, mainly targeting markets in the United States, South Korea, Japan, and Southeast Asia. As part of our strategy of going global while staying local, Coohom has made continuous iterations and upgrades to better cater to the needs of our international customers. One example is the introduction of imperial units based on feet and inches, alongside other tailored functionalities to better meet the requirements of overseas designers. For its unique features and industry-leading technology, Coohom was recently recognized by G2, a globally renowned software rating platform, as the software earning the titles of “Leader,” “Most Implementable,” and “Fastest Implementation” in the 3D rendering category for 2024. Currently, Coohom supports 14 languages, including English, Korean, Japanese, and Spanish, and serves users and customers in over 200 countries and regions around the world.
- ***SpatialVerse***. SpatialVerse is a next-generation spatial intelligence solution for AI development in indoor environments. At its core lies our massive, physically accurate dataset library specifically designed to train sophisticated models through realistic virtual simulations. Leveraging our powerful 3D design datasets, rendering engines and spatial editing tools, we create highly realistic and physically accurate synthetic virtual datasets that mirror real-world physical properties and spatial relationships. SpatialVerse enables developers to train AI-generated content (AIGC) models in virtual settings and enhance cognitive capabilities of intelligent robots, AR/VR systems, and embodied AI. Users can also conduct industrial-scale simulations with multi-sensor compatibility and achieve high-fidelity RTX rendering aligned with NVIDIA Isaac Sim’s OpenUSD framework. This technology bridge between digital simulations and physical reality accelerates AI development while reducing real-world testing costs.

Technology and innovation are integral to our software platform. Our solutions rest upon three core technological capabilities: purpose-built GPU infrastructure, advanced AI applications, and synthetic virtual data generation. Our platform is strategically constructed on purpose-built GPU clusters that harness the collective power of individual GPUs with different

SUMMARY

specifications to enable efficient parallel processing. These GPU clusters are designed to allocate computing resources optimally for graphics rendering tasks of varying scales and complexities. This approach optimizes GPU utilization as new generations of hardware emerge, ensuring high software performance while maintaining competitive costs. With this robust foundation, we are able to convert design ideas into instant visual experiences while preserving intricate details. Our AI copilot significantly elevates the design experience by automatically transforming user-uploaded files, such as computer-aided design (CAD) drawings, advertisement layouts, and graphic designs, into photorealistic images and immersive 3D design schemes. In 2024, our platform generated over 640.6 million images utilizing our AI capabilities, including floor plan visualizations, e-commerce product images, lighting effect images, and other images with optimized renderings. Our capability to generate synthetic virtual datasets further enhances our platform by enabling the simulation of a diverse range of scenarios and situations. This facilitates deep learning, sensor simulation, and training of embodied AI in realistic and physically accurate indoor environments.

We have adopted a freemium go-to-market approach and a product-led growth (PLG) strategy since our inception. We offer free versions of our products, creating low-friction entry points and fostering a dynamic, expansive user community. Our offerings have gained popularity within the designer community. In 2024, our platform amassed average monthly active visitors of 86.3 million, and our average MAUs reached 2.7 million. Every day, our platform processes millions of renderings and billions of application programming interface (API) calls. As user engagement with our products grows, many opt to upgrade to paid, premium subscriptions, becoming our paying customers. As of December 31, 2022 and 2023 and September 30, 2024, we had served over 311,107, 390,585, and 413,872 individual customers, respectively. Beyond the growing popularity among individual customers, our solutions have also gained traction within the broader design and visualization value chain, benefitting from our unique end-to-end design-to-production coverage. This integration has enhanced our brand recognition and attracted an increasing number of enterprises, including their downstream manufacturers, to become our subscribers. Our enterprise customer base enlarged by 24.2% from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023, and further increased to 45,548 as of September 30, 2024.

We operate primarily under a subscription model and have experienced continued growth in recent years. Our revenue increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, and increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the same period in 2024. Our gross profit margin amounted to 72.7%, 76.8%, and 80.4% in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our loss for the year/period decreased by 8.2% from RMB703.7 million in 2022 to RMB646.1 million in 2023, and decreased by 13.8% from RMB489.5 million for the nine months ended September 30, 2023 to RMB422.1 million for the same period in 2024. Our adjusted net loss (non-IFRS measure) decreased by 28.3% from RMB337.5 million in 2022 to RMB241.9 million in 2023, and decreased by 52.8% from RMB198.5 million for the nine months ended September 30, 2023 to RMB93.6 million for the same period in 2024.

SUMMARY

KEY OPERATING METRICS

We adopt a growth strategy with a focus on increasing the lifetime value of our enterprise customers, particularly our key accounts, while expanding our market share. To evaluate our implementation of such strategy and assess our business performance, we regularly review a number of key operating metrics that are presented in the following table for the periods or as of the dates indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands for subscription revenues, RMB for per customer subscription revenue)</i>			
			<i>(unaudited)</i>	<i>(unaudited)</i>
Enterprise customers⁽¹⁾:				
Subscription revenues	490,121	562,825	413,963	464,337
Per customer subscription revenue ⁽²⁾	14,826	13,704	13,956	13,593
Key accounts⁽³⁾:				
Subscription revenues	203,538	257,432	184,061	225,926
Per customer subscription revenue ⁽²⁾	644,107	729,270	726,078	818,574
Individual customers⁽⁴⁾:				
Subscription revenues	53,814	84,264	60,709	79,186
Per customer subscription revenue ⁽²⁾	173	216	210	255
			As of December 31,	As of September 30,
			2022	2023
			2022	2024
Enterprise customers⁽¹⁾:				
Number		33,058	41,070	45,548
NRR rate ⁽⁵⁾ (%)		112.3	106.0	104.2
Key accounts⁽³⁾:				
Number		316	353	368
NRR rate ⁽⁵⁾ (%)		127.6	115.5	114.1
Individual customers⁽⁴⁾:				
Number		311,107	390,585	413,872
NRR rate ⁽⁵⁾ (%)		81.1	106.5	96.0

Notes:

(1) “Enterprise customers” as of a given date refer to entities that were subscribers to our paid versions within 12 months prior to such date. Different entities affiliated with one enterprise customer that subscribe to our products and solutions are deemed as one enterprise customer for purposes of this calculation.

SUMMARY

- (2) “Per customer subscription revenue” refers to the annualized average revenue generated from subscriptions paid by each customer within a specified year or period.
- (3) “Key accounts” refer to enterprise customers whose annual revenue contributions reach RMB200,000.
- (4) “Individual customers” as of a given date refer to individual subscribers to our paid versions within 12 months prior to such date.
- (5) “NRR rate” or “net revenue retention rate” is a percentage as of a given date, known as the benchmark date, calculated by using (i) the total subscription revenues from a given group of customers for a 12-month period immediately prior to the same date last year as the denominator, and (ii) the total subscription revenues from the same group of customers for a 12-month period immediately prior to the benchmark date as the numerator. For instance, we calculate the NRR rate for our individual customers as of September 30, 2024 by using (i) the total subscription revenues from our individual customers for the 12-month period immediately prior to September 30, 2023 as the denominator, and (ii) the total subscription revenues from this same group of customers for the 12-month period immediately prior to September 30, 2024 as the numerator.

In 2022, 2023 and the nine months ended September 30, 2024, our enterprise customers contributed the majority of our subscription revenues. The number of our enterprise customers reached 33,058, 41,070, and 45,548 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these enterprise customers were RMB490.1 million, RMB562.8 million, and RMB464.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 90.1%, 87.0%, and 85.4% of our total subscription revenues for the respective periods. In particular, our key accounts contributed RMB203.5 million, RMB257.4 million, and RMB225.9 million of our total subscription revenues in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 37.4%, 39.8%, and 41.6%, respectively, of our total subscription revenues for the same periods.

We have been witnessing a parallel growth in the individual customer segment. The number of our individual customers reached 311,107, 390,585, and 413,872 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these individual customers were RMB53.8 million, RMB84.3 million, and RMB79.2 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 9.9%, 13.0%, and 14.6% of our total subscription revenues for the respective periods.

We assess our performance in terms of customer retention using a metric that we refer to as net revenue retention rate, or NRR rate. We believe that the NRR rate provides meaningful insights into the revenue contribution from our existing customers over time, indicating our ability to drive their lifetime value on our platform. Customer churn, whether resulting from business closures, discontinuation of subscription or otherwise, could adversely impact the NRR rate. Also, the NRR rate is affected by customers’ purchase cycles, which could fluctuate from time to time within a year, as well as a number of other factors, such as introductions of new features, promotional activities, and the variable timing and amount of customer purchases. As a result, the NRR rate for any specific period is inherently volatile. The calculation of these key metrics and other measures disclosed elsewhere in this document may differ from other similarly titled metrics used by other companies, securities analysts or [REDACTED]. As of December 31, 2022 and 2023 and September 30, 2024, our NRR rate for enterprise customers was 112.3%, 106.0%, and 104.2%, respectively; and for key accounts, the NRR rate was 127.6%, 115.5%, and 114.1%, respectively. For the same periods, our NRR rate for individual customers was 81.1%, 106.5%, and 96.0%, respectively.

SUMMARY

OUR MARKET OPPORTUNITY

We primarily target the spatial design software market. In China, we are the largest spatial design software provider in terms of revenue in 2023, with approximately 22.2% market share, according to Frost & Sullivan. The Chinese spatial design software industry has seen substantial growth over the past few years, increasing from RMB1.6 billion in 2019 to RMB3.0 billion in 2023, representing a CAGR of 16.6%, and it is projected to further increase to RMB6.8 billion by 2028, representing a CAGR of 17.7% from 2023 to 2028, according to Frost & Sullivan. Globally, the market size of the spatial design software industry reached RMB18.0 billion in 2023, and is expected to reach RMB36.9 billion by 2028, growing at a CAGR of 15.4% from 2023 to 2028, according to Frost & Sullivan.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- Next generation design and visualization platform;
- Industry leader fostering a thriving ecosystem;
- Unique tech-stack leveraging purpose-built infrastructure;
- Effective go-to-market strategy with powerful network effects;
- Unwavering commitment to customer success and satisfaction; and
- Experienced management team and innovation culture.

For details, see “Business — Our Strengths.”

SUMMARY

OUR STRATEGIES

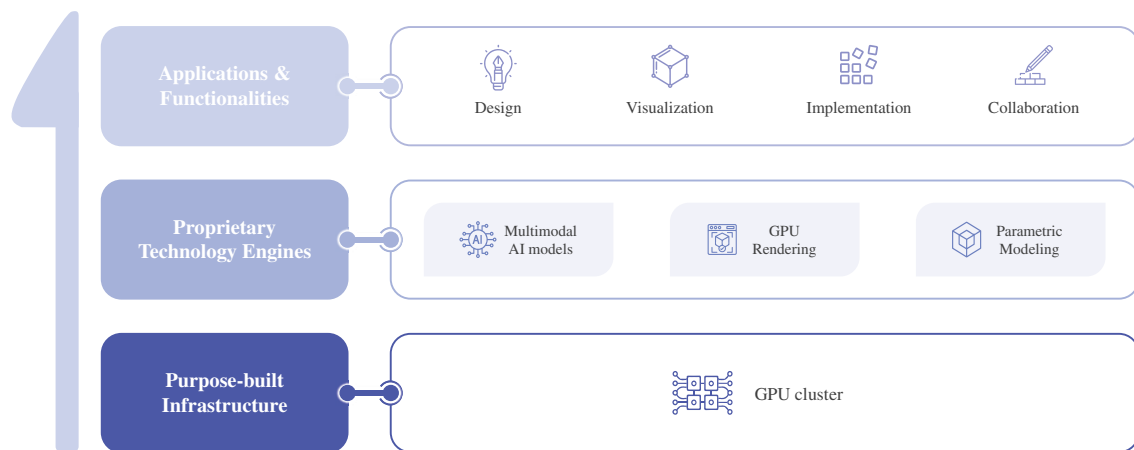
To achieve our mission and further strengthen our market position, we intend to implement the following strategies:

- Growing our customer base;
- Continuing to enhance our products and tap into new business scenarios;
- Continuing to invest in technology;
- Expanding our global footprint; and
- Growing and harnessing our ecosystem.

For details, see “Business — Our Strategies.”

THE MANYCORE SOLUTION

We have created a platform that deploys mission-critical features of design and visualization on our purpose-built GPU clusters.



Our platform consists of three main layers:

- **Infrastructure.** Our purpose-built GPU clusters utilize the collective computing power of individual GPUs to ensure optimal resource utilization, performance, and scalability. With a primary emphasis on high-performance graphic rendering, our GPU infrastructure has been continuously optimized to process a greater volume of graphic calculations simultaneously, realizing smoother visuals and faster loading times. Beyond graphics, this robust infrastructure also supports AI model training and the creation of AIGC.

SUMMARY

- ***Technology Engines.*** Our design and visualization platform is powered by advanced engines in AI, rendering, and BIM, each enhancing and expanding our software’s capabilities. The AI engine elevates our platform by enabling automated design scheme generation and CAD drawing recognition and analysis, among other features. Our rendering engine allows users to generate photorealistic images and interact dynamically with them as changes occur, providing an immediate and immersive visual experience. The BIM engine, which is powered by parametric modeling capabilities, offers a comprehensive suite of 3D modeling, document generation, and collaboration tools, effectively managing building data throughout the design and construction lifecycle. Architects and designers can easily craft architectural designs using built-in parametric building elements and generate engineering drawings and material takeoffs instantly with just a few clicks.

- ***Key Functionalities.*** Our products are empowered by an integrated suite of functionalities built on top of our infrastructure backbone and technology engines, which can be categorized into four primary groups as set forth below:
 - ***Design.*** Our intuitive design platform offers plug-and-play models catered to a wide range of design needs across multiple verticals. Our design library covers hundreds of millions of 3D models and substantially all spatial design elements, such as furniture, wiring, piping, lighting, walls, ceilings, and decorative accessories, to name a few. Users can start design process by simply dragging and dropping CAD drawings, advertisement layouts, or graphic designs to our platform for an automatic generation of detail-rich 3D design scheme by our copilot, a readily furnished starting point to work from.

 - ***Visualization.*** Thanks to continuous advancements in AI like diffusion models and ray tracing, our visualization now offers instant rendering with a hyper-realistic effect. Users can view visualization effects while revising their designs, effectively breaking the boundary between design and rendering and allowing for a more interactive and efficient design process. This visualization transcends photorealism, capturing not only the intricate details of the space but also the rich textures of objects and the more natural lighting effects, resulting in renderings that are more vibrant and truer to life. Unlike many AI tools that can only roughly reflect designer’s intent, our platform allows for precise real-time adjustments, enabling users to finetune the final appearance of their designs with clear, granular instructions. With rich collections of presentation tools, customers can easily convert their designs into professional product brochures, posters, video clips and presentations, facilitating efficient online and offline marketing campaigns.

SUMMARY

- *Implementation.* Our products empower customers to convert their design schemes into comprehensive, accurate, and compatible datasets ready for manufacturing. Our platform also supports integration with various third-party applications via our open API environment, such as computer-aided manufacturing (CAM) system, customer relationship management (CRM), enterprise resource planning (ERP), manufacturing execution system (MES), and computer numerical control (CNC) systems. This high level of integration facilitates the swift implementation of design ideas.
- *Collaboration.* Our platform features a collaborative solution that allows multiple team members to work together on the same design project. It supports real-time interaction, such as simultaneous review, commenting, and editing of a design work, fostering enhanced productivity through efficient collaboration. Moreover, our enterprise customers can holistically manage design content, coordinate order placements with manufacturers, and oversee the entire order process until delivery, in a structured and streamlined manner. Our application marketplace provides additional collaborative tools that bring stakeholders closer in the design-to-production workflow.

We bring enormous benefits to our customers:

- *Hardware Agnostic.* Our platform processes computation intensive tasks on the cloud, allowing users to access through a web browser or mobile application anytime, anywhere. Our platform and its outputs are compatible with all mainstream desktop and mobile browsers as well as operating systems. This cloud-based approach allows users to access our software and utilize its high-performance capabilities without the need for high-end hardware components on their local devices, ensuring a frictionless customer experience with enhanced communication efficiency.
- *Enhanced User Experience and High Productivity.* Our design software features a simple, clear, and user-friendly interface, ensuring quick onboarding. We leverage AI and data analytics to automate a substantial portion of the design-to-production workflow. For example, our platform can automatically generate diverse design schemes and translate designs into precise production drawings. Adding to this powerful feature is our vast library of spatial design elements, which allows designers to browse for inspirations and implement pre-built spatial design elements or full plans with just a few clicks. The utilization of purpose-built GPU clusters effectively accelerates computationally intensive design tasks through optimized algorithms and parallel-running servers, delivering intricate photorealistic renderings within seconds. These disruptive features empower our customers to significantly improve their productivity.

SUMMARY

- ***Streamlined Collaboration and Integrated Workflows.*** The integration of design and manufacturing data flow, combined with the open API environment of our platform, enables integration with various third-party applications. This allows users to exchange design data for different purposes like procurement, manufacturing, and marketing, paving the way for cross-enterprise collaboration. Our platform features collaborative tools that enable multiple team members to work on the same design project and interact in real time. For enterprise customers, we provide advanced collaborative capabilities for them to effectively manage design content, coordinate order placements with manufacturers, and oversee the entire order fulfillment process. Moreover, the application marketplace within our platform offers a selection of add-on tools to further enhance collaboration among stakeholders involved in the design-to-production workflow.

FEE MODELS

We typically serve customer needs by offering multiple tiers of subscriptions that vary by product depth and functionality, with pricing determined by the number of accounts and volume of usage.

For individual users, we offer a free version of our products with entry-level functions, as well as various paid, premium tiers with advanced functions primarily targeting professional designers. Users who initially subscribed for free versions often upgrade to paid and higher-tier subscriptions as they get more familiar with our products, becoming our customers.

For enterprise customers, we offer a selection of enterprise-grade, industry-specific software solutions. Each solution includes a comprehensive package of functions and features that allow customers to rapidly digitalize a wide range of operations, including design, visualization, implementation, and value chain collaboration. To support the integration of our solutions into customers’ own business processes and systems, we also offer our enterprise customers with various types of professional services to deliver enhanced performance and customization.

See “Business — Fee Models” for a detailed description of our key arrangements and pricing with our customers for paid subscriptions of major products during the Track Record Period.

OUR CUSTOMERS AND SUPPLIERS

Our customers cover the entire design and visualization value chain, mainly including designers, interior design and construction companies, furniture manufacturers and retailers, custom furniture producers, real estate developers, and spatial design material providers. Our customer base is expanding across geographies, covering mainly China, the United States, South Korea, and Southeast Asia. In 2022, 2023 and the nine months ended September 30, 2024, revenues generated from our five largest customers in aggregate accounted for 10.9%,

SUMMARY

8.0%, and 9.4% of our total revenue, respectively, and the revenue generated from our largest customer accounted for 5.2%, 2.2%, and 2.6% of our total revenue, respectively. For details, see “Business — Our Customers.”

During the Track Record Period, our suppliers primarily consist of (i) IT service providers, including server providers, public cloud service providers, and computer and accessories providers, (ii) business travelling agencies, and (iii) real property leasing and management companies. In 2022, 2023 and the nine months ended September 30, 2024, our top five suppliers accounted for 30.8%, 34.1%, and 37.8% of our total purchase, respectively, and our largest supplier accounted for 9.0%, 8.8%, and 13.2% of our total purchase, respectively. For details, see “Business — Our Suppliers.”

SALES AND MARKETING

We have adopted a land-and-expand strategy that comes in two prongs: a freemium model to quickly land new users and capture their mindshare, and a focus on delivering high-quality products and strong customer success support to convert these users into paying customers and increase their lifetime value.

We sell our products primarily through our direct sales team, which engages with potential customers both online and offline. Our direct sales team operates in China, the United States, South Korea, Singapore, Vietnam, Malaysia, Thailand, Indonesia, and India as of September 30, 2024. We adopt a tiered marketing approach, tailoring our marketing team and strategies for businesses of different sizes to efficiently utilize our resources. For small to medium-sized enterprises, our salesforce engages with prospective customers online with AI assistance, enabling a broad coverage with superior efficiency. For key accounts, we have a dedicated sales team with industry expertise to provide customized services to meet customers’ unique needs. To broaden our market outreach, we have also set up a sales call center dedicated to engaging potential micro and small enterprise customers. In 2022, 2023 and the nine months ended September 30, 2024, our subscription revenues attributable to direct sales amounted to RMB532.1 million, RMB635.5 million, and RMB533.7 million, respectively, accounting for 97.8%, 98.2%, and 98.2% of our total subscription revenues, respectively.

To a lesser extent, we work with third-party agents under commission model or distributor model to increase our sales. As of December 31, 2022, 2023 and September 30, 2024, we collaborated with 43, 88, and 131 third-party agents, respectively. In 2022, 2023 and the nine months ended September 30, 2024, our revenue attributable to third-party agents amounted to RMB11.9 million, RMB11.6 million, and RMB9.8 million, respectively, accounting for 2.2%, 1.8%, and 1.8% of our total subscription revenues, respectively. For details, please see “Business — Sales and Marketing — Third-party Agents.”

SUMMARY

COMPETITIVE LANDSCAPE

The market for spatial design software is rapidly evolving, and we believe it holds significant potential for growth. We anticipate that technological advancements will be the key differentiator that sets us apart from other market players. We believe our competitors primarily include spatial design software providers in China and globally.

We compete to attract and retain users and customers in the spatial design market, such as designers, home renovation companies, furniture manufacturers, and real estate developers, primarily on the basis of the breadth and quality of products offered as well as the support provided to our users and customers. Although certain of our competitors have greater financial resources, longer operating histories, greater brand recognition, we believe we compete favorably on the basis of the following competitive factors:

- focus on technology and AI capability;
- cloud-native nature;
- ease of deployment, implementation and use;
- breadth and depth of our products;
- end-to-end coverage on the spatial design value chain;
- freemium go-to-market model;
- customer experience and customer support; and
- global presence.

In addition, we also face competition for highly skilled personnel, including management, software engineers and product managers. Our growth depends in part on our ability to retain our existing personnel and attract additional highly skilled employees. See “Risk Factors — Risks Related to Our Business and Industry — If we are unable to attract, retain and motivate qualified personnel, our business may be adversely affected.”

We are the world’s largest spatial design platform, as measured by the number of average MAUs in 2023, and we are also the largest spatial design software provider in China, as measured by revenue in 2023, holding approximately 22.2% market share, according to Frost & Sullivan. With the success of our core products and strong technological capabilities, we believe we are well-positioned to thrive in the competitive landscape and maintain our leadership in the spatial design software industry. However, the market we operate within is relatively new, rapidly evolving, and competitive, and we anticipate these competitive

SUMMARY

dynamics will persist. If we fail to compete effectively, it could negatively impact our market share, growth, and profitability. See “Risk Factors — We operate in a competitive market and may not be able to compete successfully against our existing and future competitors.”

See “Industry Overview” and “Business — Competition.”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of the Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss, both in absolute amounts and as a percentage of our total revenue, for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
	<i>(unaudited)</i>				<i>(unaudited)</i>			
Revenue	600,616	100.0	663,540	100.0	486,004	100.0	552,941	100.0
Cost of revenues	(164,112)	(27.3)	(154,233)	(23.2)	(114,288)	(23.5)	(108,346)	(19.6)
Gross profit	436,504	72.7	509,307	76.8	371,716	76.5	444,595	80.4
Other income	30,747	5.1	35,656	5.4	19,246	4.0	13,663	2.5
Other net gains	333	0.1	4,211	0.6	1,541	0.3	1,633	0.3
Selling and marketing expenses .	(320,509)	(53.4)	(356,435)	(53.7)	(259,447)	(53.4)	(248,191)	(44.9)
Administrative expenses	(111,494)	(18.6)	(95,928)	(14.5)	(69,655)	(14.3)	(76,681)	(13.9)
Research and development costs	(437,698)	(72.9)	(390,805)	(58.9)	(294,222)	(60.5)	(263,377)	(47.6)
Loss from operations	(402,117)	(67.0)	(293,994)	(44.3)	(230,821)	(47.5)	(128,358)	(23.2)
Finance costs	(1,475)	(0.2)	(1,088)	(0.2)	(700)	(0.1)	(1,007)	(0.2)
Changes in the carrying amount of redemption liabilities	(299,975)	(49.9)	(350,813)	(52.9)	(257,842)	(53.1)	(292,669)	(52.9)
Share of losses of an associate .	(169)	(0.0)	(202)	(0.0)	(110)	(0.0)	(58)	(0.0)
Loss before taxation	(703,736)	(117.2)	(646,097)	(97.4)	(489,473)	(100.7)	(422,092)	(76.3)
Income tax	—	—	—	—	—	—	—	—
Loss for the year/period	(703,736)	(117.2)	(646,097)	(97.4)	(489,473)	(100.7)	(422,092)	(76.3)

SUMMARY

Non-IFRS Measure

To supplement our consolidated financial statements presented under IFRS, we use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impact of items that our management considers not indicative of our operating performance. We believe that this measure provides useful information to [REDACTED] and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define our adjusted net loss (non-IFRS measure) as loss for the year or period adjusted by adding back (i) share-based compensation expenses, (ii) changes in the carrying amount of redemption liabilities, and (iii) [REDACTED] expenses. Share-based compensation expenses represent expenses incurred in connection with our equity incentive plan, which are non-cash expenses. Changes in the carrying amount of redemption liabilities represent the carrying amount changes of the convertible redeemable preferred shares issued by our Company. This item is non-cash in nature, as all the preferred shares of the Company will be automatically converted into ordinary shares upon the completion of the [REDACTED]. Therefore, we do not expect to record any further changes in the carrying amount of redemption liabilities after the [REDACTED]. [REDACTED] expenses represent the expenses related to this [REDACTED].

The table below sets forth a reconciliation of our adjusted net loss (non-IFRS measure) to the nearest measures prepared in accordance with IFRS, for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the year/period . . .	(703,736)	(646,097)	(489,473)	(422,092)
Add:				
Share-based compensation expenses	66,215	53,355	33,171	27,243
Changes in the carrying amount of redemption liabilities	299,975	350,813	257,842	292,669
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss (non-IFRS measure)	(337,546)	(241,929)	(198,460)	(93,611)

SUMMARY

Major Components of the Consolidated Statements of Profit or Loss

We operate primarily under a subscription model. During the Track Record Period, we generated revenue primarily from subscriptions to our software products and solutions by our enterprise and individual customers, and to a lesser extent, from the provision of professional services to our enterprise customers. We have experienced continued growth in recent years. Our revenue increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, and increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the same period in 2024, primarily driven by increased subscription revenue contribution from key accounts and an expanded customer base. Subscription revenue from key accounts grew by 26.5% from RMB203.5 million in 2022 to RMB257.4 million in 2023, and grew by 22.7% from RMB184.1 million for the nine months ended September 30, 2023 to RMB225.9 million for the same period in 2024. The number of our enterprise customers increased from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023, and further to 45,548 as of September 30, 2024. The number of our individual customers increased from 311,107 as of December 31, 2022 to 390,585 as of December 31, 2023, and further to 413,872 as of September 30, 2024.

We had loss for the year/period of RMB703.7 million, RMB646.1 million, RMB489.5 million and RMB422.1 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024 respectively, primarily due to (i) the significant amount of research and development costs recognized during the Track Record Period, (ii) the increasing selling and marketing expenses during the Track Record Period, and (iii) the significant changes in the carrying amount of redemption liabilities. The losses incurred during the Track Record Period reflect our strategic focus on growth and technological enhancement, all of which pave the way for long-term business sustainability. See “Business — Business Sustainability.”

Summary of the Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants’ Report included in Appendix I to this document:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Total non-current assets	140,334	153,190	123,472
Total current assets	739,960	612,894	440,955
Total assets	<u>880,294</u>	<u>766,084</u>	<u>564,427</u>

SUMMARY

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Total non-current liabilities	129,225	194,481	123,383
Total current liabilities	3,443,096	3,899,619	4,131,836
Total liabilities	<u>3,572,321</u>	<u>4,094,100</u>	<u>4,255,219</u>
Net current liabilities	<u>(2,703,136)</u>	<u>(3,286,725)</u>	<u>(3,690,881)</u>
Total deficits	<u>(2,692,027)</u>	<u>(3,328,016)</u>	<u>(3,690,792)</u>
Total deficits and liabilities	<u>880,294</u>	<u>766,084</u>	<u>564,427</u>

Our net current liabilities increased from RMB2,703.1 million as of December 31, 2022 to RMB3,286.7 million as of December 31, 2023, primarily due to (i) an increase of RMB401.1 million in redemption liabilities, (ii) a decrease of RMB210.8 million in cash and cash equivalents, (iii) an increase of RMB55.3 million in deferred revenue, and (iv) a decrease of RMB18.1 million in financial assets measured at FVPL, which was partially offset by an increase of RMB132.7 million in time deposits. Our net current liabilities increased from RMB3,286.7 million as of December 31, 2023 to RMB3,690.9 million as of September 30, 2024, primarily due to (i) an increase of RMB253.5 million in redemption liabilities, (ii) a decrease of RMB165.5 million in cash and cash equivalents, (iii) a decrease of RMB36.9 million in financial assets measured at FVPL, and (iv) an increase of RMB15.0 million in deferred revenue, which was partially offset by (i) a decrease of RMB33.3 million in trade and other payables, and (ii) an increase of RMB27.0 million in time deposits.

Our redemption liabilities represent our obligation to redeem all or part of the convertible preferred shares issued to investors, upon their request, when a specific triggering event occurs. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortized cost. Any changes in the carrying amount of the financial liabilities are recognized in profit or loss. These convertible redeemable preferred shares will be re-designated from liabilities to equity upon automatic conversion into ordinary shares at the time of the [REDACTED]. Our redemption liabilities increased from RMB2,885.7 million as of December 31, 2022 to RMB3,286.7 million as of December 31, 2023, and further increased to RMB3,540.3 million as of September 30, 2024, primarily due to the continuous increase in the carrying amount from the existing series of financing recognized. For more details, see “Financial Information — Indebtedness — Redemption Liabilities” and Note 26 to the Accountants’ Report included in Appendix I to this document.

SUMMARY

Our total deficit increased from RMB2,692.0 million as of December 31, 2022, to RMB3,328.0 million as of December 31, 2023, primarily due to our loss for the year of RMB646.1 million. Our total deficit increased from RMB3,328.0 million as of December 31, 2023, to RMB3,690.8 million as of September 30, 2024, primarily due to our loss for the period of RMB422.1 million.

Summary of Consolidated Statements of Cash Flows

The following table shows a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,		For the Nine months ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			
			<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash used in operating activities	(302,434)	(62,568)	(130,981)	(164,866)
Net cash (used in)/generated from investing activities . . .	(83,283)	(134,776)	14,367	13,682
Net cash used in financing activities	(26,465)	(16,724)	(13,786)	(13,224)
Net decrease in cash and cash equivalents	(412,182)	(214,068)	(130,400)	(164,408)
Cash and cash equivalents at the beginning of the year . .	971,063	576,575	576,575	365,823
Effects of foreign exchange rate changes	17,694	3,316	6,855	(1,126)
Cash and cash equivalents at end of year/period	<u>576,575</u>	<u>365,823</u>	<u>453,030</u>	<u>200,289</u>

For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows.”

SUMMARY

Key Financial Ratios

The following table sets forth certain of our key financial ratios for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2022	2023	2024
Total revenue growth (%)	N/A	10.5	13.8
Gross profit margin ⁽¹⁾ (%)	72.7	76.8	80.4
Adjusted net loss margin ⁽²⁾ (%)	(56.2)	(36.5)	(16.9)

Notes:

- (1) Gross profit margin is calculated by dividing gross profit by our total revenue for the applicable period.
- (2) Adjusted net margin is calculated by dividing adjusted net loss (non-IFRS measure) by our total revenue for the applicable period. See “Financial Information — Non-IFRS Measure” for details of our adjusted net loss (non-IFRS measure).

BUSINESS SUSTAINABILITY

We have incurred operating losses and net operating cash outflow throughout the Track Record Period, primarily because of our business nature, the continuous research and development efforts, and the growth strategies we have adopted. Cloud-native subscription products typically require substantial upfront investment in product development and customer acquisition to drive market acceptance. As product deployment continues to scale up and customer base continues to grow, it generally leads to higher profit margin mainly due to the recurring revenue nature of subscription fees, high customer loyalty, and greater economies of scale and synergies in customer acquisition and product development.

Going forward, we plan to achieve long-term profitability primarily by further (i) expanding our customer base, (ii) driving customers’ lifetime value, and (iii) managing costs and improving operational efficiency.

Expand Our Customer Base

We have adopted a freemium model to provide low-friction entry points for everyone, which has proven to be effective in building and enlarging our user base. Our enterprise customers in aggregate contributed the majority of our total revenue in each period during the Track Record Period. The number of our enterprise customers reached 33,058, 41,070, and 45,548 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these enterprise customers were RMB490.1 million, RMB562.8 million, and RMB464.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 90.1%, 87.0%, and 85.4% of our total subscription revenues for the respective

SUMMARY

periods. We have been witnessing a parallel growth in the individual customer segment. The number of our individual customers reached 311,107, 390,585, and 413,872 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from individual customers were RMB53.8 million, RMB84.3 million, and RMB79.2 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 9.9%, 13.0%, and 14.6% of our total subscription revenues for the respective periods.

We intend to further expand our customer base to drive revenue growth and achieve long-term profitability. To achieve this goal, we plan to deepen our penetration into the design and visualization industry, tap into broader industry verticals, and expand our geographic footprint globally. For more details, see “Business — Our Strategies — Growing Our Customer Base,” “Business — Our Strategies — Continuing to Enhance Our Products and Tap into New Business Scenarios” and “Business — Our Strategies — Expanding Our Global Footprint.” Specifically, we intend to enhance our brand awareness to effectively engage potential customers. Concurrently, we will continuously optimize product functionalities to drive conversions to premium versions of our products. We plan to continue enhancing our BIM capabilities and will persist in promoting innovative solutions tailored to new business scenarios, including our solutions for e-commerce businesses. We aim to expand our customer base across different geographic locations and time zones, unlocking new growth points. As the costs associated with product development are generally incurred upfront, we expect our expanded customer base will lead to increasing marginal revenues, which in turn helps to improve our overall profitability.

Drive Customer Lifetime Value

In 2022, 2023 and the nine months ended September 30, 2024, 81.6%, 84.8% and 84.0% of our total revenue was generated from subscriptions by enterprise customers, respectively. The subscription model yields recurring revenues, allowing us to facilitate and at the same time benefit from our customers’ success and long-term growth while gaining visibility into our future financial performance. We adopt a growth strategy with a focus on increasing the lifetime value of our enterprise customers, particularly our key accounts. We assess our performance in this regard using NRR rate, a metric that we believe provides meaningful insights into revenue contribution from our existing customers over time. As of December 31, 2022 and 2023 and September 30, 2024, our NRR rate for enterprise customers was 112.3%, 106.0%, and 104.2%, respectively; and was 127.6%, 115.5%, and 114.1%, respectively, for key accounts.

To reinforce our land-and-expand strategy, we are committed to continuously enhancing our solutions, upgrading existing functionalities and introducing new premium features to address customers’ evolving needs, creating upselling opportunities, and fostering customer loyalty, through an improved user experience. With a proven track record, we believe these efforts will effectively help retain and further drive subscription growth from our existing customers in a cost-effective manner, leading to our long-term profitability.

SUMMARY

Manage Costs and Improve Operational Efficiency

As our business ramps up and our customer base continues to expand, we have incurred significant expenses that are disproportionate to the revenue recognized during the Track Record Period. In 2022, 2023 and the nine months ended September 30, 2024, our research and development costs were RMB437.7 million, RMB390.8 million, and RMB263.4 million, respectively, representing 72.9%, 58.9%, and 47.6% of our total revenue during the relevant periods. For the same periods, our selling and marketing expenses were RMB320.5 million, RMB356.4 million, and RMB248.2 million, respectively, representing 53.4%, 53.7%, and 44.9% of our total revenue during the relevant periods.

We operate primarily on a subscription model, which features significant upfront investments in product development and customer acquisition that generate recurring revenue as existing customers maintain their subscriptions to our products. We believe our early investments in research and development capabilities to address customers’ growing demand and in selling and marketing to acquire new customers propel a long-term benefit to the overall development of our business. As our business continues to grow, we expect to benefit from economies of scale, which will have a positive impact on our long-term profitability.

In our pursuit of long-term profitability, we are committed to enhancing operational efficiency through ongoing initiatives. To enhance research and development efficiency, we are optimizing project selection to ensure efficiency and focus on impactful developments. We regularly review ongoing projects and assess their alignment with our strategic objectives to ensure efficient resource allocation. To improve selling and marketing efficiency, we intend to have dedicated sales representatives to review, validate and follow up on marketing-generated leads, fostering synergies and alignment between selling and marketing efforts. We will also continue to refine our training programs for sales and marketing functions to minimize the learning curve for new employees and enhance overall team performance.

Going forward, we expect our operating expenses as percentages of our total revenue to decrease as we benefit from the improved economies of scale and operational efficiency, which will have a long-term positive impact on our profitability. Despite operating losses incurred during the Track Record Period, due to our focus on products development and customer acquisition, we believe we are well positioned to achieve sustainable profitability in the future by implementing the foregoing strategies.

SUMMARY

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to [REDACTED] in our Shares. We believe the most significant risks we face include but are not limited to the following:

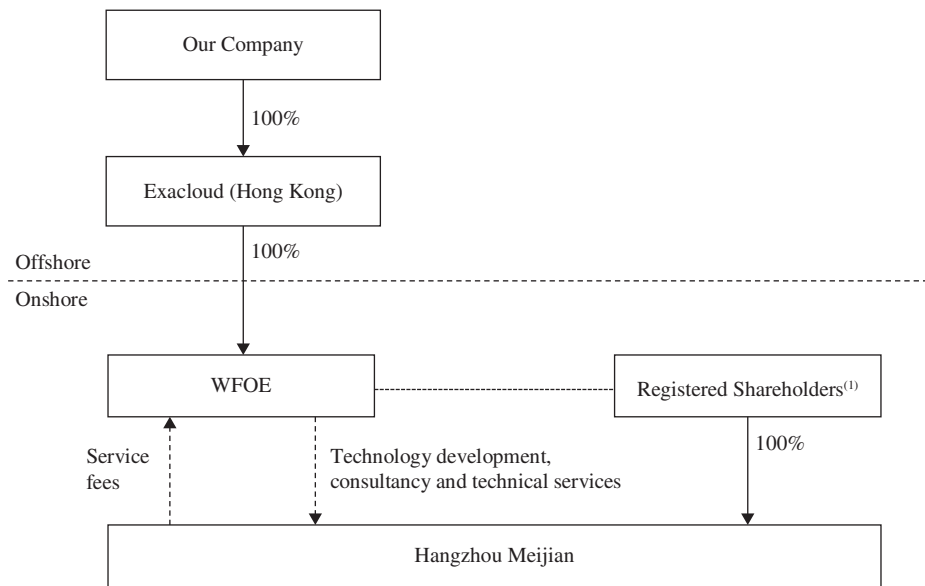
- Our historical growth may not be indicative of our future growth. If we fail to properly manage future growth, our business, results of operations, financial condition, and prospects could be materially adversely affected;
- We have a history of losses and we may not be able to achieve or sustain profitability in the future;
- Our success depends on the growth in market acceptance for our software solutions. If the market for our software solutions, especially the spatial design software market in China, develops more slowly than we expect or declines, our revenue could decrease and our business could be adversely affected;
- If we fail to improve the functionality, performance, reliability, design, security, and scalability of our software solutions to suit our customers’ evolving needs, we may lose our customers;
- If we fail to continue innovating and keeping pace with technological developments, our business may be materially and adversely affected;
- Our initiatives to develop new products, new solutions and introduce new technologies may not succeed, which may limit our future growth;
- We are required to comply with laws and regulations in the PRC relating to data privacy and security. If we fail to comply with such laws and regulations, our business, results of operations, financial condition, and prospects may be adversely affected;
- We face risks associated with the use of our AI technologies. Integrating AI technologies into our software solutions may expose us to potential infringement claims and higher costs for regulatory compliance;
- We operate in a competitive market and may not be able to compete successfully against our existing and future competitors; and
- We are continuing to expand our operations outside the PRC, where we may be subject to increased business, regulatory, and economic risks that could materially and adversely affect our business, results of operations, financial condition, and prospects.

SUMMARY

CONTRACTUAL ARRANGEMENTS

The operation of our certain businesses are subject to various foreign ownership restrictions under PRC laws and regulations. In order to comply with PRC laws and regulations and maintain effective control over the operation of such businesses, we have entered into the Contractual Arrangements which allow us to enjoy substantially all of the economic benefits derived from the operations of our Consolidated Affiliated Entity, namely Hangzhou Meijian. In 2022, 2023 and the nine months ended September 30, 2024, Hangzhou Meijian contributed to 0.7%, 0.5% and 0.4% of the total revenue of the Group, respectively.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entity to our Group under the Contractual Arrangements. For details, see “Contractual Arrangements.”



Notes:

- (1) The Registered Shareholders of Hangzhou Meijian are Mr. Huang as to 50.32%, Mr. Chen as to 35.94%, and Mr. Zhu as to 13.74%, respectively.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (3) “-.->” denotes contractual relationship.
- (4) “-----” denotes the control by the WFOE over the Registered Shareholders and Hangzhou Meijian through (i) the Powers of Attorney, (ii) the Exclusive Option Agreement and (iii) the Equity Pledge Agreement.

For the risks relating to the Contractual Arrangements, see “Risk Factors — Risks Related to Our Corporate Structure and Contractual Arrangements.”

SUMMARY

CONTINUING CONNECTED TRANSACTION

We have entered into the Contractual Arrangements, which are expected to continue after the [REDACTED] and will constitute a non-exempt continuing connected transaction under Chapter 14A of the Listing Rules upon [REDACTED]. For details, see “Connected Transactions” and “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.”

OUR PRE-[REDACTED] INVESTORS

We have received several rounds of Pre-[REDACTED] Investments since our establishment and attracted a number of reputable institutional investors to invest in our Company, including, among others, IDG, Hillhouse and Shunwei. For details, see “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments.”

PRE-[REDACTED] EQUITY INCENTIVE PLANS

We have adopted the Pre-[REDACTED] Equity Incentive Plans. For details of the summary of the principal terms of the Pre-[REDACTED] Equity Incentive Plans and the dilution impact resulting from full exercise of all outstanding Options granted thereunder, see “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of our latest unaudited financial statements, and there has been no event since September 30, 2024 that would materially affect the information shown in the Accountants’ Report included in Appendix I to this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] our Shares in issue (including the Ordinary Shares in issue and the Ordinary Shares to be converted from the Preferred Shares upon the [REDACTED]) and to be issued (i) pursuant to the [REDACTED] (including the additional Shares which may be issued pursuant to the exercise of the [REDACTED]), and (ii) under the Pre-[REDACTED] Equity Incentive Plans.

We applied on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

SUMMARY

[REDACTED]

[REDACTED] EXPENSES

Our [REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED], accounting for approximately [REDACTED]% of our [REDACTED]. The estimated total [REDACTED] expenses consist of (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED], and other fees and expenses of approximately RMB[REDACTED]. During the Track Record Period, RMB[REDACTED] of the incurred [REDACTED] expenses were charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] of the incurred expenses were recognized to our consolidated statements of financial position. After the Track Record Period, we expect to incur [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] is expected to be deducted from equity. This calculation is subject to adjustment based on the actual amount incurred or to be incurred.

SUMMARY

DIVIDEND POLICY

As advised by our Cayman Islands legal advisor, under Cayman Islands law, the financial position of accumulated losses does not necessarily prohibit us from declaring and paying dividends to our Shareholders, as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. Throughout the Track Record Period, we did not pay or declare any dividend. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting estimated [REDACTED], fees and expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised.

We currently intend to apply the [REDACTED] from the [REDACTED] for the following purposes:

- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to implement our international expansion strategy with a focus on the United States, South Korea, Japan, and Southeast Asia. For Coohom and other products targeting overseas markets, we plan to enhance customer support across different geographic locations and time zones. To explore business opportunities and drive new growth on a global scale, we will open new regional offices and pursue partnerships with leading players in the design and visualization industry;
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to enhance our product offerings and expand their applications into new verticals and business scenarios, catering to both real-world spaces and virtual environments;
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to expand our sales team and promote our brand visibility;

SUMMARY

- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to invest in our core technologies and infrastructure and consistently improve our research and development capabilities; and
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to be used for working capital and general corporate purposes.

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

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in “Glossary of Technical Terms.”

“2014 Pre-[REDACTED] Equity Incentive Plan”	the equity incentive plan initially adopted by our Company on August 28, 2014, as amended on June 30, 2017 and October 28, 2021
“2024 Pre-[REDACTED] Equity Incentive Plan”	the equity incentive plan adopted by our Company on December 17, 2024
“Accountants’ Report”	the accountants’ report on the historical information of the Company and its subsidiaries included in the Accountants’ 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 of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on [●] with effect from the [REDACTED] and as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Companies Act” in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

DEFINITIONS

[REDACTED]

“**Cayman Companies Act**” or “**Companies Act**” the Companies Act (As revised) of the Cayman Islands Cap. 22 (Law 3 of 1961), as amended, supplemented or otherwise modified from time to time

[REDACTED]

“**China**” or “**PRC**” the People’s Republic of China which, for the purpose of this document only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan, China

“**close associate(s)**” has the meaning ascribed to it 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,**” “**our Company**” or “**the Company**” Manycore Tech Inc. (formerly known as Exacloud Limited), an exempted company with limited liability incorporated in the Cayman Islands on July 29, 2013

“**Compliance Advisor**” Rainbow Capital (HK) Limited

“**connected person(s)**” has the meaning ascribed to it under the Listing Rules

“**connected transaction(s)**” has the meaning ascribed to it under the Listing Rules

“**Consolidated Affiliated Entity**” the entity we control through the Contractual Arrangements, namely Hangzhou Meijian, details of which are set out in “History, Reorganization and Corporate Structure” and “Contractual Arrangements”

DEFINITIONS

“Contractual Arrangements”	a series of contractual arrangements entered into by, among others, the WFOE, Hangzhou Meijian and the Registered Shareholders as applicable, details of which are set out in “Contractual Arrangements”
“Coohom (Hong Kong)”	Coohom (Hong Kong) Limited (酷家樂(香港)有限公司), a company incorporated under the laws of Hong Kong on October 29, 2019, and an indirectly wholly-owned subsidiary of our Company
“Coohom Inc.”	Coohom Inc., previously known as Coohom, a company established in the State of California, United States on May 14, 2019, and an indirectly wholly-owned subsidiary of our Company
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Data Compliance Advisor”	Jingtian & Gongcheng, our legal advisor as to PRC cybersecurity and data privacy protection laws
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Exacloud (Hong Kong)”	Exacloud (Hong Kong) Limited (億雲(香港)有限公司), a company incorporated under the laws of Hong Kong on August 13, 2013 and a wholly owned subsidiary of our Company
	[REDACTED]
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong

DEFINITIONS

[REDACTED]

“Foreign Investment Law”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), as amended, supplemented or otherwise modified from time to time
“Foreign Investment Law Implementing Regulations”	the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on December 26, 2019
“Frost & Sullivan” or “Industry Consultant”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us to prepare the Frost & Sullivan Report
“Frost & Sullivan Report”	an independent market research report, commissioned by our Company and prepared by Frost & Sullivan

[REDACTED]

“Group,” “our Group,” “we,” “us” or “our”	our Company, our subsidiaries and the Consolidated Affiliated Entity from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and consolidated affiliated entity, such subsidiaries and consolidated affiliated entity as if they were subsidiaries and consolidated affiliated entity of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Hangzhou Meijian”	Hangzhou Meijian Technology Co., Ltd., (杭州美間科技有限公司), a limited liability company established in the PRC on February 18, 2016 and the Consolidated Affiliated Entity
“Hangzhou QunHe”	Hangzhou QunHe Information Technology Co., Ltd. (杭州群核信息技術有限公司), a limited liability company established in the PRC on November 9, 2011 and an indirectly wholly-owned subsidiary of our Company
“Hangzhou Yunjiazhuang” or “WFOE”	Hangzhou Yunjiazhuang Network Technology Co., Ltd. (杭州雲家裝網絡科技有限公司), a limited liability company established in the PRC on November 29, 2013 and an indirectly wholly-owned subsidiary of our Company
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong Stock Exchange” The Stock Exchange of Hong Kong Limited
or **“Stock Exchange”**

[REDACTED]

DEFINITIONS

“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretations issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

[REDACTED]

“Joint Sponsors”	J.P. Morgan Securities (Far East) Limited and CCB International Capital Limited
-------------------------	---

DEFINITIONS

“Latest Practicable Date” February 7, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange

“Manycore Tech (Singapore)” Manycore Tech (Singapore) Pte. Ltd., a company incorporated in Singapore on August 1, 2022 and an indirect wholly-owned subsidiary of our Company

“Memorandum” or “Memorandum of Association” the memorandum of association of our Company conditionally adopted on [●] with effect from the [REDACTED] and as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Companies Act” in Appendix III to this document

“Ministry of Finance” or “MOF” the Ministry of Finance of the PRC (中華人民共和國財政部)

“Modelo Inc.” Modelo Inc., a company incorporated in the State of Delaware, United States on April 23, 2014 and an indirectly wholly-owned subsidiary of our Company

“MOFCOM” the Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“ Mr. Chen ”	Mr. Chen Hang (陳航), our co-founder, chief executive officer and an executive Director of our Group
“ Mr. Huang ”	Mr. Huang Xiaohuang (黃曉煌), our co-founder, chairman of our Board and an executive Director of our Group
“ Mr. Zhu ”	Mr. Zhu Hao (朱皓), our co-founder, chief technology officer and an executive Director of our Group
“ NDRC ”	the 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)
“ Nomination Committee ”	the nomination committee of our Board

[REDACTED]

“ Ordinary Share(s) ”	ordinary share(s) in the share capital of our Company with a par value of US\$0.000025 each
------------------------------	---

DEFINITIONS

[REDACTED]

“Overseas Listing Trial Measures”	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》) promulgated by the CSRC on February 17, 2023
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“PRC Legal Advisor”	Commerce & Finance Law Offices, our legal advisor as to PRC laws

DEFINITIONS

“Preferred Shares”	the Series A Preferred Shares, the Series A-1 Preferred Shares, the Series B-1 Preferred Shares, the Series B-2 Preferred Shares, the Series C Preferred Shares, the Series D-1 Preferred Shares, the Series D-2 Preferred Shares, the Series D+1 Preferred Shares, the Series D+2 Preferred Shares, the Series E Preferred Shares and the Series E+ Preferred Shares
“Pre-[REDACTED] Equity Incentive Plans”	the Pre-[REDACTED] equity incentive plans adopted by our Company, including (i) the 2014 Pre-[REDACTED] Equity Incentive Plan and (ii) the 2024 Pre-[REDACTED] Equity Incentive Plan, a summary of the principal terms of which is set forth in “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document
“Pre-[REDACTED] Investment(s)”	the pre-[REDACTED] investment(s) in our Company undertaken by the Pre-[REDACTED] Investors, details of which are set out in “History, Reorganization and Corporate Structure”
“Pre-[REDACTED] Investor(s)”	the investors of the Pre-[REDACTED] Investments
	[REDACTED]
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Registered Shareholders”	the current registered shareholders of Hangzhou Meijian, being Mr. Huang, Mr. Chen and Mr. Zhu, details of whom are set out in the sections headed “History, Reorganization and Corporate Structure” and “Contractual Arrangements”
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board

DEFINITIONS

“ Reorganization ”	the corporate reorganization of our Group in preparation for the [REDACTED], the details of which are set out in “History, Reorganization and Corporate Structure”
“ RMB ” or “ Renminbi ”	Renminbi, the lawful currency of the PRC
“ Rule 144A ”	Rule 144A under the U.S. Securities Act
“ SAFE ”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“ SAT ”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“ Series A Investor(s) ”	holder(s) of the Series A Preferred Shares
“ Series A Preferred Shares ”	the series A preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“ Series A-1 Investor(s) ”	holder(s) of the Series A-1 Preferred Shares
“ Series A-1 Preferred Shares ”	the series A-1 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“ Series B-1 Investor(s) ”	holder(s) of the Series B-1 Preferred Shares
“ Series B-1 Preferred Shares ”	the series B-1 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“ Series B-2 Investor(s) ”	holder(s) of the Series B-2 Preferred Shares
“ Series B-2 Preferred Shares ”	the series B-2 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“ Series C Investor(s) ”	holder(s) of the Series C Preferred Shares

DEFINITIONS

“Series C Preferred Shares”	the series C preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“Series D-1 Investor(s)”	holder(s) of the Series D-1 Preferred Shares
“Series D-1 Preferred Shares”	the series D-1 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“Series D-2 Investor(s)”	holder(s) of the Series D-2 Preferred Shares
“Series D-2 Preferred Shares”	the series D-2 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“Series D+1 Investor(s)”	holder(s) of the Series D+1 Preferred Shares
“Series D+1 Preferred Shares”	the series D+1 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“Series D+2 Investor(s)”	holder(s) of the Series D+2 Preferred Shares
“Series D+2 Preferred Shares”	the series D+2 preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“Series E Investor(s)”	holder(s) of the Series E Preferred Shares
“Series E Preferred Shares”	the series E preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“Series E+ Investor(s)”	holder(s) of the Series E+ Preferred Shares

DEFINITIONS

“Series E+ Preferred Shares”	the series E+ preferred shares with a par value of US\$0.000025 each in the authorized share capital of the Company, details of which are described in “History, Reorganization and Corporate Structure”
“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
“Shanghai Mengdai”	Shanghai Mengdai Network Technology Co., Ltd. (上海蒙袋網絡科技有限公司), a limited liability company established in the PRC on October 25, 2016 and an indirectly wholly-owned subsidiary of our Company
“Share(s)”	shares in the share capital of our Company at the relevant time as the context requires, which refer to (i) Ordinary Shares and Preferred Shares prior to the conversion of the Preferred Shares to Ordinary Shares; or (ii) Ordinary Shares following the conversion of the Preferred Shares to Ordinary Shares
“Shareholder(s)”	holder(s) of our Share(s) [REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the periods comprising the two financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024
“treasury share(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

[REDACTED]

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax

[REDACTED]

“%”	per cent
-----	----------

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions and may not be comparable to similarly terms adopted by other companies.

“2D”	two dimensions
“2K”	a resolution format of pixel dimensions of 2048 × 1080 pixels
“3D”	three dimensions
“AI”	artificial intelligence, the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions
“AIGC”	AI-generated content, meaning leveraging artificial intelligence to automate content generation and to generate personalized content according to user-inputted keywords or requirements
“AI copilot”	a type of artificial intelligence application designed to assist users by providing recommendations, suggestions, and automated actions based on user input and contextual understanding
“AI diffusion model”	a type of generative model used in artificial intelligence to create new data samples, often images, by simulating a process where data gradually transitions from noise to a coherent structure
“API”	application programming interface, a computer programming approach for facilitating exchange of information and executing instructions between different computer systems
“AR”	augmented reality, an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information
“BIM”	building information modeling, an intelligent 3D model-based process that gives architecture, engineering, and construction professionals the insight and tools to more efficiently plan, design, construct, and manage buildings and infrastructure

GLOSSARY OF TECHNICAL TERMS

“CAD”	computer-aided design, the use of software to aid in the creation, modification, analysis, or optimization of a design
“CAGR”	compound annual growth rate
“CAM”	computer-aided manufacturing, the use of software and computer-controlled machinery to automate a manufacturing process
“cloud”	a network of remote servers hosted on the Internet and used to store, manage, process data, and offer algorithms in place of local servers or personal computers
“CNC”	computer numerical control, a way of controlling how machine tools operate using a computer
“CRM”	customer relationship management, a system that companies use to manage interactions with current and potential customers
“deep learning”	a machine learning technique that constructs artificial neural networks with multiple layers to extract features from the raw input
“embodied AI”	artificial intelligence integrated into physical entities or robots that interact with the environment, using sensors and actuators to perceive, reason and act in real-world contexts
“enterprise customers”	entities that were subscribers to our paid versions within 12 months prior to a given date. Different entities affiliated with one enterprise customer that subscribe to our products and solutions are deemed as one enterprise customer for purposes of this calculation
“ERP”	enterprise resource planning, a system that organizations use to manage and integrate various business processes
“GPU”	graphic processing unit, a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images
“individual customers”	individual subscribers to our paid versions within 12 months prior to a given date
“Isaac Sim”	a simulation platform developed by NVIDIA for designing, testing, and training intelligent robots in realistic virtual environments

GLOSSARY OF TECHNICAL TERMS

“key accounts”	enterprise customers whose annual revenue contributions reach RMB200,000
“MAUs” or “monthly active users”	our registered users, both free and paying, who logged in and accessed our software through our websites, mobile websites, or desktop or mobile applications during a given calendar month
“MES”	manufacturing execution system, a system used in manufacturing to track and document the transformation of raw materials to finished goods
“monthly active visitors”	individuals who accessed our software through our websites, mobile websites, or desktop or mobile applications during a given calendar month, who are either registered users or unregistered visitors viewing design works across our websites or applications
“NRR rate” or “net revenue retention rate”	a percentage as of a given date, known as the benchmark date, calculated by using (i) the total subscription revenues from a given group of customers for a 12-month period immediately prior to the same date last year as the denominator, and (ii) the total subscription revenues from the same group of customers for a 12-month period immediately prior to the benchmark date as the numerator
“OpenUSD”	universal scene description, an open-source framework for defining, packaging, assembling, and editing 3D data
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
“ray tracing”	a rendering technique used in computer graphics to generate realistic images by simulating the way light interacts with objects in a scene
“RTX”	a series of graphics processing units developed by NVIDIA that incorporate real-time ray tracing technology
“VR”	virtual reality, the computer-generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “aim,” “potential,” “continue,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “see,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “objective,” “target,” “schedules,” “outlook” or other similar expressions) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition and results of operations;
- our business strategies and plans to carry out these strategies;
- our operations and business prospects;
- future developments, trends and conditions in the industries and markets in which we operate;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with our customers and other business partners;
- general economic, political and business conditions in the markets in which we operate;
- any changes in the laws, rules and regulations of the PRC government and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans and strategies;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel;

FORWARD-LOOKING STATEMENTS

- our business strategies and plans to achieve these strategies;
- the actions of and developments affecting our competitors;
- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments; and
- all other risks and uncertainties described in “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, results of operations, financial condition, and prospects. The [REDACTED] of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our historical growth may not be indicative of our future growth. If we fail to properly manage future growth, our business, results of operations, financial condition, and prospects could be materially adversely affected.

We have experienced rapid growth in recent periods. Our total revenue increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, and increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the same period in 2024. However, our historical results may not be considered as indicative of our future financial performance, and we may encounter unforeseen expenses, difficulties, complications, delays in our business growth.

We believe our revenue growth depends on a number of factors, including, but not limited to, our ability to:

- retain our existing individual and enterprise customers;
- increase our net revenue retention rate and increase the lifetime value of our customers;
- adequately expand our sales force and attract new users and customers;
- convert users of our free versions into paying customers;
- enlarge our enterprise customer base;
- expand acceptance and use of our software solutions;

RISK FACTORS

- deliver exceptional user experience;
- enhance and expand features and capabilities of our software solutions;
- maintain and improve our GPU infrastructure to support our software platform;
- maintain the security and reliability of our software solutions;
- comply with existing and new applicable laws and regulations;
- maintain competitive advantages in the spatial design software industry and drive widespread adoption of our solutions across various industry verticals; and
- expand our global footprints and increase awareness of our brand around the world.

If we are unable to accomplish any of these goals, our revenue growth will suffer. If our revenue growth does not keep pace with our future operating expenses, our business, results of operations, financial condition, and prospects will be adversely affected, potentially keeping us from attaining or sustaining profitability. In the future, our revenue growth may slow down or even decline due to a number of reasons, including reduced demand for our solutions and technologies, intensified competition, and significant technological changes. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we fail to address these risks effectively, our growth may slow and our business, results of operations, financial condition, and prospects could be materially and adversely affected.

We have a history of losses and we may not be able to achieve or sustain profitability in the future.

We have sustained losses since our inception and could continue to incur net losses in the future. We incurred a net loss of RMB703.7 million, RMB646.1 million, and RMB422.1 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. Such losses were primarily attributable to the substantial investment in product development, technology support and marketing of our products as we continued to drive the rapid and long-term growth of our business. We expect to continue making investments in operating activities in the near future, as we will continue upgrading our technology, increasing our sales and marketing efforts, and expanding into new geographical markets. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increasing costs and expenses. Furthermore, we may encounter unanticipated shifts in customer demand, substantial changes in the industry landscape, or increased competition, which would lead to difficulties in predicting the growth rate of our market, customer acceptance for our products and retention rate, and competitiveness of our products in the future. As a result, we cannot assure that our business will become or remain profitable. For details, see “Business — Business Sustainability.”

RISK FACTORS

In addition, we have recorded net cash used in operating activities of RMB302.4 million, RMB62.6 million, and RMB164.9 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. We cannot guarantee that we will generate positive cash flows from operating activities in the future. Continued net operating cash outflows may constrain our working capital, adversely impacting our financial condition. Our future liquidity primarily hinges on our ability to achieve positive cash flows from operating activities and secure adequate external financing, such as through the issuance of securities or external debt if necessary. Such financing may not be available on favorable or commercially reasonable terms, or at all. Failure to obtain sufficient funding in a timely and reasonable manner, or at all, could result in defaulting on our payment obligations and hinder our ability to expand our business. Consequently, our business, results of operations, financial condition, and prospects may suffer.

Our success depends on the growth in market acceptance for our software solutions. If the market for our software solutions, especially the spatial design software market in China, develops more slowly than we expect or declines, our revenue could decrease and our business could be adversely affected.

Our success depends on the willingness of our existing and potential customers, such as designers, interior design and construction companies, furniture manufacturers and retailers, custom furniture producers, real estate developers and spatial design material providers, to use third-party software solutions. The acceptance for our software solutions is closely associated with the overall acceptance of software solutions in the spatial design software industry. The market acceptance depends on a number of factors, including the performance, the cost to customers, perceived value associated with cloud computing and the ability of service providers to address security and privacy concerns. If we or other major service providers in the spatial design software industry experience any material security incidents, loss of customer data, disruptions in delivery or other problems, the market for software solutions to our industry as a whole, including our products and services, may be negatively affected.

While we continue to expand our global footprint, the majority of our revenue continues to be generated in China. In 2022, 2023 and the nine months ended September 30, 2024, our customers from China contributed 88.7%, 94.0%, and 92.6% of our total revenues. We expect that a substantial majority of our revenue will continue to come from our business operations in China. Therefore, our operational and financial performance is closely tied to the fluctuations of the spatial design software industry in China. China’s spatial design software industry may be affected by various factors, including the real estate market, consumer preferences, lifestyle trends, and competitive landscape, among others, which are beyond our control. A downturn or any adverse developments in China’s spatial design software market may reduce the demand for our software solutions and diminish our ability to generate profits.

RISK FACTORS

If our software solutions do not achieve widespread adoption, or if demand decreases due to a lack of market acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, the market for our software solutions may not develop and our business, results of operations, financial condition, and prospects could be materially and adversely affected.

If we fail to improve the functionality, performance, reliability, design, security, and scalability of our software solutions to suit our customers’ evolving needs, we may lose our customers.

We generate substantially all of our revenue through subscription fees for access to the premium features of our software solutions. The market for software solutions in the spatial design software industry, where we operate and compete, is constantly evolving with technological advancements and product innovations. Our success and prospects significantly rely on our dedication to the development of software solutions for the spatial design industry and our ability to identify and address the pain points of this industry. To achieve the sustainable growth of our business, we must continually dedicate our efforts to retaining existing customers, attracting new customers, and increasing their incremental spending on our products and solutions. This requires thorough understanding of our customers’ evolving needs and the timely launch of new products and enhancements to existing functionalities to keep our customers engaged.

We cannot assure you that our existing and future products and solutions will maintain their current popularity. Our customers may demand features and capabilities that our current solutions do not have, or that our current platform cannot support, and we may need to invest significantly in research and development to build these features and capabilities. We may face challenges in developing new technologies and solutions as it can be costly and time-consuming, which in turn could delay or prevent the development, introduction, or implementation of new solutions, services, and enhancements. While our research and development team devotes substantial efforts to software development, ongoing improvement and enhancement of our software solutions requires significant investment, and we may not have adequate resources to sustain this effort. In addition, the introduction of major technology changes and new product offerings may not be successful, and early-stage interest in, and adoption of such new solutions may not translate into long-term success or significant revenue. If we fail to correctly identify our customers’ demands or to continuously improve and enhance the functionality, performance, reliability, design, security, and scalability of our software solutions to suit their evolving needs, our customers may be reluctant to increase their spending on our solutions, or may cease to subscribe our offerings altogether. As a result, the growth of our business may be stalled, which may, in turn, materially and adversely affect our business, results of operations, financial condition, and prospects.

RISK FACTORS

If we fail to continue innovating and keeping pace with technological developments, our business may be materially and adversely affected.

The industry we operate in is characterized by fast changing technologies and customer demands, as well as rapid development and continued enhancement of software solutions. Although we have been successful in capturing the market opportunities created by the cloud transformation in the spatial design software industry in China, to remain competitive, we must continue to stay abreast of the continuously evolving industry trends and rapid technological developments.

We have invested and established a cloud-based platform powered by multiple advanced technologies, most of which are developed in-house, including purpose-built GPU infrastructure to process large amounts of data at a faster rate, AI technologies applied to various scenarios, synthetic virtual data generation, among others. While we have achieved significant advancements in software development to date, we cannot assure that we will have sufficient resources to maintain this level of investment going forward to leverage new technologies effectively or adapt our products to meet customers’ needs or emerging industry standards. If we are unable to respond in a cost-effective and timely manner to changing market conditions, whether due to technical, legal, financial or other reasons, our business may be materially and adversely affected. Moreover, our success will depend partially on our ability to continuously identify, develop, acquire, protect and license advanced technologies that are valuable to our software solutions. Failure to do so could render our existing software solutions obsolete and unappealing, thereby adversely affecting our business prospects.

In addition, as our services are designed to operate over various networks, across numerous mobile devices, operating systems, and computer hardware and software platforms using standard web browsers, we will need to continuously modify and enhance our services to keep pace with changes in internet-related hardware, software, communications, browsers, application development platforms, and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to the market in a timely manner. Moreover, uncertainties regarding the timing and nature of the development in network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development or service delivery expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our products and services, result in customer dissatisfaction, and adversely affect our business, financial condition, results of operations, and prospects.

Our initiatives to develop new products, new solutions and introduce new technologies may not succeed, which may limit our future growth.

We have invested and plan to continue investing heavily in research and development of new products, solutions, and technologies. Over the years, we have evolved into a central hub featuring several products in the spatial design sector, including Kujiale (酷家樂), Coohom, and SpatialVerse. We have built up an R&D team comprising 615 specialists as of September 30, 2024, which represents approximately 44.3% of our total workforce. We incurred research

RISK FACTORS

and development costs of RMB437.7 million, RMB390.8 million, and RMB263.4 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. However, there is no assurance that we will accurately anticipate the market evolution and our significant expenditures on R&D will yield positive results as we expect. Neither is the guarantee that favorable research outcomes will lead to commercially successful products or solutions. The new products or solutions we develop may not be commercially viable or meet customers’ needs. As a result, we cannot assure you that our efforts in research and development will translate into commercial success.

In addition, radical technological changes may not be well received by the market or lead to a long-term success. We first introduced Kujiale, our cloud-native design and visualization software, in 2013, which has enabled us to capture vast market opportunities, and improve deployment and operational efficiency. Despite our belief that cloud-native spatial design software solutions represent a superior alternative to the traditional solutions in this field, our customers, such as designers, interior design and construction companies, furniture manufacturers and retailers, custom furniture producers, and real estate developers, may not be willing to embrace such technological changes, and as a result we may suffer a lag in customer adoption. New products or features may initially suffer from performance and quality issues that may negatively impact our ability to market and sell such products to new and existing customers. There is no assurance that any enhancements to our platform or new products, features, or capabilities will be compelling to our customers or gain market acceptance. Additionally, we may experience difficulties with software development or marketing that could delay or prevent our development, introduction, or implementation of new products, features, or capabilities. Any delays in releasing new products, features, or capabilities could result in adverse publicity, loss of revenue or market acceptance, or legal claims from customers, all of which could harm our business.

We are required to comply with laws and regulations in the PRC relating to data privacy and security. If we fail to comply with such laws and regulations, our business, results of operations, financial condition, and prospects may be adversely affected.

We collect, store, process, and use significant amounts of data concerning our users and business partners during our ordinary course of business operations. Concerns or claims about our practices with regard to the processing of personal information or other privacy-related matters, even if unfounded, could damage our reputation and adversely affect our business operations. In the PRC, governmental authorities have enacted a series of laws and regulations aimed at enhancing the protection of privacy and data. These regulations may require us to (i) ensure the security and stability of the services provided via the internet, (ii) protect individual privacy and the security of personal data by obtaining users’ consent prior to the collection, use or disclosure of their personal data, and (iii) provide assistance and support for public security and national security in accordance with the law to protect national security or assist with criminal investigations.

RISK FACTORS

For example, on June 10, 2021, the Standing Committee of the National People’s Congress of China (the “SCNPC”) promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), effective from September 1, 2021. The PRC Data Security Law establishes a state data security review system, under which data processing activities that affect or may affect national security are subject to national security reviews. On July 6, 2021, the General Office of the Central Committee of the Chinese Communist Party and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which called for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies, and the laws and regulations regarding data security, cross-border data flow and management of confidential information were expected to undergo further developments, which may require increased information security responsibilities and stronger mechanism and process for cross-border information management. Furthermore, on August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which became effective on November 1, 2021, setting forth detailed rules for handling personal information. For more information, see “Regulations — Regulations Related to Internet Information Security and Privacy Protection.”

In addition, the State Council promulgated the Critical Information Infrastructure Security Protection Regulations (《關鍵信息基礎設施安全保護條例》) (the “**CII Regulations**”) on July 30, 2021, which came into effect on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs, science and technology industry for national defense and other industries and sectors that may seriously endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and determining the critical information infrastructure in the respective industry or sector. The operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators.

On November 14, 2021, the Cyberspace Administration of China (the “CAC”) publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Data Security Regulations**”), which requires data processors to comply with certain requirements during their daily operation and further stipulates that data processors shall apply for cybersecurity reviews in certain situations including any data processor intending to be listed in Hong Kong that affects or may affect national security. Furthermore, the Draft Data Security Regulations stipulate that data processors processing personal information of more than one million users shall be subject to the various requirements that apply to important data processors. On September 24, 2024, the State Council released the official version of the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the “**Data Security Regulations**”), which came into effect on January 1, 2025. The Data Security Regulations removed the clauses related to cybersecurity review and only stipulates that cyber data processors conducting data processing activities that affect or may affect national security shall

RISK FACTORS

undergo a national security review in accordance with the relevant regulations. However, the Data Security Regulations provides no further explanation or interpretation for “affect or may affect national security.” Considering the type and nature of the personal information we gather is of relatively low national security significance, the risk of us being required to undertake national review under the Data Security Regulations is relatively low. However, we cannot assure you that relevant governmental authorities will not interpret the laws and regulations in ways that may negatively affect us.

On December 28, 2021, the CAC, the National Development and Reform Commission (the “**NDRC**”), the Ministry of Industry and Information Technology (the “**MIIT**”), and several other administrations jointly promulgated the amended Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which became effective on February 15, 2022, and superseded and replaced the Cybersecurity Review Measures previously promulgated on April 13, 2020. According to the Cybersecurity Review Measures, (i) the procurement of network products and services by critical information infrastructure operators and the activities of data process carried out by online platform operators, that raise or may raise “national security” concerns are subject to strict cybersecurity review by the Cybersecurity Review Office under the CAC; (ii) an application for cybersecurity review shall be made by an issuer who is a network platform operator holding personal information of more than one million users before such issuer applies to list its securities on a foreign stock exchange (國外上市); and (iii) the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer’s network products or services, or data processing activities affect or may affect national security. Pursuant to the Cybersecurity Review Measures, any violation shall be punished in accordance with the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) and the Data Security Law of the PRC, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties and suspension of noncompliant operations. We may be subject to the cybersecurity review in the future if our activities or data are deemed to “affect or may affect national security” as interpreted under the prevailing regulatory regime.

In accordance with the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) implemented on September 1, 2022, Measures for the Standard Contract for the Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) implemented on June 1, 2023, Announcement regarding the Implementation of Personal Information Protection Certification (《關於實施個人信息保護認證的公告》) implemented on November 4, 2022, and the Provisions on Promoting and Regulating Cross-border Data Flow (《促進和規範數據跨境流動規定》) (the “**CBDF Provisions**”) issued and implemented on March 22, 2024, data processors transferring data overseas are required to comply with the corresponding data cross-border transfer supervision procedures as stipulated by relevant laws and regulations, except for those meeting exemption conditions. According to the CBDF Provisions, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (i) where the critical information infrastructure operator (the “**CIIO(s)**”) intends to provide key data or personal information overseas; (ii) where the data processor other than CIIOs intends to provide key

RISK FACTORS

data overseas; (iii) where the data processor other than CIIOs, who has provided personal information (excluding sensitive personal information) of at least one million individuals or sensitive personal information of at least 10,000 individuals to overseas recipients accumulatively since January 1 of any given calendar year, intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC.

As of the Latest Practicable Date, (i) we had not received any notification from the relevant competent or regulatory authorities indicating that we had been determined as a CIIO; (ii) we have not been involved in any investigation on data processing activities that affects or may affect national security, nor have we been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, notice, warning or sanctions from the PRC government authorities; and (iii) according to our phone consultation with the China Cybersecurity Review Technology and Certification Center (the “CCRC”), an institution authorized by the CAC to conduct cybersecurity review, the CCRC verbally confirmed that “listed abroad” (國外上市) stipulated in the Revised Cybersecurity Review Measures does not include “listed in Hong Kong,” and further confirmed that we does not need to apply for a cybersecurity review for listing in Hong Kong. As advised by our Data Compliance Advisor and to the best knowledge of our Company, we do not need to apply for cybersecurity review under the current regulatory regime. However, there is no guarantee that we will not be deemed as a CIIO, and the Cybersecurity Review Office will not initiate a cybersecurity review against us pursuant to the Cybersecurity Review Measures. If we are identified as a CIIO, we will be subject to stricter requirements on business operations and cybersecurity compliance, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services. If a cybersecurity review is deemed applicable, we may be required to suspend providing any existing or new services to our users, which could result in disruptions of our operations.

Despite our efforts to comply with applicable laws and regulations relating to privacy, data protection and information security, there is a possibility that our practices and products may not fully meet all requirements imposed on us by such laws and regulations. In addition, we may also be subject to laws and regulations affecting data protection, data privacy and/or information security in other jurisdictions. For more information, see “— Our business is subject to a variety of evolving laws and regulations in other jurisdictions regarding cybersecurity, data security and data privacy. Any failure of our platform to comply with applicable laws and regulations could harm our business, results of operations, financial condition, and prospects.” Any failure, or perceived failure, to maintain the security of our user’s data or promptly comply with applicable PRC or foreign privacy, data security and personal information protection laws and obligations may result in civil or regulatory liabilities, including investigations, fines, penalties, enforcement actions, litigation, or adverse publicity. We may need to expend significant resources in responding to and defending against allegations and claims, which could materially and adversely affect our business, results of operations, financial condition, and prospects.

RISK FACTORS

We face risks associated with the use of our AI technologies. Integrating AI technologies into our software solutions may expose us to potential infringement claims and higher costs for regulatory compliance.

We utilize AI technologies to optimize the design process and deliver users an intuitive and immersive design experience. We have developed an AI copilot that facilitates an easy start of design by automatically transforming user-uploaded files into photorealistic images and immersive 3D design schemes. We also deploy AI to suggest personalized design ideas, enable seamless editing, and simulate functional layouts, simultaneously advancing creativity, precision, and practicality. However, given the relatively short time since AI has become commercially viable and the rapid evolution of this technology, we may experience difficulties in its application, including with respect to product development. The accuracy of our AI-generated design content may be subject to error and the data used could be incomplete or biased, which could harm our reputation and credibility and adversely affect our business, results of operations, financial condition, and prospects.

Furthermore, the AI industry faces new and extensive regulations, and the use of AI technologies is subject to future regulatory scrutiny and legal challenges. The application of AI technologies in our software solutions, especially the use of AI-generated design content, may be subject to additional intellectual property, cybersecurity, operational, and technological risks. For example, it may raise issues related to copyright infringement if the AI algorithms are partially trained on copyrighted content, and there is no guarantee that our use of AI-generated content would not infringe on the intellectual property rights of third parties. If we are unable to secure the permissions or licenses for using AI tools as required, whether because we cannot identify the rights holder or for any other reason, we might infringe on others’ rights which could lead to monetary claims, fines, penalties, or less content for our users.

PRC government authorities have sped up creating laws for generative AI related technologies, such as algorithms and deep synthesis. On November 25, 2022, the CAC, the MIIT and the Ministry of Public Security jointly issued the Administrative Provisions on the Deep Synthesis of Internet-based Information Services (《互聯網信息服務深度合成管理規定》) (the “**Deep Synthesis Provisions**”), which became effective on January 10, 2023. According to the Deep Synthesis Provisions, no organization or individual may use deep synthesis services to produce, reproduce, release or disseminate information prohibited by laws and administrative regulations, or to engage in activities that endanger national security and interests, damage the national image, infringe upon social public interests, disrupt the economic and social order or undermine the legitimate rights and interests of others. Specifically, the providers of deep synthesis services shall, among other things, establish and maintain management systems for algorithmic mechanism review, data security and personal information protection. On July 10, 2023, seven governmental authorities including the CAC published the Provisional Measures for the Administration of Generative Artificial Intelligence Services (《生成式人工智能服務管理暫行辦法》) (the “**AIGC Measures**”), which became effective on August 15, 2023, setting compliance standards for generative AI service providers. The AIGC Measures require generative AI service providers to take responsibility for the content they produce in accordance with the law and ensure information security. Besides, providers of generative AI services that influence public opinion or could mobilize society

RISK FACTORS

shall undergo security assessments and filing or registration procedures for generative AI services before going online and follow procedures for the algorithm filing, and modification or cancellation of the filing as required by applicable regulations. Non-compliance with the AIGC Measures may subject the providers of generative AI services to penalties, including warnings, public denouncement, rectification orders and suspension of the provision of relevant services. We have completed the algorithm filing process, as well as security assessments and the generative AI service filing procedure. However, since these laws and regulations are still relatively new and may be subject to further implementation and amendments, we cannot assure you whether we will be able to comply with the requirements of such laws and regulations in a timely manner or at all. If we are unable to complete all necessary filings and/or assessments, or if we have any dispute with any third party relating to intellectual property or data security, our business operation may be adversely affected.

We operate in a competitive market and may not be able to compete successfully against our existing and future competitors.

The spatial design software industry is relatively new, rapidly evolving and competitive. We continuously face competition in various aspects of our business, including research and development capabilities, customer services and retention, talents, brand awareness, commercial relationships, and financial, technical, marketing and other resources. Currently, our competitors primarily include spatial design software providers in China and globally, many of which have competitive advantages over us, such as better name recognition, longer operating histories, larger marketing budgets, existing or more established relationships, greater third-party integration, access to larger customer bases, and better financial, technical, pricing and marketing strategies, and other resources. In addition to the existing competitors, we may encounter challenges from new market entrants, including major software companies and traditional spatial design companies that are attracted by the massive opportunities in this market. Therefore, we may be subject to more competition if established companies from other market segments or geographical markets expand into our market segment or geographical market, which may significantly affect our market share and sales volume.

We expect these competitive dynamics to continue and intensify in the future as competitors attempt to strengthen or maintain their market positions and as new participants enter the market. We cannot assure you that we will be able to compete effectively or efficiently with current or future competitors. Our competitors may be able to develop products better accepted by the customers or may be able to respond more quickly and effectively to new opportunities and changing technologies, regulations and customers’ needs. In addition, some of our competitors may quickly expand their existing customer base and sales network and adopt more aggressive pricing policies and offer more attractive sales terms. This could cause us to lose potential sales or compel us to sell our products and services at lower prices to remain competitive. If we are unable to compete successfully against our current or potential competitors, our business, results of operations, financial condition, and prospects may be materially and adversely impacted.

RISK FACTORS

We are continuing to expand our operations outside the PRC, where we may be subject to increased business, regulatory, and economic risks that could materially and adversely affect our business, results of operations, financial condition, and prospects.

We have achieved initial market success outside China in the United States, South Korea, and Southeast Asia. We expect to continue expanding our international operations, which includes making further investment in Coohom, the international version of Kujiale, providing our products in additional languages, among others. However, our efforts to enter into new markets may not be successful. For example, we might face difficulties expanding in certain overseas markets if we cannot adapt our products to meet local customers’ needs or comply with local laws or regulations. In addition, future international expansion will require significant management attention and resource investment, which may expose us to new risks and increase certain risks that we already face, including risks associated with:

- recruiting and retaining talented and capable employees outside of the PRC, including employees who speak multiple languages and come from diverse cultural backgrounds;
- adapting to local communities while maintaining our company culture across our global teams;
- ensuring compliance with applicable international laws and regulations, including those with respect to employment, construction, privacy, data protection, consumer protection, and foreign investment and unsolicited email, and the risk of penalties and fines against us and individual members of management or employees if our practices are deemed non-compliant;
- managing an employee base across jurisdictions with differing employment regulations;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the PRC and navigating the practical enforcement of such intellectual property rights outside of the PRC;
- navigating changes in foreign laws that could restrict our ability to use our intellectual property outside of the foreign jurisdiction where it was developed;
- compliance by us and our partners with anti-corruption laws, competition laws, import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory limitations on our ability to provide our products or platform in certain international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the PRC;

RISK FACTORS

- political and economic instability;
- changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes, and other trade barriers;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- potentially adverse tax consequences in the jurisdictions in which we operate; and
- higher costs of doing business internationally, including increased accounting, travel, infrastructure, and legal compliance costs.

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business. We may be unable to keep current with changes in laws and regulations as they occur. Although we have implemented policies and procedures designed to support compliance with these laws and regulations, there can be no assurance that we or our employees will comply with such laws and regulations in all respects. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, we may need to relocate or cease operations in certain foreign jurisdictions, which could materially adversely impact our business, results of operations, financial condition, and prospects.

Our business could be negatively impacted if our customers or their employees are dissatisfied with the solutions and services we provide.

Our customers consist of enterprise customers and individual customers. In 2022, 2023 and the nine months ended September 30, 2024, subscription revenues from our enterprise customers amounted to RMB490.1 million, RMB562.8 million, and RMB464.3 million, respectively, which accounted for 90.1%, 87.0%, and 85.4% of our total subscription revenues for each period. During the corresponding periods, subscription revenues from our individual customers amounted to RMB53.8 million, RMB84.3 million, and RMB79.2 million, respectively, which accounted for 9.9%, 13.0%, and 14.6% of our total subscription revenues for each period. The success of our business is fundamentally tied to our ability to effectively meet and exceed our customers’ expectations across all aspects of our software solutions. This includes not only the quality and functionality of solutions and products we offer but also the caliber of the services we provide to help customers, especially enterprise customers and their employees, optimize their use of these products. If customers become dissatisfied with our solutions and services, they may lose confidence in us, start seeking alternative options, and choose not to renew their subscriptions or upgrade their subscription plans. This could lead to customer attrition, which could significantly affect our ability to achieve growth and maintain a steady revenue base.

RISK FACTORS

In addition, if a customer or their employees are dissatisfied with the quality of our work or the services we deliver, we may be compelled to invest additional resources to address and resolve these issues, which could result in increased operational costs and negatively impact our profitability. Negative publicity stemming from any customer dissatisfaction, regardless of its accuracy, could further exacerbate the situation by tarnishing our reputation. As a result, our competitive position could be weakened, making it more challenging to attract new business from both existing and prospective customers.

If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.

Our future growth and profitability depend, in part, upon our ability to penetrate new vertical markets. While we are dedicated to further solidifying our leadership in spatial design software industry, we strive to continue our expansion into business scenarios across diverse end markets, expanding from spatial design into more verticals with high growth potential. For example, we have launched an add-on feature KuSpace (酷空間) with enhanced BIM capabilities, which has gained traction in the design of office and retail chain store spaces. Our e-commerce solutions enable customers to set up a virtual studio where they can present their merchandise on websites and through live streaming, a virtual but vivid environment. Beyond design, we also introduced SpatialVerse to establish ourselves in research areas for sophisticated model training, such as AIGC, embodied AI, AR/VR and robotics, utilizing our vast amounts of synthetic virtual datasets and private computing centers. However, our investments and endeavors in these new verticals may not be successful, and there is no guarantee that all of these existing offerings and their future enhancements will continuously be accepted by users.

Our expansion into new vertical markets to some extent depends upon our ability to adapt our existing technology or to develop new technologies to meet the particular needs of each new vertical market. We may not have adequate financial or technological resources to develop effective and secure services or distribution channels that will satisfy the demands of these new vertical markets. Our lack of familiarity with new vertical markets may make it more difficult for us to keep pace with the evolving customer demands and preferences. In addition, there may be one or more existing market leaders in any vertical market that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their deeper industry experience and stronger brand recognition. Also, we will need to comply with new laws and regulations applicable to these businesses, the failure of which would adversely affect our reputation, business, results of operations, financial condition, and prospects. In light of the foregoing factors, penetrating into these new vertical markets may prove to be more challenging or costly or take longer than we may anticipate. Expansion into any new vertical may place significant strain on our management and resources, and failure to expand into new vertical markets could have a material adverse effect on our business and prospects.

RISK FACTORS

We recorded net liabilities as of December 31, 2022 and 2023 and September 30, 2024.

We recorded net liabilities of RMB2,692.0 million, RMB3,328.0 million, and RMB3,690.8 million, as of December 31, 2022 and 2023 and September 30, 2024, respectively, primarily due to the significant amounts of redemption liabilities and deferred revenue recorded as liabilities.

Our redemption liabilities increased from RMB2,885.7 million as of December 31, 2022 to RMB3,286.7 million as of December 31, 2023, and further to RMB3,540.3 million as of September 30, 2024, primarily due to the continuous increase in the carrying amount from the existing series of financing recognized. Our redemption liabilities will be re-designated from liabilities to equity upon automatic conversion into ordinary shares at the time of the [REDACTED]. Our deferred revenue primarily consists of advance payments received from our customers for subscriptions or professional services that are to be delivered or performed in the future. Our deferred revenue increased from RMB506.8 million as of December 31, 2022 to RMB617.1 million as of December 31, 2023, primarily attributable to the growth of our business. Our deferred revenue decreased from RMB617.1 million as of December 31, 2023 to RMB572.1 million as of September 30, 2024, primarily attributable to our strategic shift towards promoting shorter-term subscriptions instead of long-term ones. This adjustment not only enhances customer flexibility but also enables us to respond more rapidly to market dynamics. For more details, please see “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position.” Although we expect our revenue will continue to grow rapidly, we cannot assure you that we will be able to convert to net asset position in the future. If we continue to record net liabilities, our liquidity and financial condition may be materially and adversely affected.

If we fail to effectively expand and retain a qualified and productive direct sales team, or if our direct sales efforts do not yield successful results, our ability to grow the business could be compromised.

We sell our products primarily through our direct sales team, which engages with potential customers both online and offline. Therefore, our direct sales force is crucial for marketing and selling our solutions and services. We have established a professional direct sales team, which operates in China, the United States, South Korea, Singapore, Vietnam, Malaysia, Thailand, Indonesia, and India as of September 30, 2024. However, we cannot guarantee that our direct sales efforts will consistently remain effective and competitive. If our sales team is unable to market our solutions and services cost-effectively or provide satisfactory customer service during the sales process, our sales may decline, which may adversely impact our business, results of operations, financial condition, and prospects.

Furthermore, to grow our customer base and business, we must continue to expand and optimize our direct sales force. Recruiting and training qualified sales personnel to become proficient in our solutions and services requires considerable time, expense, and effort. If our efforts to expand and train our sales team do not translate into a noticeable increase in revenues, our business may face serious challenges. Failure to hire, develop, and retain skilled

RISK FACTORS

sales professionals could hinder our ability to achieve growth targets, impact our overall business performance, and undermine our financial stability. Additionally, ineffective sales personnel or insufficient sales coverage could lead to missed opportunities, reduced market share, and diminished competitive advantage, which could materially and adversely affect our business, results of operations, financial condition, and prospects.

Salesforce efficiency has significant impact on our business. Failure to conduct marketing activities in a cost-effective manner could reduce our market share and materially and adversely affect our business, results of operations, financial condition, and prospects.

Sales of subscriptions to access our products and solutions will depend to a significant extent on our ability to expand our sales and marketing capabilities. We sell our products primarily through our direct sales team, which engages with potential customers both online and offline. While we have adopted a freemium model to provide low-friction entry points for all users, which help users familiarize themselves with our products and solutions, we devote significant sales efforts to educate prospective customers, particularly large enterprises, about the use and benefits of our products and solutions. We expect that we will continue to require intensive sales efforts to educate prospective customers about the uses and benefits of our products and solutions. To continue and further improve customer education, we plan to continue expanding our salesforce, both domestically and internationally. We have also built a global customer success support team to foster customer loyalty and promote additional subscription from existing customers through robust 24/7 after-sales services. Identifying, recruiting, and training qualified sales representatives and customer success support specialists is time-consuming and resource-intensive, and they may not be fully trained and productive for a significant amount of time following their hiring, if ever. In addition, these considerable sales and marketing efforts may also increase our customer acquisition costs. Furthermore, we may have difficulty in convincing prospective customers of the value of adopting our products. Even if we are able to do so, they may decide not to purchase our products and solutions for a variety of reasons, some of which are out of our control. Our business will be harmed if our sales efforts do not generate a correspondingly significant increase in revenue. In addition to the direct sales force, we also strategically engage third-party agents familiar with enterprises that may have potential needs for design software solutions to execute our sales and marketing efforts in a more effective manner.

If we fail to conduct sales and marketing activities in a cost-effective way, we may incur considerable marketing expenses, which could adversely affect our business, results of operations, financial condition, and prospects. Additionally, our brand promotion and marketing activities may not be well received by customers and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the market for software solutions to the spatial design software industry are evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to introduce new marketing approaches in a cost-effective manner could reduce our market share materially and adversely affect our business, results of operations, financial condition, and prospects.

RISK FACTORS

Any failure to provide high-quality customer services may materially and adversely impact our brand, business, results of operations, financial condition, and prospects.

We believe our focus on customer success and support is critical to attracting new customers, retaining existing customers, driving their spending and growing our business. While we have designed our products to be easy-to-use, our customers depend on our customer success teams to provide customer care and support services. If we do not provide effective ongoing support, our ability to sell additional products to existing customers could be adversely affected, and our reputation with prospective customers or the industry could be damaged. If we experience increased customer demand for support, we may face increased costs that may harm our results of operations. The number of our customers has grown significantly, which has put additional pressure on our customer success teams. We cannot assure you that we will be able to maintain and improve customer satisfaction over time. If we are unable to provide efficient support services or if we need to hire additional support resources, potentially through third parties, our business, results of operations, financial condition, and prospects could be adversely affected. Additionally, our ability to acquire new customers is highly dependent on our business reputation and on positive recommendations from existing customers. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support, for our customers and collaborators could materially adversely affect our business, results of operations, financial condition, and prospects.

The experience of our users depends upon the interoperability of our platform across devices, operating systems and third-party applications that we do not control. Any failure to adapt our software solution to our users’ requirements or emerging industry standards may materially and adversely affect our business, results of operations, financial condition, and prospects.

One of the most important features of our platform is its broad interoperability with a range of mainstream desktop, web browsers, operating systems, and third-party applications. Our platform enables customers to connect other software, applications, and data to our platform. Accordingly, we are dependent on the accessibility of our solutions across web browsers, operating systems, and third-party applications that we typically do not control. Any changes in such mobile operating systems, devices, and third-party applications which degrade the functionality of our products and services, such as incompatibility, restricted access to our users’ official platforms, or preferential treatment to competitors, could materially and adversely affect the use of our services. In addition, some of our competitors may be able to disrupt the operations or compatibility of our platform with their applications that some of our customers may rely upon. If our platform has integration or operability failures with these operating systems or third-party applications, customers may not adopt our platform, which could materially adversely affect our business, results of operations, financial condition, and prospects.

RISK FACTORS

Further, our costs and expenses may increase if the number of platforms on which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market. For our business to be successful, we will need to design, develop, promote, and operate new products and services which are compatible with such devices and operating systems. As new devices and operating systems are released or updated, we may encounter problems in developing and upgrading our software solutions for use on them. We may need to devote significant resources to the creation, support and maintenance of such products for mobile devices, and cannot assure you that we will be successful in doing so.

Our brands are integral to our success. If we fail to effectively maintain, promote and enhance our brands, our business and competitive advantage may be harmed.

We believe that our brands are critical to maintaining and expanding our business. Maintaining and enhancing our brands depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable, and innovative software solutions, which we cannot assure you we will do successfully.

We believe the importance of brand recognition will increase as competition in our market intensifies. Any unfavorable publicity or perception of our products or platform or the providers of similar software generally, could adversely affect our reputation and our ability to attract and retain customers. In addition to our ability to provide reliable and useful software solutions at competitive prices, the successful promotion of our brands will also depend on the effectiveness of our marketing efforts. We market our software solutions through our direct sales force, channel partners, and a number of free traffic sources, including customers’ word-of-mouth referrals. We have incurred significant costs and expenses with our efforts to increase our brand awareness. We cannot assure you, however, that our sales and marketing expenses will lead to increased revenue, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred.

Our business is subject to data privacy and security risks, and our measures may be inadequate to address these risks, which could damage our reputation, deter current and potential users and customers from using our products and materially adversely affect our business, results of operations, financial condition, and prospects.

During the ordinary course of our business, we may collect, process, store and transmit substantial amounts of data and information, including users’ data. We have taken a variety of measures to protect the personal information of our users and business partners using our platform. For details, see “Business — Data Security and Privacy.” Despite our efforts, our security systems and measures might not detect or prevent all unintended leaks caused by employee errors, misconduct, mistakes, or other malfeasance, nor fully comply with regulatory requirements. Concerns about the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could damage our reputation, cause us to lose users and customers and adversely affect our business, results of operations, financial condition, and prospects. The failure or perceived failure to comply may result in inquiries and other proceedings or actions against us by government agencies or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose users and customers, which could have an adverse effect on our business.

RISK FACTORS

We mainly store our data on cloud platforms. However, cyberattacks, computer malware, and other compromises of information security measures or malicious internet-based activity continue to increase, and cloud platform providers have been targeted. Credential stuffing attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent. Additionally, our products may also be subject to fraudulent usage and schemes, including third parties accessing customer accounts or viewing data from our platform without our authorization. While we undertake significant efforts to protect the security and integrity of the information we collect, process, store, and transmit, we cannot entirely mitigate these risks, and there is no guarantee that inadvertent or unauthorized use or disclosure of such information will not occur or that third parties will not gain unauthorized access to such information. Any actual or suspected cybersecurity incident or other compromise of our security measures, or those of our third-party vendors, whether as a result of hacking, denial-of-service attacks, viruses, malicious software, break-ins, phishing, social engineering, or otherwise, could result in governmental investigations or enforcement actions, litigation, harm to our business, damage to our brand and reputation, significant remediation costs, lost revenue from network downtime, and a decrease in customer and user trust. Any actual or perceived security breach that leads to leakage of our confidential information, even though anonymized, could still interrupt our operations, temporarily or permanently disable our platform, result in fraudulent transfer of funds, and even directly damage our relationships with users and other business partners. Concerns regarding privacy, data protection, and information security may also cause some of our customers to stop using our products and platform and decline to renew their subscriptions, and make it harder to acquire new customers. To the extent we do not effectively address these risks, our business, results of operations, financial condition, and prospects could be materially adversely affected.

Interruptions, performance issues or security issues associated with our products and platform could materially and adversely affect our business, results of operations, financial condition, and prospects.

Our information technology and infrastructure may be subject to cyberattacks or security breaches, and third parties may bypass our security measures, misappropriate proprietary information, and disrupt our IT systems. We have experienced, and may in the future experience, service interruptions and other performance issues. We cannot assure you that any applicable recovery systems, security protocols, network protection mechanisms or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. Additionally, our infrastructure and systems may also be breached if any vulnerabilities therein are exploited by unauthorized third parties.

Our future growth depends in part on the ability of our existing and prospective customers to access our solutions and platform reliably and at any time. Any service interruptions or other performance issues may deter users from visiting our users’ official platforms, hence affecting their overall customer experience and further negatively impacting our renewal rates and harm our ability to attract new customers. Any actual or perceived attacks or security breaches may also damage our reputation and brand, expose us to risks of potential litigation and liabilities, and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches, which as a result could materially adversely affect our business, results of operations, financial condition, and prospects.

RISK FACTORS

Additionally, our products and platform are inherently complex and may, from time to time, contain material defects or errors, particularly when new products or new features or capabilities are released. We have in the past found defects or errors in our products and platform and we may detect new defects or errors in the future. Any real or perceived errors, failures, vulnerabilities, or bugs in our products or platform could result in negative publicity or lead to data security, access, retention, or performance issues, all of which could harm our business and reputation. In addition, the costs incurred in correcting such defects or errors may be substantial. Any of these risks could materially adversely affect our business, results of operations, financial condition, and prospects.

Our business is subject to a variety of evolving laws and regulations in other jurisdictions regarding cybersecurity, data security and data privacy. Any failure of our platform to comply with applicable laws and regulations could harm our business, results of operations, financial condition, and prospects.

Our operations may from time to time involve the collection, use and storage of data including personal information, which may subject us and our customers that use our products to privacy, cybersecurity and data protection-related laws and regulations that impose obligations in connection with the collection, processing and use of personal data, financial data, health or other similar data and general cybersecurity. Multiple jurisdictions have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of information, including personally identifiable information of individuals. We and our clients may be subject to a variety of evolving laws and regulations regarding cybersecurity, data security and data privacy, of jurisdictions other than the PRC.

Many other countries and governmental bodies, including the EU member states, have laws and regulations concerning the collection and use of personal data obtained from individuals located in the EU or by businesses operating within their jurisdiction, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal data that identifies or may be used to identify an individual, such as names, telephone numbers, email addresses and, in certain circumstances, IP addresses and other online identifiers. For example, the EU has adopted the General Data Protection Regulation (the “GDPR”), which took full effect on May 25, 2018. The GDPR enhances data protection obligations for businesses and requires service providers (data processors) processing personal data on behalf of customers to cooperate with European data protection authorities, implement security measures and keep records of personal data processing activities. Noncompliance with the GDPR can trigger fines equal to or greater of €20 million or 4% of global annual revenues. Given the breadth and depth of its obligations, working to meet the requirements of the GDPR has required significant time and resources, including a review of our technology and systems currently in use against the requirements of the GDPR. There are also additional EU laws and regulations (and member states implementations thereof) which govern the protection of consumers and of electronic communications. We have taken measures to address certain obligations under the GDPR and to make us GDPR compliant, but we may be required to take additional steps in order to comply with the GDPR. If our efforts to comply with GDPR or other applicable EU laws and regulations are not successful, we may be subject to penalties and fines that would adversely impact our business, results of operations, financial condition, and prospects, and our ability to conduct business in the EU could be significantly impaired.

RISK FACTORS

In the United States, the U.S. Federal Trade Commission and numerous state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data, and to the security measures applied to such data. We continue to see increased regulation of privacy cybersecurity and data protection, including the adoption of more stringent subject matter specific state laws in the United States. For example, in 2018, California enacted the CCPA, which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability, and we may be required to modify our practices and take additional steps in an effort to comply with the CCPA. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent state privacy legislation in the United States, which could increase our potential liability and adversely affect our business.

We also continue to see jurisdictions imposing data localization laws, which require personal information, or certain subcategories of personal information to be stored in the jurisdiction of origin. These regulations may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant additional costs. We endeavor to have our products and platform comply with applicable laws and regulations. For details of our internal measures relating to data privacy and security and our compliance efforts with respect to applicable laws and regulations, see “Business — Data Security and Privacy.” We expect that there will continue to be new proposed laws, rules of self-regulatory bodies, regulations and industry standards concerning privacy, data protection and information security in the PRC, United States, the EU and other jurisdictions, and we cannot yet determine the impact such future laws, rules, regulations and standards may have on our business. The uncertainty and developments in the requirements of multiple jurisdictions may increase the cost of compliance, delay or reduce demand for our services, restrict our ability to offer services in certain locations, impact our customers’ ability to deploy our products and solutions in certain jurisdictions, or subject us to claims and litigation from private actors and investigations, proceedings, and sanctions by data protection regulators, all of which could harm our business, results of operations, financial condition, and prospects.

We also may be bound by contractual obligations relating to our collection, use and disclosure of personal, financial and other data or may find it necessary or desirable to join industry or other self-regulatory bodies or other privacy, cybersecurity or data protection-related organizations that require compliance with their rules pertaining to privacy and data protection.

RISK FACTORS

Any failure or perceived failure by us, our products or our platform to comply with new or existing PRC, U.S., EU or other foreign privacy, cybersecurity or data protection laws, regulations, policies, industry standards or legal obligations, any failure to bind our suppliers and contractors to appropriate agreements or to manage their practices or any systems failure or security incident that results in the unauthorized access to, or acquisition, release or transfer of, personally identifiable information or other data relating to customers or individuals may result in governmental investigations, inquiries, enforcement actions and prosecutions, private claims and litigation, fines and penalties, adverse publicity or potential loss of business.

We have been and may in the future be involved in disputes relating to alleged infringement of intellectual property rights, including disputes in relation to the floor plans, digital properties or other content materials in our design library, which could adversely affect our business, results of operations, financial condition, and prospects.

There are considerable patent, copyright and other intellectual property development activities in our industry. Our future success depends, in part, on not infringing the intellectual property rights of others. Our competitors or other third parties have in the past claimed and may in the future claim that our products, our platform and its underlying technology, or content on our platform infringe on their intellectual property rights.

We may not have complete licenses for the copyrights underlying a portion of the content offered on our platform, and therefore we may be subject to assertions by third parties of infringement or other violations by us of their copyright in connection with such content. Most of the design materials in our design library were uploaded by users to our platform before or during the use of our products. A small portion of these digital assets, such as certain design models and floor plans, are either purchased from certain paid-for-download database or collected through publicly available channels online by our employees, or re-created by third parties contracted by us based on what we believe to be publicly available information. Given the large volume of such user-generated content available on our platform, it is challenging for us to accurately identify and verify the individual users that uploaded such content, the copyright status of such content, and the appropriate copyright owners from whom copyright licenses should be obtained. While we have implemented measures to prevent infringement of intellectual property rights of third parties in compliance with applicable laws, we cannot assure you that the floor plans, design models and other digital assets on our platform would not be subject to any claim or litigation brought against us based on alleged infringement of intellectual property rights. Specifically, it is possible that the acknowledgments and agreements made by users may not be enforceable against third parties who file claims against us. In addition, individual users who upload infringing content on our platform may not have sufficient resources to fully indemnify us, if at all, for any such claims.

Any claims or litigation with respect to intellectual property infringement could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or royalty payments, prevent us from offering our products, and require us to develop alternative non-infringing intellectual property or require that we comply with other unfavorable terms, any of which could significantly increase our operating expenses. We may

RISK FACTORS

also be obligated to indemnify our customers or business partners in connection with any such litigation and to modify our products or platform, which could be costly and disruptive to our operations. Even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business. Patent infringement, copyright infringement, trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, could harm our brand, business, results of operations, financial condition, and prospects.

We use software licensed from third parties and our inability to maintain those licenses could materially adversely affect our business, results of operations, financial condition, and prospects.

We currently incorporate, and will in the future incorporate, certain software licensed from third parties into our products and services to offer attractive user experience and drive customer acceptance of our products and services. We cannot be certain that our licensors do not or will not infringe on the intellectual property rights of third parties or that our licensors have or will have sufficient rights to the licensed intellectual property in all jurisdictions where we may market our products. If we are unable to continue to license technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or if we are unable to renew our existing license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell products containing that technology would be limited, and our business could be harmed.

Some of our agreements with our licensors may give licensors broad discretion to change and interpret the terms of service, which may have unfavorable impact on our business. If we are unable to license or continue to license technology from third parties, we may be forced to acquire or develop alternative technology. Although we believe that commercially reasonable alternatives to the third-party software we currently use are available, this may not always be the case and it may be difficult or costly to find such alternatives. We may be required to use alternative technology of lower quality or inferior performance. This could limit or delay our ability to offer certain existing, new, or competitive products and may increase our costs. Integrating new third-party software into our existing software system may consume significant amount of our time and resources. Our products and services depend on successful operation of third-party software in conjunction with our software, so any undetected errors or defects in the third-party software could impair our products and services. As a result, our business, results of operations, financial condition, and prospects could be materially adversely affected.

RISK FACTORS

Our business, results of operations, financial condition, and prospects have been adversely affected by changes in the carrying amount of redemption liabilities during the Track Record Period.

Our Company issued several series of convertible and redeemable preferred shares to investors. The investors have the right to require the Company to redeem all or part of the convertible and redeemable preferred shares at any time upon occurrence of specified triggering events, including a non-completion of a qualified [REDACTED] by a predetermined date, a change of applicable laws that can be reasonably expected to have a material adverse effect on the ownership or business operation of our Company or any subsidiaries in our Group, among others. The redemption of the convertible and redeemable preferred shares, if triggered, could affect our cash and liquidity position and financial condition.

We recorded changes in the carrying amount of redemption liabilities of RMB300.0 million, RMB350.8 million, and RMB292.7 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our redemption liabilities increased from RMB2,885.7 million as of December 31, 2022 to RMB3,286.7 million as of December 31, 2023, and further increased to RMB3,540.3 million as of September 30, 2024. At initial recognition, our redemption liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortized cost. Any changes in the carrying amount of redemption liabilities arising from remeasurement of the redemption amount are recognized in profit or loss. These convertible redeemable preferred shares will be re-designated from liabilities to equity upon automatic conversion into ordinary shares at the time of the [REDACTED]. For more details, see Note 26 to the Accountants’ Report included in Appendix I to this document.

Breaches of our networks or systems, or those of our service providers, could degrade our ability to conduct our business, compromise the integrity of our products, platform and data, result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data.

We depend on our IT systems to conduct virtually all of our business operations, ranging from our internal operations and research and development activities to our marketing and sales efforts and communications with our customers, service providers and business partners. Individuals or entities may attempt to penetrate our network security, or that of our platform, and to cause harm to our business operations, including by misappropriating our proprietary information or that of our customers, employees, service providers and business partners or to cause interruptions of our products and platform. Because the vulnerabilities and techniques used by such individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques, and we may not become aware in a timely manner of such a security breach, which could exacerbate any damage we experience. Additionally, while we have adopted data protection policies, we depend on our employees and contractors to

RISK FACTORS

appropriately handle confidential and sensitive data, including customer data, and to deploy our IT resources in a safe and secure manner that does not expose our network systems to security breaches or the loss of data. Any data security incidents, including internal malfeasance by our employees, unauthorized access or usage, virus or similar breach or disruption of us or our service providers could result in loss of confidential information, damage to our reputation, loss of customers, litigation, regulatory investigations, fines, penalties and other liabilities. Accordingly, if our cybersecurity measures or those of our service providers fail to protect against unauthorized access, attacks (which may include sophisticated cyberattacks), compromise or the mishandling of data by our employees, service providers and business partners, then our reputation, business, results of operations, financial condition, and prospects could be adversely affected.

We may not be able to maintain and continue optimizing the pricing terms for our products and services or enhance our customer retention rates going forward.

As the markets for our products and services mature, or as competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have adopted historically. Moreover, certain long-term customers of us, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenues, profitability, financial position, and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our products and services after expiration of the initial subscription period for our software solutions on our desired terms. We adopt a growth strategy with a focus on increasing the lifetime value of our enterprise customers, particularly our key accounts. As of December 31, 2022 and 2023 and September 30, 2024, our net revenue retention rate for key accounts was 127.6%, 115.5%, and 114.1%, respectively. However, our historical customer retention rates may not be indicative of our customer retention rates in the future and our customers may renew for fewer number of accounts. We may not accurately predict customer renewal rates. The retention rates of our customers may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our products and services, and their ability to continue their operations and spending levels. In addition, over time the average term of our contracts could change based on retention rates or for other reasons. If our customers do not renew their subscriptions for our products and services on similar terms, our revenues may decline, and our business could suffer.

Since we recognize subscription revenues over the duration of the contract, fluctuations in new sales, whether positive or negative, will not be immediately evident in our operating results and may be challenging to detect.

We recognize subscription revenues over the terms of our customer contracts, typically spanning from one to three years. As a result, the majority of the subscription revenue reported in any given period is derived from contract liabilities established in previous periods. This revenue recognition model creates a lag between the time when sales activities occur and when

RISK FACTORS

the resulting revenue is reflected in our financial statements. Consequently, a decline in new or renewed subscriptions during any period may only a limited impact on the revenue recorded and reported, but it will adversely affect our revenue in future periods as fewer new contracts contribute to the revenue stream.

In addition, delayed recognition of revenue can significantly impact our ability to promptly identify and respond to downturns in sales, shifts in market acceptance, or changes in pricing policies. As the impact of these effects may not become apparent in our operating results until future periods, we face risks such as sustained periods of underperformance, delays in implementing necessary strategic adjustments, and inefficiencies in resource allocation. Moreover, a large portion of our costs, particularly sales and marketing expenses, are incurred upfront and recognized immediately, while the corresponding revenues spread out over the life of the customer contracts. This discrepancy between the timing of costs and revenue can result in incurring higher costs than revenues during the early phases of our subscription agreements, particularly when experiencing rapid customer growth. Therefore, our short-term financial performance may be affected, which could further complicate the alignment of expenses with revenue and hinder effective profitability management.

Our products and platform incorporate open source software, which may subject us to unanticipated conditions, restrictions and certain requirements from the developers and could negatively affect our ability to sell our products and subject us to possible litigation.

Our products and platform incorporate open source software, and we expect to continue to incorporate open source software in our products and platform in the future. There is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products and platform. If we or our employees fail to comply with open source licenses, we may be subject to certain requirements, including requirements that we offer our products that incorporate the open source software for no cost, that we make publicly available certain portions of our proprietary source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from generating revenues from customers using products that contained the open source software and required to comply with onerous conditions or restrictions on these products. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our products and platform and to re-engineer our products or platform or discontinue offering our products to customers in the event re-engineering cannot be accomplished on a timely basis. In addition, the use of open source software typically exposes us to greater risks when compared to the use of third-party commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for unauthorized users to determine how to

RISK FACTORS

compromise our products. Any of the foregoing could require us to devote additional research and development resources to re-engineer our products or platform, could result in customer dissatisfaction and help our competitors develop products and services that are similar to or better than ours, and may adversely affect our business, results of operations, financial condition, and prospects.

We use third-party cloud-based infrastructure to support our business operations. Any disruptions, capacity limitations, or issues with these third-party providers could negatively impact our business, results of operations, financial condition, and prospects.

We deploy third-party cloud-based infrastructure for our engineering, sales and marketing, and operations activities. We also use third-party public clouds to store the growing data sets generated by our enlarging user base. These providers are responsible for safeguarding the information stored within the system, which is transmitted through third-party internet service providers. As customers always expect uninterrupted and high-performance access to our services, restrictions on the capacity of our cloud infrastructure could hinder our ability to onboard new customers, expand usage for existing ones, or effectively serve our clientele, potentially negatively impacting our business, results of operations, financial condition, and prospects.

Although we maintain incident management and disaster response plans, there is no assurance that we would not be affected in the event of a major disruption on the third-party cloud-based infrastructure caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, and other similar events beyond our control. A prolonged service disruption may result in our inability to continue our operations and may cause endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data. Any failure to maintain performance, reliability, security, integrity and availability of our products and technical infrastructure by our third-party cloud providers, may give rise to litigation, consumer protection actions, or harm to our reputation, and as a result, may hinder our ability to retain existing users and attract new users. In addition, we may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party cloud-based infrastructure we use.

Besides, we have limited or no control over the facilities and technologies provided by these third-party providers. Despite the agreements imposing obligations on our collaborative third-party cloud service providers to handle disruptions or any other abnormalities in a timely manner, we cannot guarantee you that these third-party providers will respond immediately in case of any emergency. 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 platform, as well as significant delays and additional expenses in arranging or creating new facilities and services or re-architecting our platform for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

RISK FACTORS

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our design library, trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, confidentiality agreements, non-compete agreements, invention assignment agreements and licensing agreements with our employees and third parties to protect our intellectual properties. However, events beyond our control may pose threats to our intellectual property rights and the integrity of our products and brand. Effective protection of our trademarks, copyrights, domain names, patent rights, and other intellectual property rights is expensive and challenging. While we have taken measures to protect our intellectual property rights, including implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, and deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual property rights, we cannot assure you that such efforts are adequate to guard against any potential infringement and misappropriation. In addition, our intellectual property rights may be declared invalid or unenforceable by the courts.

Similarly, to protect our unpatented proprietary information and technology, such as trade secrets, we rely on our agreements with employees and third parties that contain restrictions on the use and disclosure of such information or technology. For example, our employees and third parties are required to keep confidential of any unpatented proprietary information and technology during the contract term and after the termination of the employment agreement. In addition, the agreements with our employees and third parties explicitly provide for all rights and obligations regarding the ownership and protection of intellectual property rights. These agreements may be inadequate or may be breached, either of which could potentially result in unauthorized use or disclosure of our trade secrets and other proprietary information to third parties, including our competitors. As a result, we may lose our competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business.

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

The recognition and image of our brand and the successful maintenance and enhancement of our brand and reputation have contributed, and will continue to contribute, to our success and growth. Any negative perception and publicity about us, our shareholders, directors, officers, employees, associates, business partners and the services we provide, whether justified or not, could tarnish our reputation and reduce the value of our brand. Such negative coverage in the media and publicity could change market perception that we are a trustworthy service provider. Certain negative publicity may come from malicious harassment or unfair acts by third parties or our competitors, and some of allegations may be without grounds, both of which are beyond our control but likely to affect our reputation and business materially and adversely. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

RISK FACTORS

We are dependent on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, results of operations, financial condition, and prospects.

Our future performance depends on the continued services and contributions of our senior management, including our co-founders, namely Mr. Huang, Mr. Chen, and Mr. Zhu, to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our senior management or other key employees can cause a significantly delay in or prevent us from achieving our strategic business objectives, and adversely affect our business, results of operations, financial condition, and prospects. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also requires significant amount of time, training and resources, and may impact our existing corporate culture. In addition, our senior management team has limited experience in running public companies, which will require us to expend additional resources in hiring additional support staff and incur additional costs and expenses.

If we are unable to attract, retain and motivate qualified personnel, our business may be adversely affected.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel specializing in product development, sales and marketing, particularly with experience in the spatial design software industry. In order to enhance the stability of our team, we are devoted to building a nurturing corporate culture and offered various incentives and trainings to our highly skilled personnel. Nevertheless, we cannot assure you that we can attract or retain qualified personnel. The inability to do so or delays in hiring required personnel may cause significant harm to our business, results of operations, financial condition, and prospects. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, thereby materially and adversely affecting our business, results of operations, financial condition, and prospects.

Meanwhile, the growth of our business requires us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, we cannot assure you that these individuals would choose to join, or continue working for, us. If we fail to attract and retain personnel with suitable managerial or other expertise, or to maintain an adequate labor force on a continuous and sustained basis, our business, results of operations, financial condition, and prospects could be materially and adversely affected.

RISK FACTORS

If we cannot maintain our company culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success.

We believe our corporate culture fosters innovation, teamwork, openness and focus on execution and has contributed to our success. As we grow and develop our infrastructure as a public company and expand our operations, we may find it difficult to maintain our corporate culture. Any failure to preserve our culture could harm our future success, including our ability to recruit and retain qualified personnel, innovate and operate effectively, and execute on our business strategies. If we experience any of these risks in connection with future growth, it could impair our ability to attract new customers and retain existing customers and expand their use of our platform, all of which could materially adversely affect our business, results of operations, financial condition, and prospects.

We may not be able to fulfill our obligations in respect of deferred revenue, which might have an adverse impact on our cash and liquidity position.

As of December 31, 2022 and 2023 and September 30, 2024, our deferred revenue amounted to RMB506.8 million, RMB617.1 million, and RMB572.1 million, respectively. Our deferred revenue primarily consists of advance payments received from our customers for subscriptions or professional services that are to be delivered or performed in the future. See “Financial Information — Selected Items from the Consolidated Statements of Financial Position — Liabilities — Deferred Revenue.” If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such deferred revenue into revenue. Under this circumstance, our customers may also require us to refund all or a portion of the advance payments we have received, which may adversely affect our cash flow and liquidity condition. In addition, it may adversely affect our business and our relationship with such customers, which may also affect our reputation and results of operations in the future.

We have granted share-based awards under our share incentive plan and may continue to grant share-based awards in the future, which may cause shareholding dilution to our existing shareholders and result in increased share-based compensation expenses and have an adverse effect on our future profitability.

We approved and adopted the Pre-[REDACTED] Equity Incentive Plans, which included (i) the 2014 Pre-[REDACTED] Equity Incentive Plan on August 28, 2014, which was further amended on June 30, 2017 and October 28, 2021, respectively; and (ii) the 2024 Pre-[REDACTED] Equity Incentive Plan adopted on December 17, 2024. On April 1, 2021, 13,404,240 Ordinary Shares were issued to each of the wholly-owned subsidiaries of Mr. Huang, Mr. Chen, and Mr. Zhu pursuant to the exercise of share options granted to them under the 2014 Pre-[REDACTED] Equity Incentive Plan. On June 11, 2021, 56,566,803 Ordinary Shares were issued to Wide Future Group Limited, a trust company established by the Company for the purpose of settling options when they are exercised by relevant participants under the 2014 Pre-[REDACTED] Equity Incentive Plan, with Trident Trust Company (HK) Limited acting as the trustee. As of the Latest Practicable Date, we have granted outstanding Options to subscribe for an aggregate of 115,430,660 Ordinary Shares under the Pre-[REDACTED] Equity Incentive Plans, representing [REDACTED]% of the total issued

RISK FACTORS

Shares of our Company immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans. In 2022, 2023 and the nine months ended September 30, 2024, we recorded RMB66.2 million, RMB53.4 million, and RMB27.2 million, respectively, in share-based compensation expenses. Issuance of additional Shares with respect to such share-based payments may also dilute the shareholding percentage of our existing Shareholders. For details, see “History, Reorganization and Corporate Structure — Pre-[REDACTED] Equity Incentive Plans” and “Appendix IV — Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans.”

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. As a result, our expenses associated with share-based compensation will increase, which may have an adverse effect on our results of operations. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plans will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees. In case we decide to reserve and issue additional shares under our share incentive plans, your interests in our company will be further diluted by such issuance.

Any discontinuation, reduction or delay of any preferential tax treatments or government grants that may be available to us in the future could materially and adversely affect our business, results of operations, financial condition, and prospects.

We have benefited from preferential tax treatments from the PRC government. For details, see “Financial Information — Description of Major Components of Our Results of Operations — Other Income.” For example, in 2022, 2023 and the nine months ended September 30, 2024, we received government grants of RMB10.3 million, RMB15.3 million, and RMB1.7 million, respectively, which mainly comprise the financial subsidies received from various local government authorities in the PRC. We also recorded additional deductible input VAT of RMB1.3 million, RMB0.7 million, and nil in 2022, 2023 and the nine months ended September 30, 2024, respectively. Additional deductible input tax represents additional VAT deduction allowed under the PRC tax law for the subscription sales of our software products and solutions. The government agencies may decide to reduce, eliminate or cancel our preferential tax treatments or government grants in accordance with relevant laws and regulations. Therefore, we cannot assure you of the continued availability of such preferential tax treatments or government grants which we currently enjoy. The discontinuation, reduction or delay such preferential tax treatments or government grants could adversely affect our financial condition and results of operations. There is no assurance that the renewal will be granted promptly or at all.

RISK FACTORS

We may be unsuccessful in making, integrating, and maintaining acquisitions, joint ventures, and strategic investments.

Historically we have made acquisitions and investments to expand our offerings and geographic presence. We expect to continue to evaluate and consider a wide array of potential strategic transactions, including acquisitions of businesses, joint ventures, new technologies, services, products, and other assets, and making strategic investments. Such acquisitions and strategic relationships can help us to build up a robust portfolio, further increase our market share, and strengthen our global presence. Such success depends on our ability to discover high-potential acquisitions and strategic relationships that supplement and enrich our existing offerings. We may not be able to find suitable acquisition, joint venture, and strategic investment candidates, and we may not be able to complete these transactions on favorable terms, or at all. Even if we are able to complete these transactions, they may not ultimately strengthen our competitive position or achieve our strategic goals. As part of our strategy, we endeavor to nurture and preserve each brand’s distinctive identity and purpose, while leveraging the technologies and name recognition of each brand to build a portfolio that covers the entire value chain of the spatial design software industry. We may not be able to successfully manage the various brands and build up such a portfolio, and could be viewed negatively by existing or prospective customers, collaborators, third-party developers, regulators, investors, or others. Any of these transactions could be material to our business, results of operations, financial condition, and prospects.

We may not realize the anticipated benefits of any or all of our acquisitions, joint ventures, or strategic investments in the time frame expected or at all. Valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, we could determine that such valuations have experienced impairments or other-than-temporary declines in fair value which could materially adversely affect our business, results of operations, financial condition, and prospects through the write-off of goodwill and other impairment charges.

We may have to pay cash, incur debt, or issue securities, including equity-based securities, to pay for acquisitions, joint ventures, or strategic investments, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such transaction could result in dilution to our stockholders. If we incur debt in connection with such a transaction, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business. Any of these factors could materially adversely affect our ability to consummate a transaction, our business, results of operations, financial condition, and prospects.

We are subject to the risks associated with international trade policies, geopolitics and trade protection measures.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could

RISK FACTORS

adversely affect the global financial and economic conditions. Our business operations may be negatively affected by any deterioration in the political and economic relations among countries, sanctions programs, export controls, and inbound and outbound investment controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs, and political instability. For example, on October 28, 2024, the U.S. Department of the Treasury issued final regulations implementing the “Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern.” These regulations prohibit or subject to notification requirements certain transactions between U.S. persons and certain non-U.S. counterparties that have a qualifying nexus to China, Hong Kong, or Macao and deal in specified technologies. The new rule may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based companies. Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities all over the world, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We utilize third-party agents to market and sell our software solutions. Any disruption in our relationships with these agents could adversely impact our business, results of operations, financial condition, and prospects.

We work with third-party agents to increase our sales. In 2022, 2023 and the nine months ended September 30, 2024, we collaborated with 43, 88, and 131 third-party agents, respectively. In 2022, 2023 and the nine months ended September 30, 2024, our revenue attributable to third-party agents amounted to RMB11.9 million, RMB11.6 million, and RMB9.8 million, respectively, accounting for 2.2%, 1.8%, and 1.8% of our total subscription revenues, respectively. We strategically engage such third-party agents under commission model or distributor model to execute our sales and marketing efforts in a more effective manner. For details, please see “Business — Sales and Marketing — Third-party Agents.”

Despite our efforts to allocate resources to identifying, developing, and maintaining robust relationships with our third-party agents, we cannot ensure that our current or future third-party agents will comply strictly with the exclusivity or other terms of our agreements. They might also discontinue marketing our products with little or no warning. If we fail to find additional third-party agents promptly and cost-effectively, or at all, or if we cannot independently market our software solutions and related services in the regions where we rely on these agents, our business, results of operations, financial condition, and prospects could suffer.

RISK FACTORS

Additionally, any misconduct by our third-party agents could have a material adverse effect on our business, reputation, brand recognition, market position, results of operations, and financial condition. Failure of our third-party agents to comply with our agreements or relevant legal and regulatory requirements could tarnish our brand image and disrupt our sales. If we become aware of any third-party agent not fulfilling its obligations under our agreements or violating laws, regulations, or standards, to the extent that we are involved in negative publicity, legal actions or administrative penalties, our ability to effectively market and sell our products may be adversely affected.

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

Our business operations are subject to anti-bribery and anti-corruption laws and regulations in China and overseas, 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. While we have adopted and implemented internal controls and procedures to monitor both internal and external compliance with anti-bribery and anti-corruption laws, regulations and policies, we cannot guarantee that such internal controls and procedures will always be effective in preventing non-compliance and exculpating us from penalties or liabilities that may be imposed by relevant government authorities due to violations committed by our employees or our regional channel partners. If our employees or our regional channel partners are found or alleged to have violated anti-bribery or anti-corruption laws and regulations, we may face or be involved in fines, lawsuits and damage to our reputation, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We may fail to obtain or maintain all required licenses, permits and approvals to operate our business.

We are required to obtain and maintain required licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business. As of the Latest Practicable Date, we have not been subject to any fines or other form of regulatory or administrative penalties or sanctions due to lack of any of such licenses, approvals, permits, registrations or filings. We are making efforts to obtain all licenses and permits and complete all registration procedures that are necessary to our various business activities, however, there is no assurance that we can timely obtain all such licenses, permits and complete all such registration procedures.

In addition, we may be required to obtain additional licenses or permits from, or make registration or filings, with competent governmental authorities in the future as our business evolves and expands into new offering categories. We cannot assure you that we can

RISK FACTORS

successfully do so in a timely and cost-effective manner, or at all, considering the possible future developments regarding the interpretation and implementation by the relevant authorities of existing and future laws and regulations governing our business activities.

If we have been considered as operating without proper approvals, licenses or permits, or we fail to obtain any additional approvals or license or comply with any additional requirements pursuant to applicable new laws and regulations are promulgated, the competent governmental authorities have the power, among other things, to order timely rectification, impose fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the competent government authority may have a material adverse effect on our business, results of operations, financial condition, and prospects.

Our legal right to some leased properties may be challenged.

As of the Latest Practicable Date, three of our leased properties were subject to potential title defects, as the lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases might be deemed invalid and unenforceable. If this occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. In addition, in the event that our use of properties is successfully challenged, we may be forced to relocate. Moreover, 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 can provide no assurance 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 liability resulting from third parties’ challenges on our use of such properties. As a result, our business, results of operations, financial condition, and prospects may be adversely affected. See “Business — Properties — Leased Properties — Title Defects.”

As of the Latest Practicable Date, none of our leased properties in China had been registered and filed with relevant land and real estate management departments in China, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC governmental authorities. Failure to complete the lease registration will not affect the legal effectiveness of the lease agreements according to PRC law, but the competent real estate administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time, and failure to do so may subject the parties to fines from RMB1,000 to RMB10,000 for each of such non-registered lease agreements. See “Business — Properties.”

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests which may have a material adverse impact on our business, results of operations, financial condition, and prospects. However, if any of our

RISK FACTORS

leases is terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties, but we may be forced to relocate the affected offices and staff dormitories and incur additional expenses relating to such relocation. We cannot guarantee that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we fail to relocate our operations in a timely manner, it may adversely affect the business operations of us.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, results of operations, financial condition, and prospects.

We may be subject to disputes or claims of various types brought by our competitors, employees, associates, customers or others against us relating to contractual disputes, labor disputes, intellectual property infringements, competition claims, or disputes involving mistakes or misconducts of our employees. Such claims and disputes may evolve into litigations and damage our reputation and goodwill, thereby adversely affecting our customer base. Litigation is distractive and expensive as it requires time and attention from our management team and employees. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which could have a material and adverse effect on our business, results of operations, financial condition, and prospects.

Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant laws and regulations, we are required to make contributions for the social insurance and housing fund for our employees in accordance with the rates provided under relevant regulations and withhold the contribution amounts to be paid by the employees themselves.

During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees in full and we engaged third-party agencies to pay social insurance premium and housing provident funds for some of our employees, primarily because certain of our employees prefer to participate in the social welfare schemes in their respective places of residence without our registered subsidiaries established, where they primarily conduct their work. Pursuant to the relevant PRC laws and regulations, the under-contribution of social insurance may subject us to compensate for the delayed payment amount within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Additionally, pursuant to the relevant PRC laws and regulations, if there is any failure to pay the full amount of housing provident fund as required, the competent housing provident fund management center may require payment of the outstanding amount

RISK FACTORS

within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities if the third-party agencies failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by competent PRC authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

Our Directors are of the view that the aforementioned failure to fully contribute to social insurance and housing provident funds would not have a material adverse effect on our business, financial condition or results of operations, based on the following considerations: (i) we have obtained the written confirmations issued by the competent government authorities of our relevant PRC subsidiaries, which indicate that we had not been subject to any administrative actions or penalties with respect to social insurance and housing provident funds during the Track Record Period; (ii) we were neither aware of any material employee complaints filed against us nor involved in any material labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification or order from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds; (iv) consultations with the relevant competent local governmental authorities of our relevant PRC subsidiaries, whose employees constitute the majority of our employees in PRC, confirm that such authorities generally would not initiate action to impose any penalty on us or compel us to make supplementary contribution with respect to social insurance and housing provident funds; and (v) as advised by our PRC Legal Advisor, based on the current regulatory policies and the facts stated above, in accordance with the existing applicable laws, regulations, and policies, and in the absence of employee complaints, the likelihood that we are subject to any material administrative penalties or compel to make supplementary contributions initiated by the relevant PRC authorities due to our failure to provide full social insurance and housing provident funds contributions for our employees during the Track Record Period is remote. For more details, see “Business — Regulatory Compliance — Social Insurance and Housing Provident Funds.”

However, we cannot assure you that the relevant governmental authorities will not require us to pay the outstanding amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations related to noncompliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, results of operations, financial condition, and prospects may be adversely affected.

RISK FACTORS

We may be subject to penalties relating to labor dispatch.

On December 28, 2012, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, dispatched workers may only engage in temporary, auxiliary or substitute work. Additionally, pursuant to the Interim Provisions on Labor Dispatching (《勞務派遣暫行規定》) (the “**Interim Provisions on Labor Dispatching**”) which has become effective since March 1, 2014, an employer shall strictly control the number of dispatched workers it engaged, which shall not exceed 10% of the total number of its workers (including both directly hired employees and dispatched workers) (the “**Limit**”). In the event a company violates the Interim Provisions on Labor Dispatching, the relevant labor department would send the company a notice, ordering it to rectify such violation. If the company fails to rectify within a prescribed period, it would be imposed a fine of RMB5,000 to RMB10,000 for each dispatched worker exceeding the Limit. In addition, the company would not be permitted to engage additional dispatched workers until the number of its existing dispatched workers has been reduced below the Limit.

During the Track Record Period, we engaged dispatched workers for positions of temporary, auxiliary or substitute nature. However, we cannot assure you that the relevant government authorities would determine that the dispatched workers were engaged to perform temporary, auxiliary or substitute work. As of the Latest Practicable Date, we had reduced the number of dispatched contract workers to below 10% of the total number of our employees, and none of our PRC subsidiaries had received any notice or been subject to any administrative penalties or other disciplinary actions relating to labor dispatch from the relevant government authorities. However, we cannot assure you that the relevant government authorities will not impose penalties on our PRC subsidiary for its historical non-compliance, which may adversely affect our business, results of operations, financial condition, and prospects.

We are subject to various risks relating to third-party payments.

We face various risks associated with third-party payments. During the Track Record Period, certain customers (the “**Relevant Customers**”) made payments to us through third-party payors (the “**Third-party Payment Arrangements**”). In 2022, 2023 and the nine months ended September 30, 2024, the numbers of Relevant Customers were 970, 1,058, and 1,111, respectively. The aggregate amounts of third-party payments were RMB34.7 million, RMB45.3 million, and RMB36.5 million, accounting for 5.8%, 6.8%, and 6.6% of our revenue during the respective periods.

While we have started to implement measures to rectify these third-party payments, there is no assurance that the Third-party Payment Arrangements that have already occurred will not be subject to future claims. These may include (i) potential claims from third-party payors for the return of funds, as they were not contractually liable to us at the time the agreements were signed, (ii) potential claims from liquidators of third-party payors, and (iii) potential risks arising from our limited knowledge regarding the source and purpose of the funds utilized by the third-party payors. Should any future claims or legal proceedings related to third-party

RISK FACTORS

payments be initiated against us, we may need to allocate significant financial and managerial resources to defend against such claims and legal proceedings, which could adversely affect our financial condition and results of operations. For additional information on the Third-party Payment Arrangements, see “Business — Our Customers — Third-party Payments.”

We may not have sufficient insurance coverage to cover our potential liability or losses, and our business, results of operations, financial condition, and prospects may be materially and adversely affected should any such liability or losses arise.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we have not obtained any property insurance or business interruption insurance, neither have we maintained insurance policies against risks relating to our corporate structure. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business, results of operations, financial condition, and prospects.

Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. Historically, we have received a relatively lower volume of subscriptions from new and existing customers in the first quarter of each year. We believe that it results from the reduced number of transactions during the Chinese New Year holiday. As this is a factor affecting the overall business activities in China, we expect this seasonality to continue in the future. Our order volume typically ramps up starting the second quarter of a year as normal business operations accelerate after the Chinese New Year holiday season. As a result, our revenues and cash flows may vary within a fiscal year, and you may not be able to predict our annual results of operations based on a comparison of our interim results of operations.

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors, including extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented action to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms, or at all.

RISK FACTORS

We may be unable to obtain any additional capital required in a timely manner or on acceptable terms, or at all. Moreover, our future capital needs may require us to sell additional equity or debt securities that may dilute our shareholders’ shareholdings or subject us to covenants that may restrict our operations or our ability to pay dividends.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital may face changes, including:

- our market position and competitiveness in the industries in which we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities in China;
- overall conditions of the PRC spatial design software market; and
- economic, political and other conditions around the world.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity or debt securities, or to obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders’ shareholdings. Any incurrence of indebtedness will also lead to increased debt service obligations, and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our shareholders.

Any debt financing obtained by us in the future may involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which could make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

RISK FACTORS

We may be subject to governmental export controls and economic sanctions regulations that could impair our ability to compete in international markets due to licensing requirements and could subject us to liability if we are not in compliance with applicable laws.

Certain of our products and services may be subject to export control and economic sanctions regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Controls. Exports of our products and the provision of our services must be made in compliance with these laws and regulations. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export privileges, fines, which may be imposed on us and responsible employees or managers, and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular deployment may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our products or services, or changes in applicable export or economic sanctions regulations may create delays in the introduction and deployment of our products and services in international markets, or, in some cases, prevent the export of our products or provision of our services to certain countries or end users. Any change in export or economic sanctions regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could also result in decreased use of our products and services, or in our decreased ability to export our products or provide our services to existing or prospective customers with international operations. Any decreased use of our products and services or limitation on our ability to export our products and provide our services could adversely affect our business, results of operations, financial condition, and prospects.

Further, we incorporate encryption technology into certain of our products. Various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our customers’ ability to import our products into those countries. Encryption products and the underlying technology may also be subject to export control restrictions. Governmental regulation of encryption technology and regulation of exports of encryption products, or our failure to obtain required approval for our products, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products and provision of our services, including with respect to new releases of our products and services, may create delays in the introduction of our products and services in international markets, prevent our customers with international operations from deploying our products and using our services throughout their globally-distributed systems or, in some cases, prevent the export of our products or provision of our services to some countries altogether.

RISK FACTORS

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

Our success depends on our ability to establish and utilize risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business — Risk Management and Internal Control.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. But our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the significant size of our operations and our business expansion, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business, results of operations, financial condition, and prospects. As we are likely to offer a broader and more diverse range of services and solutions in the future, the diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations, financial condition, and prospects could be materially and adversely affected.

Our global operations and structure subject us to potentially adverse tax consequences.

We generally conduct our global operations through subsidiaries and report our taxable income in various jurisdictions worldwide based on our business operations in those jurisdictions. In particular, our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Also, our tax expense could be affected depending on the applicability of withholding and other taxes (including withholding and indirect taxes on software licenses and related intercompany transactions) under the tax laws of certain jurisdictions in which we have business operations. The relevant revenue and taxing authorities may disagree with positions we have taken generally, or our determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. The tax laws of certain countries in which we do business could also evolve on a prospective basis, and any such evolvments could increase our liabilities for taxes, interest and penalties, and therefore could harm our business, results of operations, financial condition, and prospects.

RISK FACTORS

Our business is subject to the risks of earthquakes, fire, floods, pandemics and other natural catastrophic events, which could significantly disrupt our business, results of operations, financial condition, and prospects.

A significant natural disaster, such as an earthquake, fire, flood or pandemic, occurring the regions where we operate our business could adversely affect our business, results of operations, financial condition, and prospects. Even if we are not directly affected, such a disaster or disruption could affect our operations or financial condition if other stakeholders, such as our service providers and business partners, suffer or the ability of our customers to use our products and platform is harmed. Moreover, our business could be impacted by public health epidemics, such as outbreaks of avian influenza, SARS, Zika virus, Ebola virus, coronavirus, or other infectious diseases. If any of our employees are suspected of contracting a contagious illness, we may need to implement quarantines or temporarily halt our operations.

RISKS RELATED TO OUR CORPORATE STRUCTURE AND CONTRACTUAL ARRANGEMENTS

If the PRC government deems that the agreements that establish the structure for operating our businesses in China do not comply with PRC regulations on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations impose certain restrictions on foreign ownership of companies that engage in a number of business activities, including value-added telecommunications services and radio and television program production and operation service. We are an exempted company incorporated in the Cayman Islands, and our wholly foreign-owned enterprise in the PRC, our WFOE, is a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct certain business in China through our Consolidated Affiliated Entity. Our WFOE has entered into Contractual Arrangements with our Consolidated Affiliated Entity and the Registered Shareholders, which enable us to (i) exercise effective control over our Consolidated Affiliated Entity, (ii) receive substantially all of the economic benefits of Consolidated Affiliated Entity, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in our Consolidated Affiliated Entity when and to the extent permitted by PRC law. As a result of these Contractual Arrangements, we have control over and are the primary beneficiary of our Consolidated Affiliated Entity and hence consolidate its financial results as our Consolidated Affiliated Entity under IFRS. For details, please see “Contractual Arrangements.”

RISK FACTORS

If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or our Consolidated Affiliated Entity is in violation of PRC laws or regulations, or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM and the MIIT, would have discretion in dealing with such violations or failures, including, without limitation:

- requiring the nullification of the Contractual Arrangements;
- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income which is deemed to have been obtained through illegal operations;
- imposing conditions or requirements with which we or the WFOE and our Consolidated Affiliated Entity may not be able to comply;
- requiring us or the WFOE and our Consolidated Affiliated Entity to restructure the relevant ownership structure or operations, or to re-apply for the necessary licenses, or to relocate our business, staff and assets;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance our Consolidated Affiliated Entity's business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, results of operations, financial condition, and prospects. In addition, it is unclear whether PRC government actions would have any impact on us, and our ability to consolidate the financial results of any of our Consolidated Affiliated Entity in our combined financial statements, if the PRC governmental authorities find our legal structure and Contractual Arrangements to be in violation of PRC laws, rules and regulations.

RISK FACTORS

We rely on Contractual Arrangements with our Consolidated Affiliated Entity and its Registered Shareholders to operate our business, which may not be as effective as direct ownership in providing operational control.

Due to the PRC restrictions or prohibitions on foreign ownership of internet and other related businesses in China, we rely on Contractual Arrangements with our Consolidated Affiliated Entity to operate our business in the PRC. For details, please see “Contractual Arrangements.” These Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entity, and allow us to obtain economic benefits from them.

These Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entity. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our Consolidated Affiliated Entity, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. However, our Consolidated Affiliated Entity and its Registered Shareholders could breach the Contractual Arrangements with us by, among other things, failing to conduct the operations of our Consolidated Affiliated Entity in an acceptable manner or taking other actions that are detrimental to our interests. Since the WFOE is not the shareholder of our Consolidated Affiliated Entity, under the Contractual Arrangements, we rely on the performance by our Consolidated Affiliated Entity and Registered Shareholders of their obligations under the contracts to exercise control over our Consolidated Affiliated Entity. The Registered Shareholders may not act in the best interests of our company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties. See “— Any failure by the Consolidated Affiliated Entity or the Registered Shareholders to perform their obligations under the Contractual Arrangements would have a material and adverse effect on our business.”

Any failure by the Consolidated Affiliated Entity or the Registered Shareholders to perform their obligations under the Contractual Arrangements would have a material and adverse effect on our business.

If our Consolidated Affiliated Entity or Registered Shareholders fail to perform their respective obligations under these Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. For example, if the shareholders of our Consolidated Affiliated Entity were to refuse to transfer their equity interests in the Consolidated Affiliated Entity to us or our designee if we exercise the purchase option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders’ equity interests in our Consolidated Affiliated Entity, our ability to exercise Registered Shareholders’ rights or foreclose the share pledge according to the Contractual Arrangements may be

RISK FACTORS

impaired. If these or other disputes between the Registered Shareholders and third parties were to impair our control over our Consolidated Affiliated Entity, our ability to consolidate the financial results of our Consolidated Affiliated Entity would be affected, which would in turn materially and adversely affect our business, results of operations, financial condition, and prospects.

All the agreements under the Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Meanwhile, there are very few precedents and little formal guidance as to how Contractual Arrangements in the context of Consolidated Affiliated Entity should be interpreted or enforced under PRC law. We cannot predict the ultimate outcome of such arbitration should arbitral proceedings become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and time. In the event we are unable to enforce the Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entity, and our ability to conduct our business may be adversely affected.

The Registered Shareholders, directors and executive officers of our Consolidated Affiliated Entity may have potential conflicts of interest with us, which could adversely affect our business, results of operations, financial condition, and prospects.

The Registered Shareholders, directors and executive officers of our Consolidated Affiliated Entity may have actual or potential conflicts of interest with us. Although these individuals are contractually obligated, or obligated as a result of their fiduciary duty to our company, to act in good faith and in our best interest, they still have potential conflicts of interest with us. For example, occasions may arise when the fiduciary duties these individuals owe to us under Cayman Islands law conflict with the fiduciary duties they owe to our PRC entities under PRC law. Under Cayman Islands law, a director is not released from his or her fiduciary duties owed to us as a director of our Company, and his or her obligation to discharge such duties is not affected by any other duties that such director owes or interests which such director may have, including as a director or Registered Shareholders of another company, such as our Consolidated Affiliated Entity. In addition, these individuals may breach, or cause our Consolidated Affiliated Entity to breach, or refuse to renew, the existing Contractual Arrangements and our Consolidated Affiliated Entity, which would materially and adversely affect our ability to effectively control our Consolidated Affiliated Entity and receive economic benefits from them. For example, the Registered Shareholders may be able to cause our agreements with our Consolidated Affiliated Entity to be performed in a manner adverse to us

RISK FACTORS

by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of the Registered Shareholders will act in the best interests of our company or that such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between the Registered Shareholders and our company, except that we could exercise our purchase option under the exclusive option agreement entered into by the WFOE, the Consolidated Affiliated Entity, and the Registered Shareholders on January 10, 2022 to request the Registered Shareholders to transfer all of their equity interests in the Consolidated Affiliated Entity to the WFOE or a PRC entity or individual designated by us, to the extent permitted by PRC law. Registered Shareholders have executed powers of attorney to appoint our WFOE to vote on their behalf and exercise voting rights as Registered Shareholders. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The Registered Shareholders, directors and executive officers of our Consolidated Affiliated Entity may be involved in personal disputes with third parties or other incidents that may adversely affect their respective equity interests in our Consolidated Affiliated Entity and the validity or enforceability of the Contractual Arrangements. For example, in the event that any individual Registered Shareholders divorces his spouse, the spouse may claim that the equity interest of our Consolidated Affiliated Entity held by such shareholder is part of his or her community property and should be divided between such shareholder and his spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder's spouse or another third party who is not subject to obligations under the Contractual Arrangements, which could result in a loss of the effective control over our Consolidated Affiliated Entity by us. Similarly, if any of the equity interests of our Consolidated Affiliated Entity is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over our Consolidated Affiliated Entity or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and results of operations, as well as harm our financial condition and prospects.

Although under our current Contractual Arrangements, (i) each Registered Shareholder's spouse has executed a spousal undertaking under which the spouse agrees not to assert any rights over the equity interest in our Consolidated Affiliated Entity held by these shareholders, and (ii) it is expressly provided that our Consolidated Affiliated Entity and the Registered Shareholders shall not assign any of their respective rights or obligations to any third party without the prior written consent of our WFOE or other party designated by our WFOE, we cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. In the case that any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management's attention and the outcome of such legal proceedings may be unpredictable.

RISK FACTORS

We conduct certain business operations in China through the Consolidated Affiliated Entity by way of Contractual Arrangements. However, certain terms of our Contractual Arrangements may not be enforceable under PRC laws and regulations.

The Contractual Arrangements provide for dispute resolution by way of arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in China. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our Consolidated Affiliated Entity, injunctive relief and/or order the winding up of the Consolidated Affiliated Entity. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entity in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands are subject to recognition and enforcement by PRC courts according to the applicable laws and regulations. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interests in the Consolidated Affiliated Entity in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures.

In case the Contractual Arrangements provide that courts in competent jurisdictions may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if granted by courts in competent jurisdictions in favor of an aggrieved party) are subject to recognition and enforcement by PRC courts according to the relevant laws and regulations. As a result, in the event that our Consolidated Affiliated Entity or the Registered Shareholders breach 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 our Consolidated Affiliated Entity and conduct our business could be materially and adversely affected.

Contractual Arrangements in relation to our Consolidated Affiliated Entity may be subject to scrutiny by the PRC tax authorities and they may determine that our Consolidated Affiliated Entity owes additional taxes, which could adversely affect our business, results of operations, financial condition, and prospects.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) requires every enterprise in China to submit its annual enterprise income tax return together with an annual report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm’s length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among our WFOE, our Consolidated Affiliated Entity and our Registered

RISK FACTORS

Shareholders were not entered into on an arm’s length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, regulations and rules, and adjust their income in the form of a transfer pricing adjustment, which could increase their PRC tax liabilities and our overall tax liabilities. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our WFOE or our Consolidated Affiliated Entity for PRC tax purposes, which could in turn increase their tax liabilities without reducing their tax expenses. In addition, if our WFOE requests the shareholders of our Consolidated Affiliated Entity to transfer their equity interests in our Consolidated Affiliated Entity at nominal or no value pursuant to these Contractual Arrangements, such transfer could be viewed as a gift and subject the relevant subsidiary to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our WFOE and Consolidated Affiliated Entity for adjusted but unpaid taxes according to applicable regulations. Our financial position could be materially and adversely affected if the tax liabilities of our WFOE and Consolidated Affiliated Entity increase, or if they are required to pay late payment fees and other penalties.

We may lose the ability to use the licenses, approvals, and assets held by our Consolidated Affiliated Entity that are material to the operation of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Our Consolidated Affiliated Entity hold substantially all of our licenses, approvals, and assets in China that are necessary for the operation of certain of our businesses, to which foreign investments are restricted or prohibited under applicable PRC law. Under the Contractual Arrangements, our Consolidated Affiliated Entity and its shareholders may not cause it to, in any manner, sell, transfer, mortgage or dispose of its assets or its legal or beneficial interests in the business without our prior consent. However, in the event that the shareholders of our Consolidated Affiliated Entity breach these Contractual Arrangements and voluntarily liquidate our Consolidated Affiliated Entity, or our Consolidated Affiliated Entity declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities or otherwise benefit from the assets held by our Consolidated Affiliated Entity, which could adversely affect our business, results of operations, financial condition, and prospects. If any of our Consolidated Affiliated Entity undergoes a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could adversely affect our business, results of operations, financial condition, and prospects.

The interpretation and implementation of the Foreign Investment Law may be subject to further amendments, and it remains to be seen how it may impact the viability of our current corporate structure and business operations.

On March 15, 2019, the National People’s Congress of the PRC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外

RISK FACTORS

商投資法實施條例》) promulgated by the State Council of the PRC and the Interpretation on Several Issues Concerning the Application of the Foreign Investment Law of the PRC promulgated by the Supreme People’s Court (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) also took effect on January 1, 2020. The Foreign Investment Law does not explicitly classify whether Consolidated Affiliated Entity that are controlled through Contractual Arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under the definition of “foreign investment” that includes investments made directly or indirectly by foreign investors in China through other means as provided by laws, administrative regulations or other methods prescribed by the State Council. We cannot guarantee that future laws, regulations or provisions will not recognize contractual arrangements as a form of foreign investment, and there can be no assurance that our control over our Consolidated Affiliated Entity through Contractual Arrangements will not be deemed as foreign investment in the future and how the above-mentioned Contractual Arrangements would be regulated.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures for Foreign Investments Access (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)》(2021年版)) (the “**Negative List**”), jointly promulgated by the MOFCOM and the NDRC, and took effect on January 1, 2022. Furthermore, on September 6, 2024, the MOFCOM and the NDRC amended the Negative List which was effective on November 1, 2024. The Foreign Investment Law provides that (i) foreign-invested entities operating in “restricted” industries are required to obtain market entry clearance and other approvals from relevant PRC government authorities; (ii) foreign investors shall not invest in any industries that are “prohibited” under the Negative List. We operate our value-added telecommunications services, a restricted item under the Negative List, and we also provide radio and television program production and operation service, a prohibited item under the Negative List, through our Consolidated Affiliated Entity. See “Contractual Arrangements” for more details. If our control over our Consolidated Affiliated Entity through the Contractual Arrangements is deemed as foreign investment in the future, and any business of our Consolidated Affiliated Entity is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the Contractual Arrangements that allow us to have control over our Consolidated Affiliated Entity may be deemed as invalid and illegal, and we may be required to unwind such Contractual Arrangements and/or restructure our business operations, any of which may materially and adversely affect our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. 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.

RISK FACTORS

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

We may incur substantial cost in the exercise of the option to acquire the equity interests in or assets of our Consolidated Affiliated Entity. Pursuant to the Contractual Arrangements, our WFOE has the exclusive right to require the Registered Shareholders to transfer their equity interests in the Consolidated Affiliated Entity or to require the Consolidated Affiliated Entity to transfer its assets, in whole or in part, to our WFOE or a third party designated by our WFOE at any time and from time to time, at the lowest price allowed under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase prices for acquiring the equity interests and assets of our Consolidated Affiliated Entity are below the market value, they may require our WFOE to pay enterprise income tax, value-added tax and other applicable taxes with reference to the fair value of such assets instead of the price as stipulated under the Contractual Arrangements, in which case our WFOE may be subject to a substantial amount of tax and our financial condition may be materially and adversely affected.

RISKS RELATED TO JURISDICTIONS WHERE WE OPERATE

The economic, social and other general conditions in China could affect our business, results of operations, financial condition, and prospects.

A substantial part of our operations is conducted in the PRC and a significant portion of our revenue is sourced from the PRC. Accordingly, our business, results of operations, financial condition, and prospects are influenced by economic, social and other general developments in the PRC. The PRC economy has experienced significant growth over the past decades since the implementation of China’s reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. In particular, our business is impacted by the overall performance and regulatory landscape of China’s real estate market. Driven by urbanization, infrastructure development, and evolving policies, the sector has undergone significant growth. However, supply and demand fluctuations arise from various economic, social, political, and environmental factors. Government measures to stabilize the property market, shifts in market demand, and changes in real estate financing conditions could all contribute to market volatility.

Our ability to successfully maintain or grow business operations in China depends on various factors, which are beyond our control. These factors include, among others, macro-economic and other market conditions, political stability, social conditions, measures to control inflation or deflation, changes in the rate or method of taxation, changes in laws, regulations and administrative directives or their interpretation, and changes in industry policies. All of these are in turn continuously influenced by the global economy. Uncertainties in the global economy and the political environment around the world would also affect China’s economic growth. It may be difficult for us to predict all the risks that we could face as a result of the current economic, political, social and regulatory development and many of these risks are beyond our control. Failure to respond to such development and risks could materially affect our business, results of operations, financial condition, and prospects.

RISK FACTORS

Failure to respond to changes in the regulatory environment in China could materially and adversely affect our business, results of operations, financial condition, and prospects.

A significant portion of our operations are conducted in the PRC and are governed by PRC laws, rules and regulations. Our WFOE and Consolidated Affiliated Entity are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes.

The overall effect of legislation over the past several decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries and Consolidated Affiliated Entity are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations may be subject to changes, and the PRC legal system and regulatory environment continue to evolve, the interpretations and enforcement of many laws, regulations and rules may be subject to further developments. For instance, developments in the spatial design software industry and other industries and that we are and will be involved in may lead to changes in PRC laws, regulations and policies or in the interpretation and application thereof. As a result, we may be required by the regulators to obtain or renew the licenses, permits, approvals, to complete additional filings or registrations for the products and services we offer, or to modify business practices that may subject us to various penalties. We cannot assure you that our business operations would not be deemed to violate any existing or future PRC laws or regulations, which in turn could materially and adversely affect our business, results of operations, financial condition, and prospects. In addition, the implementation of new rules, laws and regulations may significantly affect the industry in which we operate, which could affect our prospects and the value of our securities.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights, and it may be difficult to predict the outcome of administrative and court proceedings. Furthermore, our understanding of evolving regulations or policies may differ from that of relevant authorities. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation, and we cannot assure you that sufficient legal protections as anticipated would be available to you and us.

These evolvments and changes may also affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, and may affect our ability to enforce contractual rights, property (including intellectual property) or tort rights. In addition, unmerited or frivolous legal actions or claims concerning the conducts of third parties in an attempt to extract payments or benefits from us could also happen, which may therefore increase the operating expenses and costs, and materially and adversely affect our business and results of operations.

RISK FACTORS

The M&A Rules and certain other PRC regulations establish certain procedures for some acquisitions of Chinese companies by foreign investors, which could affect our potential acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued 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》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the “M&A Rules”). PRC laws and regulations, such as the M&A Rules, and other relevant rules, established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, 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, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic enterprises. PRC laws and regulations also require certain merger and acquisition transactions to be subject to a merger control security review. In addition, in February 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) (the “Circular 6”), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, the MOFCOM promulgated the Rules 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》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the foregoing MOFCOM regulations, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to a security review by the MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements of offshore transaction. Factors that the MOFCOM considers in its review are whether (i) an important industry is involved, (ii) such transaction involves factors that have had or may have an impact on national economic security and (iii) such transaction will lead to a change in control of a domestic enterprise that holds a well-known PRC trademark or a time-honored PRC brand. Moreover, the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》) promulgated by the SCNPC which became effective in 2008 and most recently amended in June 2022 and effective from August 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be notified and cleared by the State Administration for Market Regulation of the PRC, the successive authority of MOFCOM, before they can be completed.

RISK FACTORS

On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures for 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 NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. See “Regulations — Regulations Related to M&A Rules.”

In the future, we may grow our business by acquiring complementary businesses. If a business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company. Complying with the requirements of the relevant regulations to complete any such transaction could be time-consuming, and any required approval process, including approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business.

We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange.

The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading 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 Enterprises (《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 supporting guidelines (collectively, the “**Overseas Listing Trial Measures and Supporting Guidelines**”), which came into effect on March 31, 2023. The Overseas Listing Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic enterprises’ securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures and Supporting Guidelines, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

RISK FACTORS

In addition, on February 24, 2023, the CSRC, the Ministry of Finance, the National Administration for the Protection of State Secrets and the National Archives Administration of China jointly issued the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (《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 and Archives Administration Provisions**”), which took effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic enterprise concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic enterprises, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic enterprise, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. The Confidentiality and Archives Administration Provisions are relatively new and may be subject to changes from time and time. New laws and regulations may be promulgated in addition to the existing provisions, and their interpretation and implementation may evolve based on the new laws and regulations. Any of such changes in laws and regulations related to the Confidentiality and Archives Administration Provisions could affect us and our operations in the PRC. For details, see “Regulatory Overview — Regulations on Overseas Securities Offering and Listing.”

If the CSRC or other relevant PRC regulatory agencies subsequently determine that approval or filing is required for this [REDACTED], we cannot guarantee that we will be able to obtain such approval or complete such filing in a timely manner, or at all. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, not to proceed with this [REDACTED]. If we proceed with any of such [REDACTED] without obtaining the CSRC’s or other relevant PRC regulatory agencies’ approval or filing to the extent it is required, or if we are unable to comply with any new approval or filing requirements, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, if there are any other approvals, filings and/or other administration procedures to be obtained from or completed with the CSRC or other PRC regulatory agencies as required by any new laws and regulations for this [REDACTED], we cannot assure you that we can obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the relevant approvals or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from relevant PRC regulatory agencies, which may have a material adverse effect on our business, financial condition or results of operations.

RISK FACTORS

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners, our WFOE or our Consolidated Affiliated Entity to liability or penalties, limit our ability to inject capital into our WFOE and our Consolidated Affiliated Entity or limit our WFOE’s and our Consolidated Affiliated Entity’s ability to increase their registered capital or distribute profits.

The State Administration of Foreign Exchange (the “SAFE”) promulgated the Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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》) (the “SAFE Circular 37”) on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by the SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of the 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 SAFE Circular 37 as a “special purpose vehicle.” Pursuant to SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operations of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, 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 subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《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》) released on February 13, 2015 by the SAFE, as amended in December 2019, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

Our co-founders have completed the SAFE registration pursuant to SAFE Circular 37 in April 2021, with their respective holding companies being registered as the “special purpose vehicle.” Nevertheless, we may not be continuously aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to

RISK FACTORS

register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners, our WFOE or our Consolidated Affiliated Entity to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our WFOE and our Consolidated Affiliated Entity and limit our WFOE’s ability to distribute dividends to our Company. These risks could adversely affect our business, results of operations, financial condition, and prospects.

Any failure to comply with PRC regulations regarding our Pre-[REDACTED] Equity Incentive Plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局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”). Under SAFE Circular 7 and other relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year who participate in a stock incentive plan in an overseas publicly listed company, subject to limited exceptions, are required to register with the SAFE or its local branches or commercial banks through a domestic agent and complete certain other procedures.

Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by a PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to manage matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend its 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.

We and our PRC employees who may be granted options and/or restricted share units will be subject to these regulations upon the completion of this [REDACTED]. Failure to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, as well as legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary’s ability to distribute dividends to us, or otherwise materially and adversely affect our business.

In addition, the State Administration of Taxation of the PRC (the “SAT”) and MOFCOM have issued certain circulars with respect to employee share option. Under these circulars, our employees working in China will be subject to PRC individual income tax if they exercise share options. Our PRC subsidiaries have the obligation to file documents relating to the

RISK FACTORS

employee share options with the relevant tax authorities and may be required to withhold individual income tax for those employees who exercise their share options. If our employees fail to pay income tax, or if we fail to make the filing according to the relevant laws and regulations or withhold income tax in any case as required, we may face sanctions imposed by the relevant tax authorities.

We may rely on dividends, loans and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our PRC operating subsidiary to make payments to us could adversely affect our ability to conduct our business.

We are a Cayman Islands holding company and may rely on dividends, loans and other distributions on equity paid by our principal operating subsidiaries and on remittances from our Consolidated Affiliated Entity for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our WFOE or our Consolidated Affiliated Entity incurs additional debt, the instruments governing the debt may restrict their ability to pay dividends, make loans or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our WFOE and our Consolidated Affiliated Entity permit payments of dividends only out of its retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, our WFOE and our Consolidated Affiliated Entity are required to set aside at least 10% of their net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of their registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our WFOE and our Consolidated Affiliated Entity are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

Limitations on the ability of our Consolidated Affiliated Entity to make remittance to the wholly-foreign owned enterprise and on the ability of our subsidiary to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

RISK FACTORS

If we are classified as a “resident enterprise” of China under the PRC Enterprise Income Tax Law, we and our non-PRC shareholders could be subject to unfavorable tax consequences, and our business, results of operations, financial condition, and prospects could be materially and adversely affected.

Under the modified EIT Law (《中華人民共和國企業所得稅法》) and its implementing rules, enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. In 2009, the SAT issued the Notice of the SAT on Issues Regarding the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《國家稅務總局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**”), which was most recently amended in December 2017. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and personnel matters are made or are subject to approval by organizations or persons located inside China; (iii) the enterprise’s principal properties, accounting books, corporate seals, and meeting minutes and files of the board meetings and shareholders’ meetings, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China. The STA issued the Administrative Measures on Income Tax on Overseas Registered Chinese-funded Holding Resident Enterprises (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (the “**Bulletin 45**”), which took effect on September 1, 2011, and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of Chinese-controlled offshore-incorporated resident enterprises. Bulletin 45 also provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and the interpretation of the term “de facto management body” shall be determined in accordance with the relevant laws and regulations in effect at the time. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the EIT Law. In addition, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise

RISK FACTORS

shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of the shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders and any gain realized from the transfer of the shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our shares.

Dividends payable to our foreign investors and gains on the sale of our Shares by our foreign investors may become subject to PRC tax.

Our shareholders may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares. Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China 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 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

If we are treated as a PRC resident enterprise, 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 China and as a result be subject to the PRC income taxes described above. See “— If we are classified as a ‘resident enterprise’ of China under the EIT Law, we and our non-PRC shareholders could be subject to unfavorable tax consequences, and our business, results of operations, financial condition, and prospects could be materially and adversely affected.” However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of State Taxation Administration on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Treaties (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which was issued on October 14, 2019 and took effect on January 1, 2020. If determined to be ineligible for the applicable tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

RISK FACTORS

Indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies may be subject to tax obligation.

On February 3, 2015, the SAT issued the Announcement of the SAT on Several Issues Relating to Enterprise Income Tax on Transfer of Assets between Non-resident Enterprises (《國家稅務總局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 “**Bulletin 7**”), effective on February 3, 2015 and last amended in December 2017, which partially replaced and supplemented previous rules under the Notice of State Administration of Taxation on Strengthening Administration of Corporate Income Tax on Income from Transfer of Equity by Non-resident Enterprises (《國家稅務總局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 “**SAT Circular 698**”), issued by the SAT on December 10, 2009. Pursuant to this Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include:

- whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets;
- whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China;
- whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure;
- the duration of existence of the business model and organizational structure;
- the replicability of the transaction by direct transfer of PRC taxable assets; and
- the tax situation of such indirect transfer and applicable tax treaties or similar arrangements.

RISK FACTORS

In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the SAT promulgated the Announcement of the SAT on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “SAT Circular 37”), which was amended and became effective on June 15, 2018, and SAT Circular 698 then was repealed with effect from December 1, 2017. SAT Circular 37 also amends certain provisions in Bulletin 7, but does not touch upon other provisions of Bulletin 7, which remain in full force. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

We may be subject to tax obligation as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. If Bulletin 7 or SAT Circular 37 is deemed to be applied on any of our past or future transaction, we may be subject to filing obligations or taxed if our Company is transferor in such transactions, and may be subject to withholding obligations if our Company is transferee in such transactions under Bulletin 7, and if we fail to perform such tax filing or withholding obligations could result in penalties. For transfer of shares in our Company by investors that are non-PRC resident enterprises, our WFOE may be requested to assist in the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 and SAT Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with Bulletin 7 and SAT Circular 37, or to establish that our Company should not be taxed under Bulletin 7 and SAT Circular 37, which could adversely affect our business, results of operations, financial condition, and prospects.

We are subject to regulatory requirements over foreign currency conversion. We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, results of operations, financial condition, and prospects.

A substantial portion of our revenue is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our WFOE or Consolidated Affiliated Entity. Currently, our WFOE may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of the SAFE by complying with certain procedural requirements. However,

RISK FACTORS

conversion and remittance of foreign currencies are subject to certain foreign exchange regulations, and our ability to purchase foreign currencies in the future for current account transactions may be limited. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Since a significant amount of our future revenue and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, and may limit our ability to obtain foreign currency through debt or equity financing for our WFOE and our Consolidated Affiliated Entity.

In addition, the value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. Moreover, we are also currently required to obtain the SAFE’s approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, results of operations, financial condition, and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of this [REDACTED] to make loans to our WFOE and our Consolidated Affiliated Entity, or to make additional capital contributions to our WFOE.

In using the [REDACTED] of this [REDACTED], we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our WFOE, which is treated as a foreign-invested enterprise under PRC laws, through loans or capital contributions. However, loans by us to our WFOE to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our WFOE is subject to the requirement of making necessary filings or registrations through enterprise registration system with relevant governmental authorities in China.

The SAFE promulgated the Circular of the SAFE on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《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 Circular 19”), effective on June 1, 2015 and last amended in March 2023, in replacement of the Notice of General Affairs Department of State Administration of Foreign

RISK FACTORS

Exchange on Improving Business Operational Issues Relating to Administration of Sale of Foreign Currency for Payment of Foreign Currency Capital Funds of Foreign Investment Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), the Supplementary Notice of General Affairs Department of State Administration of Foreign Exchange on Issues Relating to Improving the Relevant Business Operations of Administration of Foreign Exchange Settlement for Payment of Foreign Currency Capital Funds of Foreign Investment Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的補充通知》), and the Notice of the SAFE on Further Clarifying and Regulating Relevant Matters Regarding the Administration of Some Foreign Exchange Businesses under Capital Accounts (《國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》). According to SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs, and the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for the issuance of Renminbi entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. The SAFE promulgated the Circular 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 Circular 16”), effective on June 9, 2016 and amended in December 2023, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the [REDACTED] from this [REDACTED], to our WFOE and our Consolidated Affiliated Entity, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC. The SAFE issued the Circular of the SAFE Regarding Further Promotion of the Facilitation of Cross-border 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》) (the “SAFE Circular 28”), effective on October 23, 2019 and amended in December 2023. SAFE Circular 28 allows noninvestment foreign-invested enterprises to use their capital funds to make equity investments in China; provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with PRC laws. Since SAFE Circular 28 was issued only recently, its interpretation and implementation are still subject to changes, amendments and further clarifications. According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局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

RISK FACTORS

enterprises are allowed to make domestic payments using the income under their capital accounts generated from their capital, foreign debt and overseas listing, without providing materials evidencing the authenticity in advance; provided that the capital usage is authentic and in compliance with the current capital account income usage management regulations. The concerned bank is required to conduct spot checks in accordance with the relevant requirements.

Meanwhile, we are not likely to finance the activities of our Consolidated Affiliated Entity by means of capital contributions given the potential restrictions on foreign investment in the businesses that are currently conducted by our Consolidated Affiliated Entity. In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary governmental filings or registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our WFOE or our Consolidated Affiliated Entity or future capital contributions by us to our WFOE. As a result, uncertainties exist as to our ability to provide prompt financial support to our WFOE or our Consolidated Affiliated Entity when needed. If we fail to complete such filings or registrations or obtain such approvals, our ability to use foreign currency, including the [REDACTED] we received from this [REDACTED], and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

You may have limited recourse in effecting service of legal process or enforcing foreign judgments against us, our Directors and our senior management.

We are an exempted company incorporated in the Cayman Islands, with substantially all of our assets located in China. In addition, a substantial portion of our directors and senior management members currently reside in China. Therefore, it may be difficult for investors to directly affect service of process upon us or those persons in China or to directly enforce against us or them in China any judgments obtained from courts outside of China.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “2006 Arrangement”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute.

RISK FACTORS

On January 25, 2024, the Supreme People’s Court of the PRC promulgated the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “2024 Arrangement”), implemented on January 29, 2024, which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement was superseded upon the effectiveness of the 2024 Arrangement. Moreover, under the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), if a court of China rules that a foreign judgment violates the basic principles of PRC laws or national sovereignty, security, or public interest, the PRC court may not enforce the foreign judgment against our assets or managements in China.

RISKS RELATED TO THE [REDACTED]

There has been no prior [REDACTED] for the Shares and the [REDACTED] and [REDACTED] of our Shares may be volatile.

Prior to completion of the [REDACTED], there has been no [REDACTED] for our Shares. There can be no guarantee that an active [REDACTED] for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations among our company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. We have applied for [REDACTED] of and permission to [REDACTED] our Shares on the Stock Exchange. There is no assurance that the [REDACTED] will result in the development of an active, [REDACTED] for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our company may affect the [REDACTED] at which our Shares will be [REDACTED].

The [REDACTED] of the Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility of the [REDACTED] of, and [REDACTED] of our Shares. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the [REDACTED] performance of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and [REDACTED] of our Shares, regardless of our actual operating performance.

RISK FACTORS

You will experience immediate dilution and may experience further dilution in the future.

As the [REDACTED] of our Shares is higher than the consolidated net tangible assets per share immediately prior to the [REDACTED], [REDACTED] of our Shares in the [REDACTED] will experience an immediate dilution. Our existing Shareholders will receive an increase in their [REDACTED] adjusted consolidated net tangible asset value per share. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. We cannot assure you that they will not dispose of any Shares they own now or in the future.

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

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

We may be unable to declare dividends on our Shares in the future.

We currently do not have any predetermined dividend payout ratio. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements, and any other conditions that our Directors may deem relevant, and will be subject to the approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements, and any other conditions that our Directors may deem relevant, and will be subject to the approval of our Shareholders. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

RISK FACTORS

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum of Association and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or our major Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to the spatial design software industry. Such information and statistics have been derived from third-party reports commissioned by us, and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], except the Industry Consultant, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

RISK FACTORS

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to or after the publication of this document, there could be press and media coverage regarding us and the [REDACTED]. Such press and media coverage, if any, may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters.

The words “anticipate,” “believe,” “could,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict 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, an issuer must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant’s executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong required for satisfying the requirements under Rule 8.12 of the Listing Rules. The headquarters, business operations and assets of our Group are mostly located, managed and conducted outside Hong Kong. None of the executive Directors resides in Hong Kong. The Directors consider that relocation of the executive Directors to Hong Kong would be burdensome and costly for our Company, and it may not be in the best interests of the Company and Shareholders as a whole to appoint two additional executive Directors who ordinarily reside in Hong Kong. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We have put in place the following adequate and efficient arrangements to achieve regular and effective communication with Stock Exchange as well as compliance with the Listing Rules:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has and will continue to maintain two authorized representatives, namely Mr. Shen Bei, our executive Director and Ms. Pun Ka Ying (盤嘉盈), our company secretary, as authorized representatives of our Company (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company’s principal channel of communication with the Stock Exchange. They can be readily contactable by phone, fax and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of our Authorized Representatives have been provided to the Stock Exchange;
- (b) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time. In addition, each Director has provided his/her contact details, including mobile phone numbers, office phone numbers and email address, to the Authorized Representatives and the Stock Exchange. The Directors have also provided the contact information of their emergency contacts to the Authorized Representatives, so that each of the Authorized Representatives would be able to contact all the Directors (including our independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact our Directors on any matter;

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

- (c) our Company has appointed Rainbow Capital (HK) Limited as our Compliance Advisor in accordance with Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor will serve as an additional channel of communication with the Stock Exchange and will have access at all times to the Authorized Representatives, Directors, senior management and other officers of our Company. The Compliance Advisor will also provide advice in compliance with Rule 3A.23 of the Listing Rules; and
- (d) meetings between the Stock Exchange and the Directors could be arranged through our Authorized Representatives or our Compliance Advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our Authorized Representatives and/or our Compliance Advisor in accordance with the Listing Rules.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue, certain transactions which will constitute a continuing connected transaction of our Company under the Listing Rules upon [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange [has] granted us, a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transaction set out in Chapter 14A of the Listing Rules for such continuing connected transaction. For further details, see “Connected Transactions.”

WAIVER AND EXEMPTION IN RESPECT OF PRE-[REDACTED] EQUITY INCENTIVE PLANS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the “**Share Options Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the exercise of such outstanding options and awards;

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

- (b) Paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this document, *inter alia*, particulars of any capital of any member of our Group that 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 grantees, 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;
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in this document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and 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; and
- (d) Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the Company could demonstrate that such disclosures would be irrelevant or unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, we had granted outstanding options under the Pre-[REDACTED] Equity Incentive Plans to 1,283 grantees to subscribe for an aggregate of 115,430,660 Shares, representing [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans). See “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document for details.

Our Company has applied to: (i) the Stock Exchange for 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 (the “**ESOP Waiver**”); and (ii) the SFC for 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

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

Miscellaneous Provisions) Ordinance in relation to the options granted under the Pre-[REDACTED] Equity Incentive Plans (the “**ESOP Exemption**”), on the grounds that strict compliance with the Share Options Disclosure Requirements would be unduly burdensome for our Company, and the ESOP Waiver and the ESOP Exemption would not prejudice the interest of the [REDACTED] public, for the following reasons:

- (a) as of the Latest Practicable Date, our Company has granted options that remain outstanding under the Pre-[REDACTED] Equity Incentive Plans to more than 1,000 grantees. Strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-[REDACTED] Equity Incentive Plans in this 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 document preparation;
- (b) the disclosure of the personal details of the grantee (other than those that are already disclosed in “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document), including the number of options granted, may require obtaining consent from all such grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees;
- (c) the Company possesses proprietary technologies and know-how, all attributable to the invaluable expertise of its key employees. Full disclosure of details of all the grantees under the Pre-[REDACTED] Equity Incentive Plans in this document could provide the employees with access to the information about the remuneration of their peers or other employees, which may have a negative impact on employee morale and lead to negative internal competition. Such disclosure would also provide competitors of our Company with details of employee remuneration and facilitate their recruitment activities, which may result in increased costs of recruiting and retaining talents;
- (d) the grant and exercise in full of the shares under the Pre-[REDACTED] Equity Incentive Plans would not cause any material adverse impact in the financial position of our Company;
- (e) lack of full compliance with the above disclosure requirements would not prevent our Company from providing its potential [REDACTED] with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (f) material information relating to the options (and underlying shares) under the Pre-[REDACTED] Equity Incentive Plans will be disclosed in this document, including the total number of Shares subject to the Pre-[REDACTED] Equity Incentive Plans, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the share options granted under the Pre-[REDACTED] Equity Incentive Plans. Our Directors consider that the information that is reasonably necessary for the potential [REDACTED] to make an informed assessment of our Company in their

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

[REDACTED] decision-making process (including, but not limited, to any effect of the options granted on the financial position of our Company) has been included in this document.

The Stock Exchange [has] granted us the ESOP Waiver on the conditions that:

- (a) the ESOP Exemption be granted by the SFC and the particulars of the ESOP Exemption be disclosed in this document;
- (b) for options grants under the Pre-[REDACTED] Equity Incentive Plans to our Directors and the senior management and other connected persons of our Company, disclosure be made on an individual basis, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules;
- (c) in respect of the options granted under the Pre-[REDACTED] Equity Incentive Plans to other grantees (being other than those set out in (b) above), disclosure be made, on an aggregate basis, according to the ranges of number of Shares underlying outstanding options of (1) their aggregate number of grantees; (2) the date of grant of the options and number of Shares underlying the options under the Pre-[REDACTED] Equity Incentive Plans; (3) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Equity Incentive Plans; and (4) the exercise period and the exercise price of the options granted under the Pre-[REDACTED] Equity Incentive Plans;
- (d) the dilution effect and impact on earnings per Share upon the full exercise of the options granted under the Pre-[REDACTED] Equity Incentive Plans be disclosed;
- (e) a summary of the major terms of the Pre-[REDACTED] Equity Incentive Plans be disclosed;
- (f) a full list of all the grantees (including the persons referred to in (b) and (c) above), containing all details as required under Rule 17.02(1)(b) of the Listing Rules, 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 “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix V to this document; and
- (g) the particulars of the ESOP Waiver be disclosed in this document.

The SFC [has] granted us the ESOP Exemption on the conditions that:

- (a) for options granted under the Pre-[REDACTED] Equity Incentive Plans to our Directors and the senior management and other connected persons of our Company, disclosure be made on an individual basis, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

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

- (b) in respect of the options granted under the Pre-[REDACTED] Equity Incentive Plans to other grantees (being other than those set out in (a) above), disclosure be made, on an aggregate basis, according to the ranges of number of Shares underlying outstanding options of (1) their aggregate number of grantees; (2) the date of grant of the options and number of Shares underlying the options under the Pre-[REDACTED] Equity Incentive Plans; (3) the consideration (if any) paid for the grant of the options under the Pre-[REDACTED] Equity Incentive Plans; and (4) the exercise period and the exercise price of the options granted under the Pre-[REDACTED] Equity Incentive Plans;
- (c) a full list of all the grantees (including the persons referred to in (a) and (b) above) who have been granted options to subscribe for Shares under the Pre-[REDACTED] Equity Incentive Plans, 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 “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix V to this document; and
- (d) the particulars of the ESOP Exemption be disclosed in this document and this document will be issued on or before [REDACTED].

See “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document 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

Name	Address	Nationality
-------------	----------------	--------------------

Executive Directors

Mr. HUANG Xiaohuang (黃曉煌)	Room 1901, Building 3, Wanjia Huacheng, Gongshu District, Hangzhou City, Zhejiang Province, China	Chinese
------------------------------	--	---------

Mr. CHEN Hang (陳航)	Room 303, Unit 4, Building 1, No. 32 Macheng Road, Xihu District, Hangzhou City, Zhejiang Province, China	Chinese
--------------------	--	---------

Mr. ZHU Hao (朱皓)	Room 404, Building 5, Jinse Lanting, Xihu District, Hangzhou City, Zhejiang Province, China	Chinese
------------------	---	---------

Mr. SHEN Bei (沈倍)	Room 912, Yintaicheng Xinleting, No. 380 Fengtan Road, Gongshu District, Hangzhou City, Zhejiang Province, China	Chinese
-------------------	--	---------

Non-Executive Directors

Mr. FOO Ji-xun (符績勛)	25 Phoenix Garden, Singapore	Singaporean
----------------------	---------------------------------	-------------

Mr. TAN Zhiqian (譚之謙)	No. 668 Huangpu Avenue West, Tianhe District, Guangzhou City, Guangdong Province, China	Chinese
-----------------------	---	---------

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent Non-Executive Directors		
Ms. CHEN Lianqing (陳連青)	Room 17-3-102, Wangdu Jiayuan, Beiqijia Town, Changping District, Beijing, China	Chinese
Mr. GE Ke (葛珂)	Room 9, Unit 3, Building 212, No. 57 Yongding Road, Haidian District, Beijing, China	Chinese
Mr. YEUNG Kwok On (楊國安)	Flat B, 62/F, Block 5, 89 Pok Fu Lam Road, The Belcher's, Pok Fu Lam, Hong Kong	Chinese (Hong Kong)

For further details of our Directors, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

J.P. Morgan Securities (Far East) Limited

28/F, Chater House

8 Connaught Road Central

Hong Kong

CCB International Capital Limited

12/F, CCB Tower

3 Connaught Road Central

Central

Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisors to our Company

As to Hong Kong and United States laws

Cooley HK
35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC laws

Commerce & Finance Law Offices
12-15th Floor
China World Office 2
No. 1 Jianguomenwai Avenue
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Cayman Islands laws

Campbells

3002-04, 30/F, Gloucester Tower,
The Landmark
15 Queen's Road Central
Hong Kong

*As to PRC cybersecurity and data privacy
protection laws*

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

**Legal Advisors to the Joint Sponsors and
the [REDACTED]**

As to Hong Kong and United States laws

Davis Polk & Wardwell

10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

As to PRC laws

CM Law Firm

Rm 2805, Plaza 66 Tower 2
1366 Nanjing West Rd
Shanghai
China

Auditor and Reporting Accountants

KPMG

*Certified Public Accountants
Public Interest Entity Auditor registered in
accordance with the Accounting and
Financial Reporting Council Ordinance*
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.**

Room 2504, Wheelock Square
1717 Nanjing West Road
Shanghai
China

[REDACTED]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Floor 11, Building 1, Matrix International No. 515 Yuhangtang Road Gongshu District Hangzhou Zhejiang Province China
Principal Place of Business in Hong Kong	Room 1920, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Company's Website	<u>www.kujiale.com</u> <i>(the information contained on this website does not form part of this document)</i>
Company Secretary	Ms. PUN Ka Ying (盤嘉盈) <i>(CGI) (HKCGI)</i> Room 1920, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Authorized Representatives	Mr. SHEN Bei (沈倍) Room 912 Yintaicheng Xinleting No. 380 Fengtan Road Gongshu District, Hangzhou City Zhejiang Province China Ms. PUN Ka Ying (盤嘉盈) Room 1920, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee

Ms. CHEN Lianqing (陳連青) (*Chairperson*)

Mr. GE Ke (葛珂)

Mr. TAN Zhiqian (譚之謙)

Remuneration Committee

Mr. YEUNG Kwok On (楊國安) (*Chairperson*)

Mr. GE Ke (葛珂)

Mr. FOO Ji-xun (符績勛)

Nomination Committee

Mr. HUANG Xiaohuang (黃曉煌) (*Chairperson*)

Ms. CHEN Lianqing (陳連青)

Mr. YEUNG Kwok On (楊國安)

[REDACTED]

Compliance Advisor

Rainbow Capital (HK) Limited

Office No. 710, 7/F

Wing On House

71 Des Voeux Road Central

Central

Hong Kong

Principal Bank

Citibank N.A., Hong Kong Branch

3 Garden Road

Central

Hong Kong

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], any of their respective directors and advisers or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SPATIAL DESIGN SOFTWARE INDUSTRY IN CHINA

Definition and Classification of Spatial Design Software

The spatial design software refers to the software tools and related digital platforms used for creating and managing residential, commercial and other spaces, of which computer-aided design (CAD) software plays a crucial role. Spatial design software allows users to create complex geometric shapes and dynamic effects, enables visualization of the design works, and performing modeling tasks.

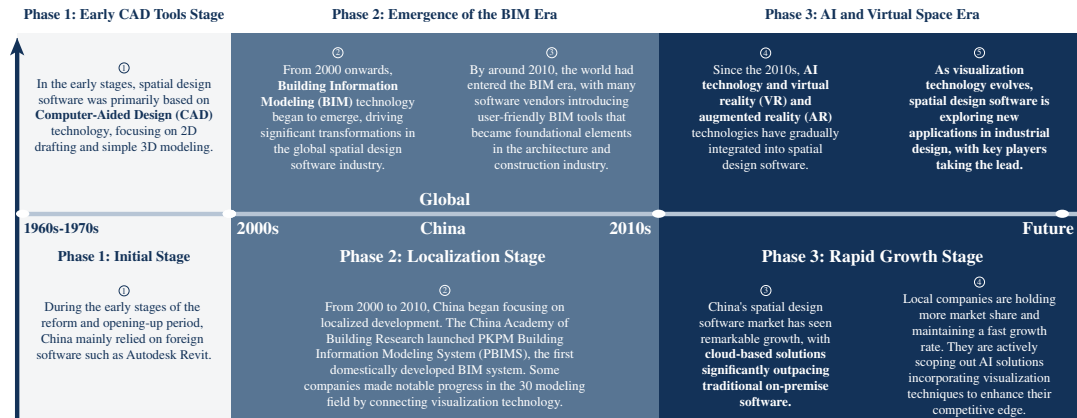
Development History of Global and China’s Spatial Design Software Industry

The evolution of the spatial design software industry, both globally and in China, reflects a progression from basic CAD tools in the early stages to the current trends of being cloud native, intelligent and AI empowered. Globally, technological advancements and business scenarios innovation have driven continuous improvements in software functionality and performance.

The further integration of artificial intelligence (AI) and big data technologies will continue to propel the spatial design software industry towards greater intelligence and productivity. On the other hand, visualization technology is also evolving, enabling experimentation and enhancing comprehension in residential, commercial and industrial design applications by providing intuitive and immersive representations of designs and simulations.

INDUSTRY OVERVIEW

Development History of Global and China’s Spatial Design Software Industry



Source: Frost & Sullivan

Spatial Design Software Empowerment

Spatial design software plays a pivotal role in empowering the design process by enhancing key aspects. Functionality is improved as automatic design tools harness robust algorithms and databases, expediting scheme creation and providing users with a wealth of design options. Cross-business collaboration is also strengthened through AI-powered features that seamlessly translate design concepts into production-ready drawings, while real-time, multi-terminal interaction fosters seamless teamwork. Quality control is reinforced by high-precision rendering, allowing real-time realistic previews, material adjustments, and ensuring designs meet standards, boosting satisfaction and reliability.

- **Function Applicability**
 - **Design Efficiency.** Design automation leverages robust algorithms and extensive databases to enable the automatic design schemes, helping users quickly complete design plans and providing them ample design inspiration.
 - **Modeling & Visualization Efficiency.** The automatic design feature fosters swift creation and visualization of spatial design models, especially by leveraging the GPU hardware and advanced rendering technology, offering users intuitive design comprehension and minimizing revision time.
- **Collaboration**
 - **Real-Time Interaction.** The multi-terminal viewing feature supports real-time interaction, such as simultaneous review and editing, fostering enhanced productivity through collaboration, further streamlining the design process.

INDUSTRY OVERVIEW

- ***Integrated monitoring.*** Fully-streamlined applications of spatial design software enable enterprises to holistically manage design content and oversee the entire order-design-manufacture process, facilitating post-design collaborations with manufacturers and other related parties.
- ***Quality Control***
 - ***Rendering Precision.*** The advanced rendering engine of the spatial design software enables users to produce stunningly realistic visuals instantly. Real-time material previews and seamless adjustments guarantee that the final outcome surpasses expectations, elevating user satisfaction.

Development of AI Technology

AI technologies are significantly empowering the spatial design software industry, leading to unprecedented levels of innovation, efficiency, and optimization. GPU and AI rendering advancements optimize rendering processes and enhance user experiences, ensuring smooth and high-performance graphics operations, thereby driving industry innovation.

- ***GPU Hardware Empowerment***
 - ***Optimized Rendering.*** The efficient parallel computing capabilities of GPU clusters enable spatial design software to allocate computing resources optimally for graphics rendering tasks of varying scales and complexities, achieving high-performance rendering.
 - ***User Experience.*** High-performance GPU clusters support high-resolution displays and complex graphic operations, which ensure a smooth design experience with less latency when using spatial design software.
 - ***Industry Innovation.*** High-performance GPU cluster provides the computational support that enables spatial design software to increase its capability and drive innovation by integrating AI functions.
- ***AIGC Software Development***
 - ***Design Efficiency.*** AIGC technology can automatically generate multiple design options based on simple and descriptive instructions, for users to choose based on sketches or photos, which greatly improves users’ design efficiency.
 - ***Creativity Inspiration.*** AIGC can analyze a large amount of design data and suggest design ideas tailored to each user’s unique tastes, which empower users to find inspiration for their projects by exploring and discovering a wide range of design themes and new elements.

INDUSTRY OVERVIEW

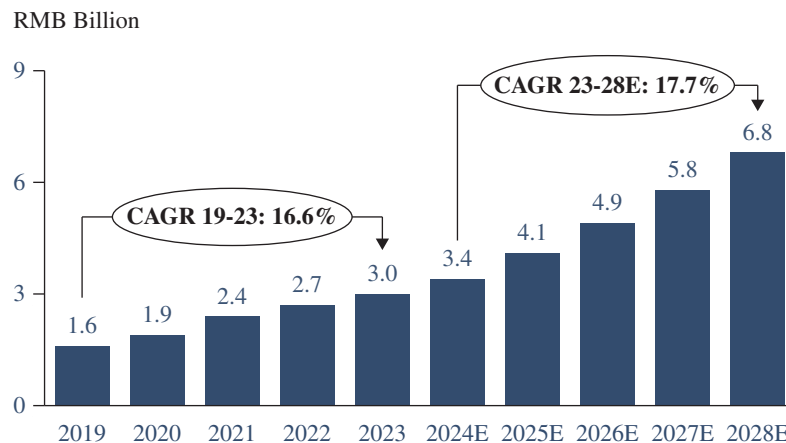
- **Design Transformation.** AI copilot streamlines the design process by automatically converting uploaded files into immersive 3D schemes. This advanced toolset offers a seamless integration of personalized styles, fostering rapid iteration and a unique creative edge.

Market Size of China’s Spatial Design Software Industry

Spatial design software is a type of digital tool used for creating, editing, and analyzing spatial layouts, widely applied in fields such as architectural design, interior design, urban planning, and infrastructure architecture. The user demand for residential, commercial, and industrial spaces has continued to evolve, extending beyond functionality and usability to esthetics, quality and convenience. The increasingly sophisticated demand has been heightening the standard for spatial design. Designers and architects now need more powerful and intelligent tools for innovative, high-quality solutions, boosting demand for spatial design software. Additionally, government support for smart buildings and green architecture is further fueling the growth of the spatial design software industry by setting more requirements for spatial design works.

China’s spatial design software industry has seen substantial growth over the last five years, rising from RMB1.6 billion in 2019 to RMB3.0 billion in 2023, representing a CAGR of 16.6%. It is projected to further increase to RMB6.8 billion by 2028, representing a CAGR of 17.7% from 2023 to 2028.

Market Size of China’s Spatial Design Software Industry by Revenue, 2019-2028E



Source: Frost & Sullivan

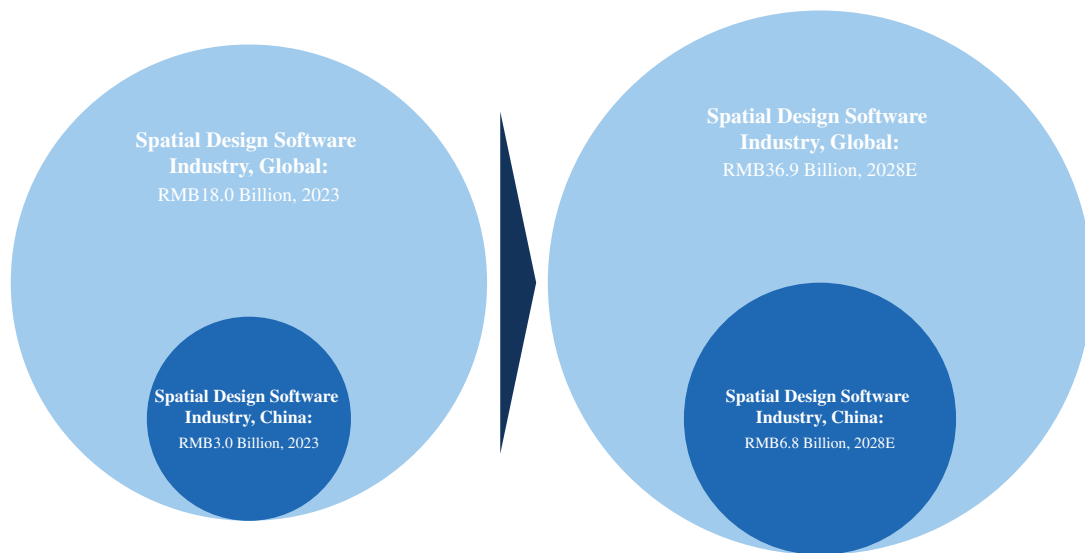
Growth Potential of Global and China’s Spatial Design Industry

The market size for spatial design software in China is projected to grow substantially, driven by increasing demand for innovative design solutions across various business scenarios. Similarly, the global market for spatial design software is poised for significant growth, with growing demand across diverse countries and regions.

INDUSTRY OVERVIEW

In recent years, China’s spatial design software industry has undergone remarkable growth, fueled by the increasing demand for spatial design solutions across various sectors. By 2023, the market size had reached RMB3.0 billion, and it is projected to expand significantly, reaching RMB6.8 billion by 2028. On a global scale, the spatial design software industry represented a market size of RMB18.0 billion in 2023. Furthermore, as the digital transformation continues to sweep across the globe, with the growing emphasis on productivity and efficiency in design, the global market will continue to expand, reaching RMB36.9 billion by 2028.

Growth Potential of Global and China’s Spatial Design Software Industry, 2023 & 2028E



Source: Frost & Sullivan

Key Drivers of China’s Spatial Design Software Industry

- ***Growing Demand from Various Scenarios***

The market for spatial design software is primarily driven by the increasing demand from downstream industries such as architecture, urban planning, e-commerce, and real estate development. As these sectors continue to grow, there is a rising need for sophisticated tools that can accurately model, visualize, and optimize spatial layouts and designs. The shift towards sustainable and efficient design practices, coupled with advancements in technology like AI and VR, enables designers to create more precise and innovative solutions, meeting the evolving needs of clients and stakeholders in these industries. Moreover, the manufacturing sector, particularly in automotive, aerospace, and electronics, drives the need for precise design and manufacturing processes, which could be the potential opportunities for spatial design software companies.

INDUSTRY OVERVIEW

- ***Industry Globalization***

As companies expand their operations across borders, there is an increasing need for standardized tools that can accommodate diverse geographical, cultural, and regulatory requirements. Spatial design software that offers multi-language support, seamless integration with international building codes, and compatibility with various regional design standards is becoming essential. Moreover, the rise of global collaborations and remote work has amplified the demand for cloud-based solutions that allow design teams from different regions to collaborate in real-time, driving the adoption and growth of spatial design software on a global scale.

- ***Product Customization and Flexibility***

Customization and flexibility are important market drivers for spatial design software, as they help meet the evolving needs of users across industries. In a setting where project requirements differ widely, software offers customized templates, adjustable parameters, and adaptable workflows gains added value. Design tools enable users to modify and scale their projects with ease, catering to specific client demands. This adaptability not only enhances user satisfaction but also positions spatial design software as a preferred solution for businesses looking to maintain a competitive edge through innovative and customized solutions.

- ***Thriving Virtual Space for Various Business and Entertainment Scenarios***

As industries undergo digital transformation, businesses are increasingly tapping into virtual environments to facilitate immersive marketing and customer engagement. Sectors within the entertainment industry, including gaming, virtual reality, and live-streaming, are fostering a thriving ecosystem that underscores the necessity for sophisticated design tools.

Development Trends of China’s Spatial Design Software Industry

- ***Increasing Prevalence of Cloud-Based Solutions***

The shift towards cloud-based platforms is transforming the spatial design software landscape. Compared to on-premise installed software, cloud-based software has minimized requirements for local hardware configurations and does not trap users at their local workstations, enabling greater efficiency and flexibility. Cloud-based solutions offer greater accessibility, allowing teams to collaborate in real-time from different locations. Additionally, cloud solutions provide scalable resources, making it easier for companies to manage complex projects without the need for extensive upfront on-premises infrastructure.

INDUSTRY OVERVIEW

- ***Growing Demand for Interoperability***

As design projects become more complex and multidisciplinary, there is an increasing need for spatial design software that can seamlessly integrate with other tools and platforms such as CAM software. Interoperability allows different software systems to communicate and share data effectively, facilitating smoother collaboration among architects, engineers, and contractors. This trend is driving the development of software solutions that support a wide range of file formats, application programming interfaces (APIs), and plug-ins, enabling users to work across multiple platforms without losing data integrity or workflow efficiency.

- ***Improvement of High-quality 3D Rendering Technology***

With improved computing capabilities and advances in graphics technology, spatial design software in China has made significant improvements in 3D rendering. Advanced rendering engines and real-time rendering techniques such as physics-based rendering and ray tracing allow designers to create more realistic and detailed visual effects. These technologies not only improve the realism of the design scheme, but also accelerate the rendering speed and improve the work efficiency.

- ***Widespread Adoption of Virtual Reality (VR) and Augmented Reality (AR)***

The rapid development of VR and AR technologies has enabled designers to create immersive spatial experiences. Through these technologies, the client can “step into” the design proposal in real time in the virtual environment to view the spatial layout and decorative outputs. This highly interactive visualization greatly enhances the intuitiveness of the design display and the sense of customer participation, and reduces the cost of modification and decision-making.

INDUSTRY OVERVIEW

COMPETITION ENVIRONMENT OF CHINA’S SPATIAL DESIGN SOFTWARE INDUSTRY

Competitive Landscape of China’s Spatial Design Software Industry

The competitive landscape of China’s spatial design industry is relatively concentrated, with several key players dominating the market. Despite the presence of certain international competitor, which still holds a significant market share in China, the industry is witnessing a leaning towards domestic alternatives, particularly in the spatial design market. In China’s spatial design software industry as a whole, the Company ranked first in 2023 in terms of revenue, representing a market share of 22.2%.

Ranking of Spatial Design Software Industry, China, 2023

Ranking	Company	Revenue (RMB Million)	Market Share (%)
1	The Company	663.5	22.2%
2	Company A ⁽¹⁾	655.0	21.9%
3	Company B ⁽²⁾	489.4	16.4%

Source: Frost & Sullivan

Notes:

- (1) Company A is a U.S. company founded in 1982. It is a global leader in 3D design, engineering and entertainment technology solutions, spanning architecture, engineering, construction, product design, manufacturing, media, and entertainment.
- (2) Company B is a Chinese company founded in 1993. It is a leading provider of All-in-One CAx (CAD/CAE/CAM) solutions and a listed enterprise.

Entry Barrier of China’s Spatial Design Software Industry

- **Technology**

The spatial design software industry has significant technological barriers due to the complexity and specialization required in developing advanced technologies. High-speed 3D rendering technologies require a complex hybrid parallel computing approach, combining the strengths of GPUs to optimize image quality and processing speed. The integration of AI applications, such as automated interior design systems and environment understanding engines, further elevates the technical complexity.

- **Capital Investments**

The extensive investments required in hardware, software, and R&D represent a significant capital barrier for new entrants. Establishing high-performance infrastructure needs substantial spending on advanced GPUs to support high-speed rendering and parallel computing. Additionally, significant resources must be allocated to develop advanced algorithms and technologies, such as cloud-native 3D graphics and AI-driven applications. Moreover, ongoing research and development are crucial for optimizing and advancing these technologies.

INDUSTRY OVERVIEW

- ***Talent***

The spatial design software industry has notable talent barrier, given the specialized skills and expertise required to drive innovation and maintain technological leadership. The competition for such talent is intense, as professionals with these skills are highly sought after across multiple tech sectors, including software development, AI research, and computational graphics.

- ***Brand***

Setting up a strong brand presence in the spatial design software industry represents a substantial entry barrier. Building and protecting a brand involves developing and leveraging intellectual property assets, including patents, trademarks, and copyrights. New entrants must navigate the competitive landscape dominated by established players with strong brand recognition and market presence, while the established reputation and customer loyalty of existing players present a formidable competitive barrier.

General Purpose Design and Visualization Software Industry

Design and visualization refer to the process of creating and representing ideas, concepts, or structures in a visually understandable and engaging way. This often involves using tools and techniques to transform abstract ideas into clear, visual representations, such as sketches, 3D models, or interactive environments. These tools are widely applied across industries like advertising, entertainment (including gaming and media), architecture, and product development, enabling businesses to create immersive, interactive visuals that enhance customer experiences, streamline product design, and improve marketing strategies.

General design encompasses the practice of creating designs across various fields, including product design, architecture, graphic design, and user interface design. It involves the complete process of creating and planning solutions from concept to execution. General visualization refers to the creation of visual representations of data, ideas, or designs across multiple domains, ranging from simple sketches to complex 3D models or simulations. The industry extends to various application domains such as the design and construction industry, product and industrial design industry, advertising and media industry, and the digital entertainment and media industry.

China’s general purpose design and visualization software market is expected to grow significantly, fueled by rapid digital transformation, the rise of e-commerce, and the growing use of virtual reality and augmented reality in entertainment and business, potentially reaching RMB157.2 billion by 2028. Globally, the market is expected to reach RMB819.5 billion by 2028, driven by the growing demand for high-quality digital content, immersive virtual experiences, and more efficient design processes. These trends are accelerating the adoption of design and visualization software tools across sectors, reshaping how companies approach design, branding, and user engagement.

INDUSTRY OVERVIEW

SOURCE OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the spatial design software industry in China for use in this document (the “**F&S Report**”). We have agreed to pay a fee of RMB400,000 to Frost & Sullivan in connection with the preparation of the F&S Report. We have extracted certain information from the F&S Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries where we operate.

During the preparation of the F&S Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the spatial design software market in China. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The information and data collected by Frost & Sullivan has been analyzed, assessed, and validated using Frost & Sullivan’s in-house analysis models and techniques.

The F&S Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) related key industry drivers are likely to continue driving growth in the spatial design software industry during the forecast period, and (iii) there will be no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way during the forecast period.

REGULATORY OVERVIEW

The following is a summary of the principal PRC laws, rules and regulations relevant to our business and operations in the PRC or the rights of our shareholders to receive dividends and other distributions from us.

REGULATIONS ON FOREIGN INVESTMENT AND OVERSEAS INVESTMENT

Regulations on Company Establishment and Foreign Investment

Companies established and operating in the PRC shall be subject to the *Company Law of the PRC* (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 1993, implemented on July 1, 1994 and was most recently amended on December 29, 2023 and effective from July 1, 2024. The Company Law provides for the establishment, corporate structure, and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. Unless otherwise provided in the PRC foreign investment laws, the provisions in the Company Law shall prevail.

On March 15, 2019, the National People’s Congress (the “**NPC**”) promulgated the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which came into effect on January 1, 2020. The *Implementation Regulations for the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), promulgated by the State Council of the PRC (the “**State Council**”) on December 26, 2019 and became effective on January 1, 2020. The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a management system of pre-establishment national treatment with a negative list for foreign investments. Pursuant to the Foreign Investment Law, foreign investment refers to the investment activity directly or indirectly conducted by a foreign natural person, enterprise or other organization, collectively the “foreign investors”, including the following circumstances: (i) a foreign investor establishes a foreign-funded enterprise within the territory of China, independently or jointly with any other investor; (ii) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (iii) a foreign investor makes investment to initiate a new project within the territory of China, independently or jointly with any other investor; and (iv) a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council. The Implementation Regulations for the Foreign Investment Law of the PRC have introduced the “look-through” principle and further provided that investments made by foreign-invested enterprises in China should also be governed by the Foreign Investment Law and its Implementing Regulations.

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the *Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition)* (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which was promulgated by the National Development and Reform Commission of the PRC (the “**NDRC**”) and the Ministry of Commerce of the PRC (the “**MOFCOM**”) jointly on September 6, 2024 and became effective on November 1, 2024, and the *Catalogue of*

REGULATORY OVERVIEW

Encouraged Industries for Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraged Catalogue**”), which was promulgated by the NDRC and the MOFCOM, on October 26, 2020 and became effective on January 1, 2023. Pursuant to the laws and regulations mentioned above, foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative List are permitted foreign-invested projects.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the “**SAMR**”) issued the *Measures on Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on January 1, 2020, pursuant to which, since January 1, 2020, for carrying out investment activities directly or indirectly within the territory of China, the foreign investors or foreign-invested enterprises shall submit investment information to the competent commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

License for Value-added Telecommunications Services

The *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) (the “**Telecom Regulations**”), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, is the primary PRC law governing telecommunications services. The Telecom Regulations requires that value-added telecommunications services providers procure operating licenses prior to commencing operations. The Telecom Regulations categorizes telecommunications services as basic telecommunications services or value-added telecommunications services, and further defines value-added telecommunications services as telecommunications and information services provided via public network infrastructure such as fixed networks, mobile networks and the Internet. According to the *Catalog of Telecommunications Business* (《電信業務分類目錄》), attached to the Telecom Regulations and last amended on June 6, 2019, the Internet information services, the online data processing and transaction processing services fall within the value-added telecommunications services.

The *Administrative Measures for Internet Information Services* (《互聯網信息服務管理辦法》) (the “**Measures for Internet**”) promulgated by the State Council on September 25, 2000 and latest amended on December 6, 2024, took effect on January 20, 2025. Pursuant to the Measures for Internet, Internet information services providers, also referred to as Internet content providers, or ICPs, that provide commercial services are required to obtain an operating permit from the Ministry of Industry and Information Technology (the “**MIIT**”) or its provincial counterpart before engaging in any commercial Internet information service operations in the PRC. The *Administrative Measures on Telecommunications Businesses Operating Licenses* (《電信業務經營許可管理辦法》) (the “**Telecom Licenses Measures**”) was promulgated by the MIIT. The Telecom Licenses Measures initially became effective on April 10, 2009, revised on July 3, 2017, and became effective on September 1, 2017, to supplement the Telecom Regulations. The Telecom Licenses Measures provides more specific

REGULATORY OVERVIEW

provisions regarding the types of licenses required to provide value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

Foreign Investment Restrictions in Value-Added Telecommunications Services

Foreign direct investment in telecommunications companies in China are governed by the *Provisions on the Administration of Foreign-Invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were issued by the State Council on December 11, 2001, became effective on January 1, 2002, last amended on March 29, 2022 and took effect on May 1, 2022. The FITE Regulations requires foreign-invested telecommunications enterprises (the “**FITEs**”) in the PRC, 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, except as otherwise provided, and do not further require stringent performance and operational experience for foreign investor of such FITEs engaging in value-added telecommunication services. The FITEs that meet these requirements must obtain approvals from the competent industry and information technology department of the State Council before launching the value-added telecommunications business in the PRC. In addition, according to the Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

On July 13, 2006, the predecessor of the MIIT issued the *Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in 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》) (the “**MIIT Circular**”), which reiterates certain provisions of the FITE Regulations. Under the MIIT Circular, a domestic telecommunications enterprise is prohibited from leasing, transferring or selling the telecommunications business operation license to foreign investors in any form, and from providing any assistance, including providing resources, premises or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. The Internet domain names and registered trademarks used by value-added telecommunications services operators shall be legally owned by that operator (or its shareholders). If a license holder fails to comply with the requirements in the MIIT Circular and fails to cure such non-compliance, the MIIT or its local counterparts has the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business operation.

On January 12, 2017, the State Council issued the *Circular on Several Measures Concerning the Expansion of Opening-up and the Active Use of Foreign Capital* (《國務院關於擴大對外開放積極利用外資若干措施的通知》) (the “**Circular**”), which aims to relax restrictions on the entry of foreign capital into the service, manufacturing, mining and other sectors. In particular, the Circular aims to promote the orderly opening up of the sectors of telecommunications, internet, culture, education, transportation and transportation to foreign investors.

REGULATORY OVERVIEW

REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

PRC government authorities have enacted laws and regulations with respect to Internet information security and the protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The SCNPC, China’s national legislative body, enacted the *Decisions of the Standing Committee of the National People’s Congress on Maintaining Internet Security* (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) (the “**Internet Security Decision**”) on December 28, 2000 and amended it on August 27, 2009. Pursuant to the Internet Security Decision, persons may be subject to criminal liabilities in China for any attempt to activities such as: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; (v) infringe upon intellectual property rights or damage business credit or reputation of others; (vi) intentionally make, spread computer viruses and other destructive programs, attack computer systems and communication networks which lead to damages to such systems and networks; (vii) carry out theft, fraud, racketeering through the Internet; and (viii) other activities prohibited by relevant laws and regulations.

On December 13, 2005, the Ministry of Public Security (the “**MPS**”) issued the *Regulations on Technological Measures for Internet Security Protection* (《互聯網安全保護技術措施規定》), which took effect on March 1, 2006. These regulations require Internet service providers to take proper measures including anti-virus, data back-up and other related measures, to keep records of certain information about their users for at least 60 days, and to detect illegal information, stop transmission of such information, and keep relevant records.

On December 29, 2011, the MIIT issued *Several Provisions on Regulating the Market Order of Internet Information Services* (《規範互聯網信息服務市場秩序若干規定》), which provides that an Internet information service provider must collect users’ personal information by obtaining the consent of users, expressly inform the users of the method, content and purpose of the collection and processing of such user’s personal information and properly maintain the user’s personal information.

In addition, pursuant to the *Decision of the Standing Committee of the National People’s Congress on Strengthening the Protection of Cyber Information* (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012 and the *Provisions on the Protection of Telecommunication and Internet User Personal Information* (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on July 16, 2013, any collection and use of a user’s personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

REGULATORY OVERVIEW

On November 7, 2016, the SCNPC issued the *Cyber Security Law of the PRC* (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which took effect on June 1, 2017. The Cyber Security Law is formulated to maintain network security, safeguard cyberspace sovereignty, national security and public interests, and protect the lawful rights and interests of citizens, legal persons and other organizations. Pursuant to the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by applicable laws and regulations to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Any violation of the provisions and requirements under the Cyber Security Law may subject the network operators to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites or even criminal liabilities.

On August 22, 2019, the Cyberspace Administration of China (the “**CAC**”) promulgated the *Provisions on the Cyber Protection of Children’s Personal Information* (《兒童個人信息網絡保護規定》), which took effect on October 1, 2019, requiring that before collecting, using, transferring or disclosing the personal information of a child, any Internet service operator should inform that child’s guardians in a noticeable and clear manner and obtain their consents. Meanwhile, Internet service operators should take measures like encryption when storing children’s personal information.

The *Civil Code of the PRC* (《中華人民共和國民法典》) that was issued on May 28, 2020 and took effect on January 1, 2021 provides that individuals have the right of privacy and no organization or individual shall process any individual’s private information or infringe an individual’s right of privacy, unless otherwise prescribed by laws or with such individual’s prior express consent.

The *Data Security Law of the PRC* (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate important data catalogs to enhance the protection of important data. The conduct of data handling activities shall be in compliance with the provisions of laws and administrative regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data handling activities as provided and submit risk assessment reports to the relevant authorities. Relevant authorities will establish the measures for the cross-border transfer of

REGULATORY OVERVIEW

important data. If any company violates the Data Security Law and other applicable measures to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or suspension of relevant business or revocation of the business license.

On September 24, 2024, the State Council released the *Regulations on the Administration of Cyber Data Security* (《網絡數據安全管理條例》) (the “**Cyber Data Security Regulations**”), which came into effect on January 1, 2025. The Cyber Data Security Regulations applies to cyber data processing activities conducted within China and has extraterritorial effects under specific circumstances. Within the comprehensive cybersecurity framework established by the Cyber Security Law, the Cyber Data Security Regulations serves as a joint implementation regulation of the Data Security Law and the Personal Information Protection Law. It consolidates and integrates various obligations of different types of cyber data processors, including general obligations of cyber data processors, obligations of personal information processors, obligations of key data processors, and obligations of network platform service providers. The Cyber Data Security Regulations stipulates that cyber data processors should standardize data processing activities, implement cybersecurity level protection measures, establish network data security management systems, and develop cyber data security incident emergency plans. Furthermore, the Cyber Data Security Regulations focuses on refining the provisions of the Personal Information Protection Law on notification, consent, and individual exercise of rights. First, it clarifies the content, form, and other requirements for fulfilling the obligation to notify through the formulation of personal information processing rules. Second, it clarifies the basic requirements that should be followed when processing personal information based on individual consent. Third, it clarifies the requirements for exercising the rights to access, copy, correct, supplement, and delete personal information, and refines the specific conditions for the transfer of personal information. Fourth, it clarifies the requirements for establishing a special agency or designating a representative within the country in accordance with Article 53 of the Personal Information Protection Law. Fifth, it clarifies the obligations that cyber data processors should also fulfill when processing the personal information of more than 10 million people, such as appointing a cyber data security officer and establishing a cyber data security management organization must be fulfilled.

The *Cybersecurity Review Measures* (《網絡安全審查辦法》), promulgated by CAC and other related authorities on April 13, 2020 and last amended on December 28, 2021 and was effective on February 15, 2022, proposes the following key matters: (i) Internet platform operators that are engaged in data processing activities which have or may have an implication on 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) Internet platform operators that hold 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, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to

REGULATORY OVERVIEW

overseas parties, and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process.

The *Critical Information Infrastructure Security Protection Regulations* (《關鍵信息基礎設施安全保護條例》), which was promulgated by the State Council on July 30, 2021 and took effect on September 1, 2021, stipulates the definition and the identification procedure of the critical information infrastructure. Critical information infrastructure refers to important network infrastructure, information systems in important industries and sectors such as public telecommunications and information services, energy, transportation, public services, e-government, national defense science, or important network infrastructure, information systems which may gravely harm national security, national economy and people’s livelihood, or the public interest upon their destruction, loss of functionality, or data leakage. Competent departments and supervision and management departments of important industries and sectors are the protection work departments, which are responsible for formulating related identification rules of critical information infrastructures. Operators of critical information infrastructure shall undertake cybersecurity protection duties to respond to cybersecurity incidents, prevent cyberattacks and unlawful or criminal activities, ensure the secure and stable operation of critical information infrastructure, and safeguard the integrity, confidentiality, and usability of data based on cybersecurity multi-level protection. Meanwhile, critical information infrastructure operators shall undergo a security review according to national cybersecurity regulations if the network products and services they purchase may influence national security.

The *Personal Information Protection Law of the PRC* (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), which was issued by the SCNPC on August 20, 2021 and effective on November 1, 2021, provides detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, the individuals’ rights and the processors’ obligations in the handling of personal information, the requirements on data localization and cross-border data transfer, the requirements for consent and the requirements on processing of sensitive personal information. Critical information infrastructure operators and personal information processors processing personal information reaching quantities provided by the State cybersecurity and informatization department shall store personal information collected and produced within the borders of the PRC domestically; where they need to provide it abroad, they shall pass a security assessment organized by the State cybersecurity and informatization department. Processors of personal information shall, based on the purpose and methods of processing personal information, categories of personal information, the impacts on individuals’ rights and interests, and potential security risks, take the following measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access as well as the leakage, tampering or loss of personal information: (i) Developing internal management rules and operating procedures. (ii) Conducting classified management of personal information. (iii) Taking corresponding security technical measures such as encryption and de-identification. (iv) Determining in a reasonable manner the operation privileges relating to personal information

REGULATORY OVERVIEW

processing, and providing security education and training for employees on a regular basis. (v) Developing and organizing the implementation of emergency plans for personal information security incidents. (vi) Other measures as provided by laws and administrative regulations. A company that violates the Personal Information Protection Law in handling personal information may face penalties, fines, suspension of relevant business or revocation of the business license.

On March 22, 2024, the CAC issued the *Provisions on Promoting and Regulating Cross-border Data Flow* (《促進和規範數據跨境流動規定》) (the “**CBDF Provisions**”). In accordance with the *Measures for the Security Assessment of Outbound Data Transfer* (《數據出境安全評估辦法》) implemented on September 1, 2022, the *Measures for the Standard Contract for the Outbound Transfer of Personal Information* (《個人信息出境標準合同辦法》) implemented on June 1, 2023, the *Announcement regarding the Implementation of Personal Information Protection Certification* (《關於實施個人信息保護認證的公告》) implemented on November 4, 2022, and the CBDF Provisions, data processors transferring data overseas are required to comply with the corresponding data cross-border transfer supervision procedures as stipulated by relevant laws and regulations, except for those meeting exemption conditions. According to the CBDF Provisions, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (i) where the critical information infrastructure operator intends to provide important data or personal information overseas; (ii) where the data processor other than critical information infrastructure operators intends to provide important data overseas; (iii) where the data processor other than critical information infrastructure operators, who has provided personal information (excluding sensitive personal information) of at least one million individuals or sensitive personal information of at least 10,000 individuals to overseas recipients accumulatively since January 1 of any given calendar year, intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC.

On November 25, 2022, the CAC, the MIIT and the MPS jointly issued the *Administrative Provisions on the Deep Synthesis of Internet-based Information Services* (《互聯網信息服務深度合成管理規定》) (the “**Deep Synthesis Provisions**”), which became effective on January 10, 2023. According to the Deep Synthesis Provisions, no organization or individual may use deep synthesis services to produce, reproduce, release or disseminate information prohibited by laws and administrative regulations, or to engage in activities that endanger national security and interests, damage the national image, infringe upon social public interests, disrupt the economic and social order or undermine the legitimate rights and interests of others. Specifically, the providers of deep synthesis services shall, among other things, establish and maintain management systems for algorithmic mechanism review, data security and personal information protection.

On July 10, 2023, seven governmental authorities including the CAC published the *Provisional Measures for the Administration of Generative Artificial Intelligence Services* (《生成式人工智能服務管理暫行辦法》) (the “**AIGC Measures**”), setting compliance

REGULATORY OVERVIEW

standards for generative AI service providers. The AIGC Measures require generative AI service providers to take responsibility for the content they produce in accordance with the law and ensure information security. Besides, providers of generative AI services that influence public opinion or could mobilize society shall undergo security assessments and follow procedures for registering or updating their algorithms as required by applicable regulations. Non-compliance with the AIGC Measures may subject the providers of generative AI services to penalties, including warnings, public denouncement, rectification orders and suspension of the provision of relevant services.

Pursuant to the *Ninth Amendment to the Criminal Law of the PRC* (《中華人民共和國刑法修正案(九)》), issued by the SCNPC on August 29, 2015, which became effective on November 1, 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. Furthermore, 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 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》), issued on May 8, 2017 and effective on June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement.

REGULATIONS RELATED TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

On June 14, 2022, the CAC promulgated the amended *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 came into effect on August 1, 2022. According to the APP Provisions, mobile Internet application refers to application software that runs on mobile smart terminals and provides information services to users. The APP Provisions sets forth the relevant requirements on the Application (“**App**”) information service providers and the APP Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively. App providers shall fulfill their responsibilities of information security management, and perform the following duties, including but not limited to: (i) in accordance with the principles of “real name at background, any name at foreground”, verify identities with the registered users through mobile phone numbers, identity document numbers or unified social credit codes; (ii) establish and improve the mechanism for regulating personal information processing and user information security protection, following the principle of “legality, legitimate, necessity and good faith” in processing personal information, with clear and reasonable purposes; (iii) establish a sound information content review and management mechanism, and establish and improve management measures for user registration, account management, information review, routine inspections, and emergency response, with professionals and technical capabilities commensurate with their service scale; (iv) adhere to the principle of being most beneficial to minors, and strictly implement the requirements for the registration and login of minors’ user accounts with real identity information in accordance with the law; (v) not induce users to

REGULATORY OVERVIEW

download Apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual comment control, or by using illegal and harmful information; (vi) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR jointly issued the *Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps* (《關於開展App違法違規收集使用個人信息專項治理的公告》), which became effective immediately. The aforementioned Announcement restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

Pursuant to the *Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps* (《關於開展App違法違規收集使用個人信息專項治理的公告》), the *Guideline to the Self-Assessment of Illegal Collection and Use of Personal Information by Apps* (《App違法違規收集使用個人信息自評估指南》) issued and took effect on March 3, 2019, and the *Methods for Identifying Unlawful Acts of Applications (Apps) to Collect and Use Personal Information* (《App違法違規收集使用個人信息行為認定方法》) issued and took effect on November 28, 2019, App operators shall follow the principle of legality, rightfulness and necessity for collection of personal information. Only personal information related to the service provided may be collected, and no personal information may be collected without the users’ express consent.

Pursuant to the *Notice of Ministry of Industry and Information Technology on Deeply Carrying out Special Rectification Actions against the Infringement upon Users’ Rights and Interests by Apps* (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》) (the “**Notice on Deeply Carrying out Rectification Actions**”) promulgated and implemented by the MIIT on July 22, 2020, it requires inspecting whether App service providers are involved certain of the following activities, including: (i) collecting or using personal information without the user’s consent, collecting or using personal information beyond the necessary scope of services provided, and forcing users to receive advertisements; (ii) requesting user’s permission in a compulsory and frequent manner, or frequently launching third-party applications; and (iii) deceiving and misleading users into downloading applications or providing personal information. The Notice on Deeply Carrying out Rectification Actions also sets forth the period for the regulatory specific inspection of Apps and that the MIIT will order the non-compliant entities to modify their business within five business days, or otherwise the MIIT will make a public announcement, remove the applications from the App stores or impose other administrative penalties.

REGULATORY OVERVIEW

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the *Notice on Promulgation of 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》), which took effect on May 1, 2021, specifying that the operator of an Internet application shall not refuse a user to use its basic functional services on the ground that the user disagrees with the collection of unnecessary personal information.

Pursuant to the *Notice of Ministry of Industry and Information Technology on Conducting Mobile Internet Applications Filing* (《工業和信息化部關於開展移動互聯網應用程序備案工作的通知》) (the “**Notice on Mobile Application Filing**”) promulgated and implemented by the MIIT on July 21, 2023, operators who engaged in mobile Internet applications programs in China shall go through the filing procedures with the authorities, and those who failed to go through the filing procedures shall not engage in any Internet information services. The operator of mobile Internet applications programs shall indicate the filing number in a prominent position of the mobile Internet applications program and link the URL of the filing system for public inquiry and verification. Operators of existing mobile Internet applications programs must complete filing procedures through an Internet service provider (ISP) or a mobile Internet applications program distribution platform between September 2023 and March 2024. New mobile Internet applications programs cannot be put into use unless and until the filing procedures have been completed. For those who have gone through the website filing procedures, only the relevant information on their Apps needs to be supplemented and improved, and there is no need to repeatedly fill in the true identity information of the operators.

REGULATIONS RELATED TO PRODUCTION AND DISTRIBUTION OF TELEVISION PROGRAMS

Pursuant to the *Regulations on Radio and Television Administration* (《廣播電視管理條例》) promulgated by the State Council on August 11, 1997 and last amended on 6 December 2024, took effect on January 20, 2025, radio and television programs shall be produced by radio stations, television stations and radio and television programs production and operation institutions established with the approval of the radio and television administrative departments of the people’s government at provincial level or above. Radio stations or television stations shall not broadcast radio or television programs produced by institutions without a Radio and Television Program Production and Operation License.

Pursuant to the *Administrative Provisions on the Production and Operation of Radio and Television Programs* (《廣播電視節目製作經營管理規定》), which was promulgated on July 19, 2004 and came into effect on August 20, 2004, and was last revised on October 29, 2020, the State implements a licensing system for the establishment of radio and television programs production and operation institutions or for those engaged in radio and television programs production and operation activities. The Radio and Television Program Production and Operation License shall be obtained for establishing institutions that produce and operate radio and television programs or engaging in production and operation of radio and television programs. Entities with the Radio and Television Program Production and Operation License

REGULATORY OVERVIEW

shall conduct their operations strictly within the approved scope of production and operation. The State encourages domestic social organizations, enterprises and institutions (excluding wholly foreign-owned enterprises, Sino-foreign equity joint venture enterprises or Sino-foreign cooperative joint ventures established within the territory of China) to establish institutions that produce and operate radio and television programs or engage in production and operation of radio and television programs.

REGULATIONS RELATED TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

On April 13, 2005, the State Council promulgated *Decisions of the State Council on the Entry of the Non-state-owned Capital into the Cultural Industry* (《國務院關於非公有資本進入文化產業的若干決定》). On July 6, 2005, five PRC regulatory agencies, namely, the Ministry of Culture, the State Administration of Radio, Film and Television (“SARFT”), the General Administration of Press and Publication, the NDRC and the MOFCOM, jointly adopted *Opinions on Introducing Foreign Investments to the Cultural Sector* (《關於文化領域引進外資的若干意見》). According to the above-mentioned regulations, non-state-owned capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information networks.

According to the *Administrative Regulations on Internet Audio-Visual Program Services* (《互聯網視聽節目服務管理規定》) (the “**Audio-visual Regulations**”) promulgated by the SARFT and the MIIT on December 20, 2007 and last amended on August 28, 2015, Internet audio-visual program services refers to activities of making, editing and integrating audio-visual programs, providing them to the general public via Internet, and providing audio-visual programs uploading and transmission services. An Internet audio-visual program service provider shall obtain an Audio-visual Permit issued by the SARFT or complete certain registration procedures with the SARFT. On March 30, 2009, the SARFT promulgated the *Notice of the Ministry of Culture, the State Administration of Radio, Film and Television on Strengthening the Administration of the Content of Internet Audio-visual Programs* (《廣電總局關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval requirements for the Internet audio-visual programs, including those on mobile network (if applicable), and prohibits Internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements.

Pursuant to the Audio-visual Regulations, providers of Internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the *Official Answers to Press Questions Regarding the Administrative Regulations on Internet Audio-visual Program Services* (《<互聯網視聽節目服務管理規定>答記者問》) published on the SARFT’s website on February 3, 2008, the SARFT and MIIT clarified that providers of Internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of Internet audio-visual program services so long as those providers have not violated the laws and regulations. This exemption will not be granted to Internet audio-visual program service providers established after the adoption of the Audio-visual Regulations. These policies have later been reflected in the *Notice of the Ministry of Culture*,

REGULATORY OVERVIEW

the State Administration of Radio, Film and Television on Relevant Issues Concerning Application and Approval of Audio-visual Permit (《廣電總局關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by the SARFT on May 21, 2008 and amended on August 28, 2015.

According to the *Administrative Provisions on Online Audio-visual Information Services* (《網絡音視頻信息服務管理規定》), promulgated jointly by the CAC, the Ministry of Culture and Tourism and the National Radio and Television Administration on November 18, 2019, online audio-visual information service providers shall authenticate users’ real identity information based on organization code, identity card number, mobile phone number, etc. Online audio-visual information service providers shall not serve users who fail to provide their real identity information. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, deploy and apply identification technologies for illegal and non-real audio and video; if any user is found to produce, post or disseminate content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall save relevant records, and report to the CAC, the Ministry of Culture and Tourism, the National Radio and Television Administration, etc.

As of the date of this document, we have not obtained an Audio-visual Permit. Uncertainties exist as to whether we will be required by relevant PRC government authorities to obtain the Audio-visual Permit. For detailed analysis, see “Risk Factors — Risks Related to Our Business and Industry — We may fail to obtain or maintain all required licenses, permits and approvals to operate our business.”

REGULATIONS RELATED TO ONLINE ADVERTISING BUSINESS

The SAMR is the government agency responsible for regulating advertising activities in the PRC. On April 24, 2015, the SCNPC enacted the *Advertising Law of the PRC* (《中華人民共和國廣告法》) (the “**Advertising Law**”), which became effective on September 1, 2015 and was last amended on April 29, 2021. The Advertising Law, a major overhaul of an advertising law enacted in 1994, increases the potential legal liability of providers of advertising services, and includes provisions intended to strengthen the identification of false advertising and the power of governmental authorities. Pursuant to the Advertising Law, relevant PRC laws on advertisement require advertisers, advertising operators, and advertising distributors to ensure that the content of the advertisements they produce or distribute is true and in full compliance with applicable laws and regulations and shall not contain wordings such as “national level”, “highest level” and “best.” In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators, and advertising distributors are obligated to confirm that such review has been duly performed and that the relevant approval has been obtained. Publishing and circulating advertisements through the Internet shall not affect the normal use of the Internet by users. An Internet advertisement shall be recognizable and enable consumers to identify it as an advertisement. The administrator of a public place, an operator of a telecommunications

REGULATORY OVERVIEW

business, or an Internet information service provider shall stop the sending or publishing of illegal advertisements through the public place or information transmission or release platform that it knows or should have known.

According to the *Administrative Measures on Internet Advertising* (《互聯網廣告管理辦法》) promulgated by the SAMR on February 25, 2023 and implemented on May 1, 2023, it further strengthens the one-click-to-close requirement. It prohibits advertisements for certain items on Internet media that target minors, including, among others, advertisements related to online games that are harmful to the physical or mental health of minors. The advertisers are responsible for the authenticity of the content of internet advertisements, while the Internet advertisement publishers and advertisement agencies are required to establish, improve, and implement registration, review, and archive management systems for Internet advertising businesses, which include verifying and registering advertiser information, verifying supporting documents and advertisements content, and allocating advertising review personnel familiar with advertising laws and regulations or establish advertising review bodies.

In addition, the *Administrative Measures on Internet Advertising* (《互聯網廣告管理辦法》) require Internet platform operators providing Internet information services to take measures to prevent and stop illegal advertisements. Such measures include recording and storing the real identity information of users who publish advertisements for at least three years, monitoring and investigating the content of advertisements, and taking measures to stop illegal advertisements. Internet platform operators are also required to establish effective complaint and reporting mechanisms, cooperate with market regulatory departments in investigating illegal conduct, and use measures such as warnings, suspending or terminating services for users who publish illegal advertisements.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY PROTECTION

Copyright

On June 1, 1991, the *Copyright Law of the PRC* (《中華人民共和國著作權法》) (the “**Copyright Law**”) came into effect, which was last amended on November 11, 2020 and became effective as of June 1, 2021. The Copyright Law 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. Copyright owners of protected works enjoy personal and property rights concerning publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information networks, production, adaptation, translation, compilation, and other rights that shall be enjoyed by the copyright owners. Reproducing, publishing, performing, projecting, broadcasting, or plagiarizing without permission from the owner of the copyright, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights.

REGULATORY OVERVIEW

In order to further implement the *Computer Software Protection Regulations* (《計算機軟件保護條例》), promulgated by the State Council I on December 20, 2001, and amended on January 8, 2011 and January 30, 2013 respectively, the National Copyright Administration issued the *Computer Software Copyright Registration Procedures* (《計算機軟件著作權登記辦法》) on February 20, 2002 and amended on June 18, 2004, which specify detailed procedures and requirements with respect to the registration of software copyrights.

According to the currently effective Copyright Law, an infringer will be subject to various civil liabilities, including cessation of the infringement and apologizing to and compensating the actual loss suffered by the copyright owner. In the case that the actual loss of the copyright owner is difficult to calculate, the income received by the infringer as a result of the infringement shall be deemed as the actual loss. Furthermore, if such illegal income is difficult to calculate as well, the competent people’s court shall decide the amount of the actual loss at its own discretion ranging from RMB500 to RMB5,000,000 according to the circumstances of the infringement.

As of September 30, 2024, we have registered 118 computer software copyrights and 5 copyright of works in the PRC.

Patent Law

The SCNPC promulgated the *Patent Law of the PRC* (《中華人民共和國專利法》) on March 12, 1984, which was last amended on October 17, 2020 and became effective on June 1, 2021. On June 15, 2001, the State Council promulgated the *Implementation Regulation for the Patent Law* (《中華人民共和國專利法實施細則》), which was last amended on December 11, 2023 and became effective on January 20, 2024. According to these laws and regulations, the State Intellectual Property Office is responsible for administering patents in the PRC. The PRC patent system adopts a “first to file” principle, which means that where more than one person files applications for the same patent (such as inventions, utility models, or designs), such patent shall be granted to the person who filed the application first. To be patentable, it must meet three conditions: novelty, inventiveness, and practical applicability.

Furthermore, patents cannot be granted for scientific discoveries, rules, and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, or substances obtained by means of nuclear transformation. A patent is valid for 20 years in the case of an invention, ten years in the case of utility models and 15 years in the case of designs, starting from the application date. Except under certain specific circumstances provided by laws, any third-party user shall obtain prior consent or a proper license from the patent owner to use the patent, otherwise, such third party may result in an infringement of the rights of the patent holder.

As of September 30, 2024, we have been granted 156 patents in the PRC.

REGULATORY OVERVIEW

Trademark

On August 23, 1982, the SCNPC promulgated the *Trademark Law of the PRC* (《中華人民共和國商標法》) (the “**Trademark Law**”), which was last amended on April 23, 2019. On August 3, 2002, the State Council promulgated the *Implementation Regulation for the Trademark Law* (《中華人民共和國商標法實施條例》), which was amended on April 29, 2014 and became effective on May 1, 2014. Under the Trademark Law and the implementation regulation, the Trademark Office of China National Intellectual Property Administration, or the Trademark Office, is responsible for the registration and administration of trademarks in China. Registered trademarks are valid for a term of 10 years from the date of the registration. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where a 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.

As of September 30, 2024, we have 426 registered trademarks in the PRC.

Domain Names

Domain names are protected under the *Administrative Measures on the Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and took effect on November 1, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC Internet domain names, under the supervision of which the China Internet Network Information Center (the “**CNNIC**”), is responsible for the daily administration of “.cn” domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the *Notice on Regulating the Use of Domain Names in Providing Internet-based Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an Internet-based information service provider in providing Internet-based information services must be registered and owned by such provider in accordance with the law. If the Internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

As of September 30, 2024, we have held 18 domain names registered relating to our business in the PRC.

REGULATORY OVERVIEW

REGULATIONS RELATED TO COMPETITION AND ANTI-MONOPOLY

The *PRC Anti-monopoly Law* (《中華人民共和國反壟斷法》), which was promulgated by SCNPC on August 30, 2007 and took effect on August 1, 2008, and last amended on June 24, 2022 and took effect on August 1, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect of eliminating or restricting competition. On March 10, 2023, the SAMR issued the *Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions* (《禁止濫用市場支配地位行為規定》), which took effect on April 15, 2023 and superseded the *Interim Provisions on the Prohibition of Acts of Abuse of Dominant Market Positions* (《禁止濫用市場支配地位行為暫行規定》) issued on June 26, 2019, to further prevent and prohibit the abuse of dominant market positions. On February 7, 2021, the Anti-monopoly Commission of the State Council promulgated the *Guidelines of the Anti-monopoly Commission of the State Council to Anti-Monopoly in the Field of Internet Platforms* (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) (the “**Anti-Monopoly Guidelines**”), which took effect on the same date. The Anti-Monopoly Guidelines provide that the existing PRC Anti-monopoly laws and relevant regulations apply to Internet platforms and businesses participating in the platform economy.

Moreover, the PRC Anti-monopoly Law and the *Provisions on the Review of Concentrations of Undertakings* (《經營者集中審查規定》) promulgated by the SAMR on March 10, 2023 which became effective on April 15, 2023, requires that the SAMR should be notified in advance of any concentration of undertaking while such actions triggered the thresholds. The *Provisions on Declaration Threshold for Concentration of Undertakings* (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008 and was last amended on January 22, 2024, which further clarifies when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly authorities, if (i) the aggregate global turnover of all operators participating in the concentration for the last fiscal year exceeds RMB12 billion, and at least two of those operators each have a turnover of more than RMB800 million within the PRC for the last fiscal year; or (ii) the aggregate turnover within the PRC of all operators participating in the concentration for the last fiscal year exceeds RMB4 billion, and at least two of those operators each have a turnover of more than RMB800 million within the PRC for the last fiscal year. Where the concentrations do not meet the aforesaid thresholds but there is evidence that the concentrations have or may have the effect of excluding or restricting competition, the SAMR is entitled to require an examination of concentration of undertakings. “Concentration of undertakings” means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means.

Competition among business operators is generally governed by the *Anti-unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》) (the “**Anti-unfair Competition Law**”), which was promulgated by SCNPC on September 2, 1993 and last amended on April 23, 2019. According to the Anti-unfair Competition Law, when trading on

REGULATORY OVERVIEW

the market, operators must abide by the principles of voluntariness, equality, fairness, and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other operators or consumers. When the lawful rights and interests of an operator are damaged by acts of unfair competition, it may institute proceedings in a people’s court. In comparison, where an operator commits unfair competition in contravention of the provisions of the Anti-unfair Competition Law and causes damage to another operator, it will be responsible for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages will be the profit gained by the infringer through the infringing act. If an operator seriously infringes a trade secret in bad faith, the amount of compensation the operator will undertake will be up to not more than five times the amount of such damages. The infringer will also bear all reasonable costs paid by the injured operator to prevent the infringement.

REGULATIONS RELATED TO FOREIGN EXCHANGE

Regulations Related to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the *Administrative Regulations for Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulations**”), which was promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade, and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless the prior approval of the State Administration of Foreign Exchange (the “SAFE”), is obtained and prior registration with the SAFE is made.

On May 11, 2013, the SAFE promulgated the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents* (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》), which specifies that the administration by the SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with the SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to direct investment in the PRC based on the registration information provided by the SAFE and its branches.

The SAFE released the *Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (《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 Circular 19**”) on March 30, 2015 and it became effective on June 1, 2015 and was partially repealed on December 30, 2019 and last amended on March 23,

REGULATORY OVERVIEW

2023. In accordance with the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the “discretionary foreign exchange settlement” approach. The proportion of discretionary foreign exchange settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%, while SAFE can adjust the aforementioned proportion in due time based on the situation of the international balance of payments.

On June 9, 2016, the SAFE published the *Circular of the State Administration of Foreign Exchange 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 Circular 16”), which became effective immediately and was later amended on December 4, 2023. According to the SAFE Circular 16, enterprises that have registered in the PRC may also discretionally determine to convert their foreign debts from foreign currency to RMB. In addition, SAFE promulgated the *Circular of the State Administration of Foreign Exchange Regarding Further Promotion of the Facilitation of Cross-Border 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》) (the “SAFE Circular 28”) on October 23, 2019, which became effective on the same date and was later amended on December 4, 2023. The SAFE Circular 28 expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations.

According to the *Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment* (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), which was issued and came into effect on December 4, 2023 by the SAFE, the equity transfer consideration paid in foreign currency by domestic entities owe to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised by domestic enterprises listed overseas, can be remitted to the capital project settlement account directly. The funds in the capital project settlement account can be independently settled and utilized.

The SAFE issued the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (《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 Circular 13”) on February 13, 2015, and it took effect on June 1, 2015 and was partially repealed on December 30, 2019. The SAFE Circular 13 requires PRC residents or entities to register with qualified banks rather than SAFE or its local branches in relation to direct investment in foreign exchange beyond China.

On April 10, 2020, the SAFE promulgated *Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), according to which, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy

REGULATORY OVERVIEW

the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

Regulations Related to Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the *Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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》) (the “SAFE Circular 37”), which has become effective on the same date, replacing the former circular commonly known as *Circular of the State Administration of Foreign Exchange on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles* (《國家外匯管理局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》), published by SAFE on October 21, 2005.

Under SAFE Circular 37, PRC residents, including PRC individuals and institutions, shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for overseas investment and financing, with such PRC residents’ legally owned onshore or offshore assets or interests, as a “special purpose vehicle” under SAFE Circular 37. SAFE Circular 37 further requires an amendment to the registration in the event of any significant or material changes with respect to the special purpose vehicle, including but not limited to increase or decrease of capital contributed by PRC individuals, share transfer, exchange, merger, or division. In the event that a PRC shareholder holding equity interests in a special purpose vehicle fails to comply with the required SAFE registration, the PRC subsidiaries of such special purpose vehicle may be prohibited from making profit distributions to its offshore parent company and prohibited 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 subsidiaries.

Under SAFE Circular 37, if a non-listed special purpose vehicle uses its own equity to grant equity incentives to any directors, supervisors, senior management, or any other employees directly employed by a domestic enterprise which is directly or indirectly controlled by such special purpose vehicle, or with which such an employee has established an employment relationship, related PRC residents and individuals may, prior to exercising their rights, apply to the SAFE for foreign exchange registration formalities for such special purpose vehicle. However, in practice, different local SAFE offices may have different views and procedures on the interpretation and implementation of the SAFE regulations, and since SAFE Circular 37 was the first regulation to regulate the foreign exchange registration of a non-listed special purpose vehicle’s equity incentives granted to PRC residents, there remains uncertainty with respect to its implementation.

REGULATORY OVERVIEW

REGULATIONS RELATED TO STOCK INCENTIVE PLANS

The *Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas* (《國家外匯管理局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”), was enacted by SAFE on February 15, 2012 and became effective on the same date. Under the Circular 7 and other relevant rules, domestic employees, directors, supervisors, consultants, and other senior management taking part in any equity incentive plan of an overseas publicly listed company who is a PRC citizen or non-PRC citizen residing in China for a continuous period of no less than one year shall complete the registration and other several procedures with SAFE and its local branch. The PRC residents joining the equity incentive plan must retain one domestically qualified agent to handle the registration in SAFE, the opening of bank accounts, capital transfer, and other procedures relevant to the equity incentive plan. At the same time, an overseas institution shall be entrusted, as well, to perform the exercise, trade the corresponding shares or equities, capital transfer and other issues. The income of the foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before he/she would exercise the rights of share incentive plans. Failure to complete the SAFE registrations may result in fines and legal sanctions on such domestic individuals and may also limit their capability to contribute additional capital to the wholly foreign-owned subsidiary in China and further limit such subsidiary’s capability to distribute dividends.

REGULATIONS RELATED TO DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by Foreign-Invested Enterprises in the PRC include the Company Law and the Foreign Investment Law and Implementation Regulations for the Foreign Investment Law of the PRC.

Under these laws and regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits (after tax) each year, if any, to certain reserve funds until the amount of reserves has reached 50% of the registered capital of the enterprises. The reserves are not distributable as cash dividends. Any PRC companies shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion.

REGULATORY OVERVIEW

REGULATIONS RELATED TO M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation (the “SAT”), the State Administration for Industry and Commerce of the PRC, the CSRC, and the SAFE, jointly issued the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者並購境內企業的規定》) (the “M&A Rules”), which became effective on September 8, 2006 and amended on June 22, 2009. The M&A Rules include provisions that purport to require that an offshore special purpose vehicle formed for purposes of the overseas listing of equity interests in the PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The M&A Rules further requires the MOFCOM to be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or certain other circumstances as stated.

In February 2011, the General Office of the State Council promulgated a *Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) (the “Circular 6”), which established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire “de facto control” of domestic enterprises with “national security” concerns. In August 2011, the MOFCOM promulgated the *Rules 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》), effective from September 1, 2011, which provide that the MOFCOM will look into the substance and actual impact of a transaction and prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. On December 19, 2020, the *Measures for the Security Review of Foreign Investment* (《外商投資安全審查辦法》) was jointly issued by NDRC and MOFCOM, which took effect on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. According to the Measures for the Security Review of Foreign Investment, a foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in, or making the investment in military related industries.

REGULATORY OVERVIEW

REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the *Opinions on Strictly Cracking Down on Illegal Securities Activities* (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings of China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised.

On February 17, 2023, the CSRC released the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises* (《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 supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures and Supporting Guidelines will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic enterprises’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic enterprises’ securities by adopting a filing-based regulatory regime.

According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either by direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering by PRC domestic enterprise: (i) 50% or more of any 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 enterprises; and (ii) the main parts of the issuer’s business activities are conducted

REGULATORY OVERVIEW

in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for an initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

If PRC domestic enterprises fail to fulfill the above-mentioned filing procedures, or offer and list in an overseas market against the prohibited circumstances, or contain misrepresentation, misleading statement or material omission in filing materials, the domestic enterprises would be subject to rectification, warning, fines and other administrative punishments in accordance with the Overseas Listing Trial Measures, while its controlling shareholders and actual controllers of such domestic enterprises as well as the directly liable persons-in-charge and other directly liable persons may also be subject to warning, fines and other administrative punishments.

On February 24, 2023, the CSRC, the Ministry of Finance (“MOF”), the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the *Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises* (《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》), which took effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic enterprises, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. To be specific, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, (i) any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities and file with competent secrecy administrative department; (ii) any other documents and materials that, if leaked, will be detrimental to national security or the public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. A domestic company that provides documents and materials to securities companies and securities service providers shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement simultaneously.

REGULATORY OVERVIEW

REGULATIONS RELATED TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

According to the *Labor Law of the PRC* (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was most recently amended on December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers.

The *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was promulgated by the SCNPC on June 29, 2007, most recently amended on December 28, 2012 and implemented on July 1, 2013 and the *Implementation Regulations on Labor Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which was promulgated and implemented by the State Council on September 18, 2008, regulate both parties to a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. In accordance with the Labor Contract Law and the Implementation Regulations on Labor Contract Law, a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an unfixed-term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching an agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

In accordance with the Labor Contract Law and the *Interim Provisions on Labor Dispatching* (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security of the PRC on January 24, 2014 and effective on March 1, 2014, it specified the scope and proportion of the usage of the laborer, execution and performance of labor dispatch agreements and legal liability. An employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. An employer that is in violation thereof shall be ordered to make correction by the labor administrative department. Where no correction is made by the prescribed deadline, the employer shall be subject to a fine ranging from RMB5,000 to RMB10,000 for each dispatched worker.

According to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and effective from July 1, 2011, and was subsequently amended on December 29, 2018, and other relevant PRC laws and regulations such as the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》), *Regulations on Work Injury Insurance* (《工傷保險條例》), *Regulations on Unemployment Insurance* (《失業保險條例》) and *Trial Measures on Employee Maternity Insurance of Enterprises* (《企業職工生育保險試行辦法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed

REGULATORY OVERVIEW

to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the *Regulations on the Management of Housing Provident Fund* (《住房公積金管理條例》), which was effective on April 3, 1999 and last amended on March 24, 2019, employers shall undertake to register with the competent administrative center of housing provident fund, or the Center, and upon the verification by the Center, open accounts of housing provident funds for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident funds for their employees in full amount. An enterprise that fails to make housing fund contributions in full may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline by the housing provident fund management center; otherwise, an application may be made to a local court for compulsory enforcement.

REGULATIONS RELATED TO LEASING OF REAL PROPERTY

Pursuant to the *Law on Administration of Urban Real Estate of the PRC* (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994, and last amended on August 26, 2019, and took effect on January 1, 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental prices, rental and repair liabilities, and other rights and obligations of both parties. In addition, pursuant to the Law on Administration of Urban Real Estate of the PRC and the *Administrative Measures on Leasing of Commodity Housing* (《商品房屋租賃管理辦法》), promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and became effective on February 1, 2011, both lessor and lessee are required to register the lease within 30 days from execution of the property lease contract with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines ranging from RMB1,000 to RMB10,000.

According to Civil Code of the PRC (《中華人民共和國民法典》), the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. If the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid. where the mortgaged property has been leased and the possession thereof has been transferred before the creation of the mortgage, the previously established leasehold interest will not be affected by the subsequent mortgage. In addition, if neither the lessor nor the lessee has completed the registration and filing procedures for the lease contract in accordance with laws and administrative regulations, it shall not affect the validity of the contract.

REGULATORY OVERVIEW

REGULATION RELATED TO TAXATION

PRC Enterprise Income Tax Law

The *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was enacted by the NPC on March 16, 2007 and last amended on December 29, 2018 and the *Implementing Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) (collectively with the EIT Law, the “**PRC EIT Laws**”) which was promulgated by the State Council on December 6, 2007 and latest amended on December 6, 2024, took effect on January 20, 2025, apply a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Enterprises qualifying as “High and New Technology Enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its “High and New Technology Enterprise” status.

Under the PRC EIT Laws, an enterprise established outside China with a “de facto management body” within China is considered a “resident enterprise,” which means it can be treated as a domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%. Dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

PRC Value-added Tax and Business Tax

Pursuant to the *Interim Value-Added Tax Regulations of the PRC* (《中華人民共和國增值稅暫行條例》) promulgated by the PRC State Council on December 13, 1993 and last amended on November 19, 2017, and the *Implementation Regulations for the Interim Value-Added Tax Regulations of the PRC* (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and last amended on October 28, 2011, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

The *Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax* (《營業稅改徵增值稅試點方案》) (the “**Pilot Plan**”), was promulgated by the MOF and the SAT on November 16, 2011. On April 30, 2016, the State Council further promulgated the *Notice of the State Council on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added*

REGULATORY OVERVIEW

Tax (《國務院關於做好全面推開營改增試點工作的通知》), which became effective on May 1, 2016. Pursuant to the Pilot Plan and relevant notices, VAT is generally imposed in lieu of business tax in the modern service industries, including value-added telecommunications services, on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services and VAT of a rate of 3% applies to small-scale taxpayers. Unlike a business tax, a general VAT taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

Pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates* (《財政部、稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018, which came into effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have Value-added Tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

In accordance with the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (《關於深化增值稅改革有關政策的公告》) issued by the MOF, the SAT and the General Administration of Customs on March 20, 2019, which came into force on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%, and the currently applicable VAT rate of 10% shall be adjusted to 9%.

Dividends Withholding Tax

Pursuant to the PRC EIT Laws and its implementation rules, dividends generated after January 1, 2008 and payable by foreign-invested companies in China to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes 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**") promulgated on August 21, 2006 and last amended on December 6, 2019, where a Hong Kong resident enterprise that holds more than a 25% equity interest in a PRC resident enterprise at any time within 12 consecutive months before receiving the dividend, the competent PRC tax authority may determine the Hong Kong resident enterprise to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, and the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the PRC EIT Laws.

However, based on the *Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated and took effect on February 20, 2009 by the SAT, where the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a transaction or arrangement that

REGULATORY OVERVIEW

is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the *Notice of the State Administration of Taxation on Issues concerning the “Beneficial Owner” in Tax Treaties* (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) which was promulgated by the SAT on February 3, 2018 and came into effect on April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. The *Announcement of the State Administration of Taxation on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Treaties* (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which was issued on October 14, 2019 and took effect on January 1, 2020, provides that applicant who intends to prove his or her “beneficial owner” status shall gather and retain relevant documents, and shall submit the relevant documents to the competent tax bureau upon post-request by such tax bureau.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to November 2011 when we established Hangzhou QunHe, through which we provided spatial design services to our customers. Since then, we have been led by our co-founders, Mr. Huang, Mr. Chen and Mr. Zhu, and have become the world’s largest spatial design platform, as measured by the number of average monthly active users (MAUs) in 2023, and also the largest software provider in China’s spatial design industry as measured by revenue in 2023, according to Frost & Sullivan. For details of each of their biography, see “Directors and Senior Management.”

Our Company was incorporated in the Cayman Islands on July 29, 2013 as an exempted company with limited liability, and is the holding company of our Group with businesses conducted through our subsidiaries and Consolidated Affiliated Entity controlled by our Company through the Contractual Arrangements. From 2013 to 2021, we received multiple series of equity financing to support our expanding business operations. For more information about the Pre-[REDACTED] Investments, see “— Major Shareholding Changes of Our Company” and “— Pre-[REDACTED] Investments.”

OUR KEY MILESTONES

The following is a summary of our key milestones in our operational history:

Year	Event
2011 . . .	Our co-founders founded Hangzhou QunHe in China and commenced operation.
2012 . . .	We built our first proprietary GPU clusters.
2013 . . .	We launched Kujiale, our flagship product with a full suite of functionalities.
2015 . . .	We adopted subscription model as our Group’s principal business model.
2018 . . .	We introduced Coohom.com and expanded our business to launch international products.
2021 . . .	We acquired Hangzhou Meijian to enhance our 2D-design capabilities. We launched an add-on feature KuSpace (酷空間) with enhanced BIM capabilities.
2023 . . .	We developed the first AIGC product in 3D spatial design sector.
2024 . . .	We trained and launched AI model to generate physically accurate reconstruction and structural 3D scenes.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITY

As of the Latest Practicable Date, we have the following subsidiaries and Consolidated Affiliated Entity which are of strategic importance to us or have made material contributions to our results of operations during the Track Record Period:

<u>Name of Entity</u>	<u>Place of Incorporation</u>	<u>Date of Incorporation</u>	<u>Principal Business</u>
Hangzhou QunHe . .	PRC	November 9, 2011	Provision of spatial design and visualization services in PRC
Exacloud (Hong Kong) . . .	Hong Kong	August 13, 2013	Investment holding
Hangzhou Yunjiazhuang . . .	PRC	November 29, 2013	Investment holding
Hangzhou Meijian .	PRC	February 18, 2016	Provision of 2D design and presentation services
Coohom Inc.	U.S.	May 14, 2019	Sales of Coohom products in North America
Coohom (Hong Kong) . . .	Hong Kong	October 29, 2019	Sales of Coohom products in overseas regions except North America

For details of the above entities, see Note 1 to the Accountants’ Report in Appendix I to this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated in the Cayman Islands on July 29, 2013 as an exempted company with limited liability. Upon incorporation, it had an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares with a par value of US\$0.001 each.

Between December 2013 and December 2016, our Company conducted several rounds of pre-[REDACTED] financing, resulting in (i) the aggregate issuance of 3,000,000 Series A Preferred Shares; (ii) the aggregate issuance of 1,276,596 Series A-1 Preferred Shares; (iii) the aggregate issuance of 5,323,056 Series B-1 Preferred Shares; (iv) the aggregate issuance of 195,556 Series B-2 Preferred Shares; and (v) the aggregate issuance of 1,477,103 Series C Preferred Shares. See “— Pre-[REDACTED] Investments” for further details.

On June 30, 2017, our Company conducted a share split, pursuant to which each issued and unissued authorized share with a par value of US\$0.001 in the capital of the Company was split into 40 shares with a par value of US\$0.000025 (“**Share Split**”). Accordingly, the authorized share capital of our Company became US\$50,000, divided into (i) 1,549,107,560 Ordinary Shares, and (ii) 450,892,440 Preferred Shares, including 120,000,000 Series A Preferred Shares, 51,063,840 Series A-1 Preferred Shares, 212,922,240 Series B-1 Preferred Shares, 7,822,240 Series B-2 Preferred Shares and 59,084,120 Series C Preferred Shares after the Share Split.

On January 26, 2018, our Company conducted series D round pre-[REDACTED] financing resulting in the aggregate issuance of 11,081,143 Series D-1 Preferred Shares and 168,433,344 Series D-2 Preferred Shares, following which the issued share capital of our Company comprised (i) 455,446,840 Ordinary Shares; (ii) 120,000,000 Series A Preferred Shares; (iii) 51,063,840 Series A-1 Preferred Shares; (iv) 212,922,240 Series B-1 Preferred Shares; (v) 7,822,240 Series B-2 Preferred Shares; (vi) 59,084,120 Series C Preferred Shares; (vii) 11,081,143 Series D-1 Preferred Shares and (viii) 168,433,344 Series D-2 Preferred Shares. See “— Pre-[REDACTED] Investments” for further details.

On August 12, 2019, our Company increased the authorized share capital from US\$50,000 to US\$100,000. On the same date, we (i) repurchased an aggregate of 3,000,000 Ordinary Shares, 17,768,748 Series B-1 Preferred Shares, 1,502,920 Series C Preferred Shares and 1,477,485 Series D-2 Preferred Shares for a total consideration of US\$12,433,821, and (ii) conducted series D+ round pre-[REDACTED] financing resulting in the aggregate issuance of 39,546,136 Series D+1 Preferred Shares and 23,749,153 D+2 Preferred Shares, following which the issued share capital of our Company comprised (i) 452,446,840 Ordinary Shares; (ii) 120,000,000 Series A Preferred Shares; (iii) 51,063,840 Series A-1 Preferred Shares; (iv) 195,153,492 Series B-1 Preferred Shares; (v) 7,822,240 Series B-2 Preferred Shares; (vi) 57,581,200 Series C Preferred Shares; (vii) 11,081,143 Series D-1 Preferred Shares; (viii) 166,955,859 Series D-2 Preferred Shares; (ix) 39,546,136 Series D+1 Preferred Shares; and (x) 23,749,153 Series D+2 Preferred Shares. See “— Pre-[REDACTED] Investments” for further details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On September 25, 2020, our Company conducted series E round pre-[REDACTED] financing resulting in the aggregate issuance of 78,390,625 Series E Preferred Shares, following which the issued share capital of our Company comprised (i) 452,446,840 Ordinary Shares; (ii) 120,000,000 Series A Preferred Shares; (iii) 51,063,840 Series A-1 Preferred Shares; (iv) 195,153,492 Series B-1 Preferred Shares; (v) 7,822,240 Series B-2 Preferred Shares; (vi) 57,581,200 Series C Preferred Shares; (vii) 11,081,143 Series D-1 Preferred Shares; (viii) 166,955,859 Series D-2 Preferred Shares; (ix) 39,546,136 Series D+1 Preferred Shares; (x) 23,749,153 Series D+2 Preferred Shares; and (xi) 78,390,625 Series E Preferred Shares. See “— Pre-[REDACTED] Investments” for further details.

On March 17, 2021, Mr. Huang, Mr. Chen and Mr. Zhu transferred 224,595,760 Ordinary Shares, 156,595,760 Ordinary Shares and 51,595,760 Ordinary Shares, respectively, to their respective wholly-owned companies, namely Wintermatch International Limited (“**Wintermatch**”), Ineffable International Limited (“**Ineffable**”), and Peekaboo International Limited (“**Peekaboo**”).

On April 1, 2021, 13,404,240 Ordinary Shares were issued to each of Ineffable, Wintermatch and Peekaboo pursuant to the exercise of share options granted to the co-founders under the 2014 Pre-[REDACTED] Equity Incentive Plan. On June 11, 2021, 56,566,803 Ordinary Shares were issued to Wide Future Group Limited (“**Wide Future**”), a trust company established by the Company for the purpose of settling options when they are exercised by relevant participants under the 2014 Pre-[REDACTED] Equity Incentive Plan, with Trident Trust Company (HK) Limited acting as the trustee.

On October 28, 2021, our Company conducted series E+ round pre-[REDACTED] financing resulting in the aggregate issuance of 68,492,489 Series E+ Preferred Shares, following which the issued share capital of our Company comprised (i) 549,226,363 Ordinary Shares, and (ii) 120,000,000 Series A Preferred Shares; (iii) 51,063,840 Series A-1 Preferred Shares; (iv) 195,153,492 Series B-1 Preferred Shares; (v) 7,822,240 Series B-2 Preferred Shares; (vi) 57,581,200 Series C Preferred Shares; (vii) 11,081,143 Series D-1 Preferred Shares; (viii) 166,955,859 Series D-2 Preferred Shares; (ix) 39,546,136 Series D+1 Preferred Shares; (x) 23,749,153 Series D+2 Preferred Shares; (xi) 78,390,625 Series E Preferred Shares; and (xii) 68,492,489 Series E+ Preferred Shares. See “— Pre-[REDACTED] Investments” for further details.

SHARE CONVERSION

On December 17, 2024, our Shareholders resolved that, among other things, each series of the Preferred Shares shall automatically be converted into Ordinary Shares based on the conversion price of their respective class upon the completion of the [REDACTED], resulting that (i) each Series D+1 Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:1.0804, (ii) each Series E Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:1.8717, (iii) each Series E+ Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:2.4442, and (iv) each Series A

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Preferred Share, Series A-1 Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share, Series C Preferred Share, Series D-1 Preferred Share, Series D-2 Preferred Share and Series D+2 Preferred Share shall be converted into an Ordinary Share on a one-to-one basis.

MATERIAL ACQUISITIONS, MERGERS AND DISPOSALS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any other acquisitions, mergers or disposals that we consider to be material to us.

PROPOSED LISTING IN THE UNITED STATES

On June 25, 2021, our Company filed a registration statement on Form F-1 with the U.S. Securities and Exchange Commission in relation to our proposed initial public offering in the United States (the “**Proposed U.S. Listing**”). In view of the market conditions and investor sentiments at the material time, we discontinued the application for the Proposed U.S. Listing. The Form F-1 was declared abandoned on February 13, 2023, representing the termination of our Proposed U.S. Listing process.

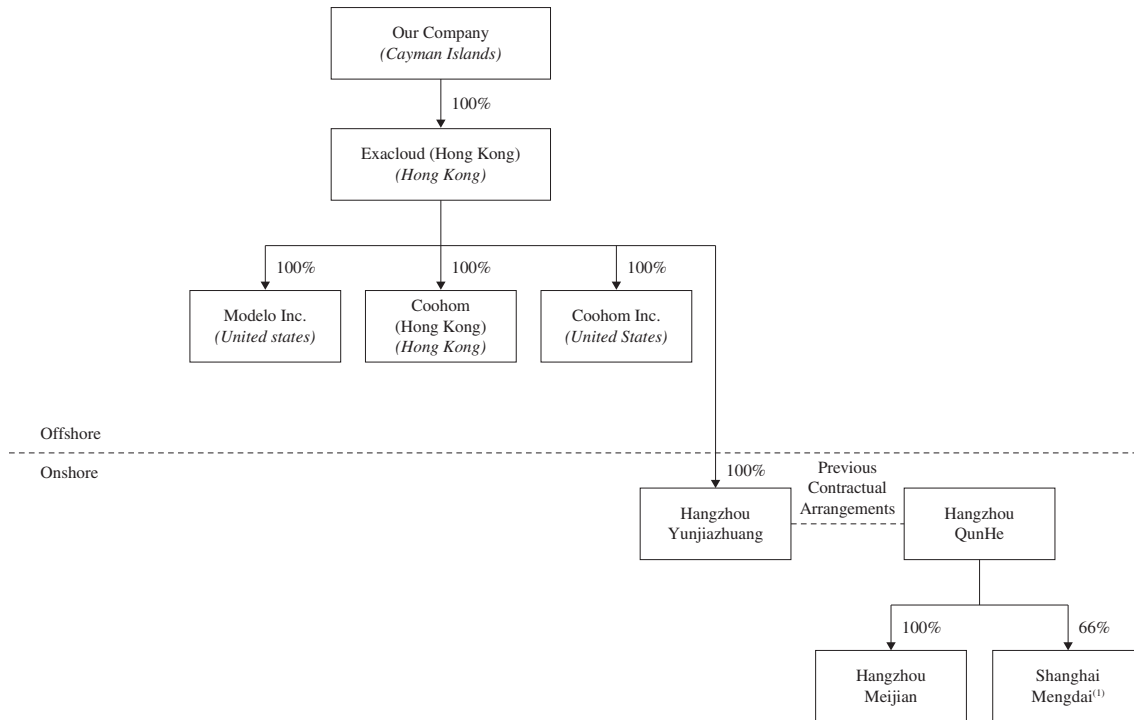
To the best knowledge of our Directors, our Directors are not aware of any material matters relating to the Proposed U.S. Listing which may adversely impact the [REDACTED] or affect the suitability of the [REDACTED] and should therefore be brought to the attention of the Stock Exchange, Shareholders or potential [REDACTED] for them to form an informed assessment of our Company.

REORGANIZATION

For our Proposed U.S. Listing, Mr. Huang, Mr. Chen, Mr. Zhu and Hangzhou QunHe entered into a series of contractual arrangements with Hangzhou Yunjiazhuang on April 21, 2021 (the “**Previous Contractual Arrangements**”). In order to narrowly tailor our Contractual Arrangements to comply with the requirements under the Listing Rules, our Group has undergone the following principal steps of Reorganization.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately prior to the Reorganization:



Note:

- (1) As of the Latest Practicable Date, the transfer of equity interest from minority shareholders of Shanghai Mengdai has been completed, and Shanghai Mengdai has become a wholly-owned subsidiary of Hangzhou QunHe.

Step 1. Increase in Registered Share Capital of Hangzhou QunHe

On January 19, 2022, the then shareholders of Hangzhou QunHe, namely, Mr. Huang, Mr. Chen and Mr. Zhu, resolved to increase the registered capital of Hangzhou QunHe from RMB5,000,000 to RMB5,250,000, and Ms. Yang Liu (楊柳) (“**Ms. Yang**”), an Independent Third Party, agreed to subscribe for the increased registered capital of RMB250,000, representing approximately 4.76% of the equity interests in Hangzhou QunHe. Such consideration was determined after arm’s length negotiations among the parties with reference to the then market value of Hangzhou QunHe’s equity interests as of December 31, 2021. The aforementioned capital increase was completed on January 24, 2022.

Step 2. Acquisition of Hangzhou QunHe by the WFOE

On February 11, 2022, the then shareholders of Hangzhou QunHe, namely, Mr. Huang, Mr. Chen, Mr. Zhu and Ms. Yang entered into a share transfer agreement with the WFOE, respectively, pursuant to which their respective equity interests in Hangzhou QunHe were transferred to the WFOE at an aggregate consideration of RMB5,000,000, which was determined after arm’s length negotiations among the parties with reference to the then market value of Hangzhou QunHe’s equity interests as of December 31, 2021. The aforementioned acquisition was completed on February 14, 2022, and Hangzhou QunHe became a wholly-owned subsidiary of the WFOE.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

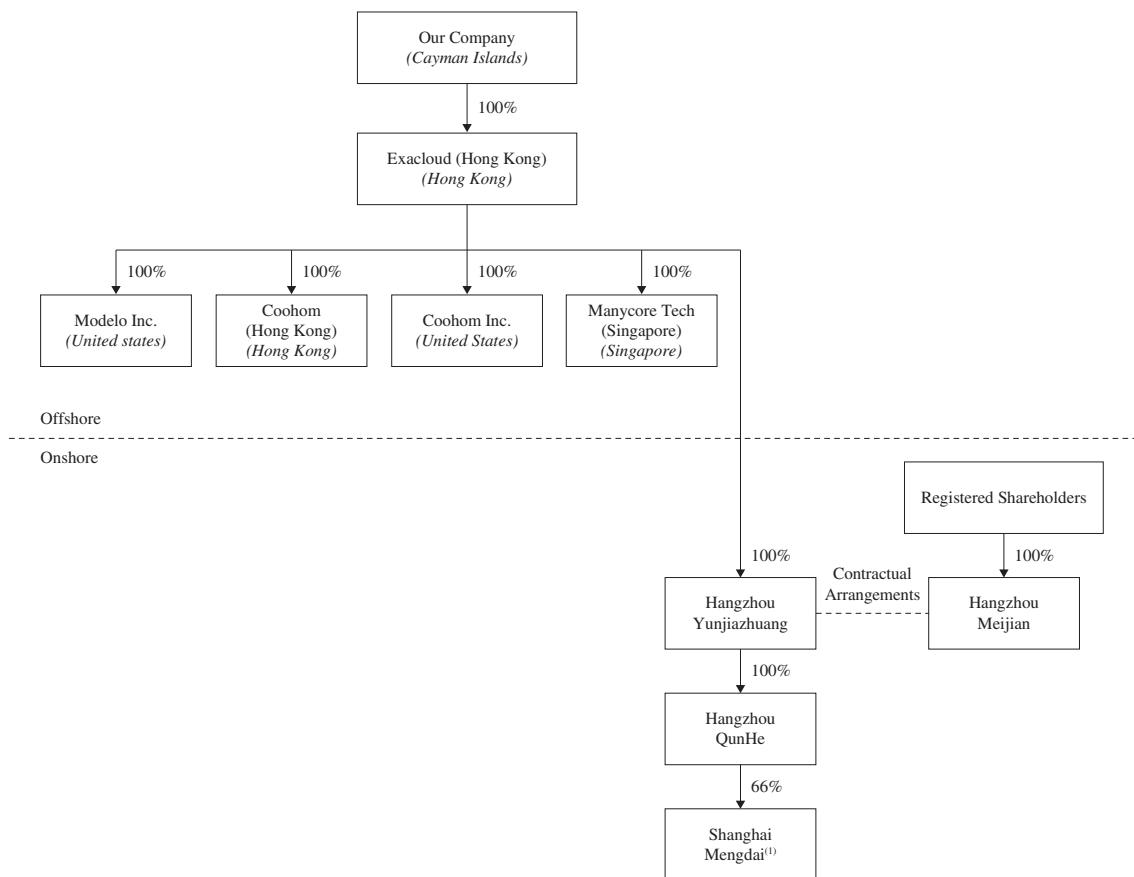
Step 3. Termination of the Previous Contractual Arrangements

On February 14, 2022, Mr. Huang, Mr. Chen, Mr. Zhu and the WFOE entered into termination agreements to terminate the Previous Contractual Arrangements.

Step 4. Adoption of New Contractual Arrangements with Hangzhou Meijian

On January 7, 2022, each of Mr. Huang, Mr. Chen, Mr. Zhu entered into a share transfer agreement with Hangzhou QunHe, pursuant to which Mr. Huang, Mr. Chen and Mr. Zhu agreed to subscribe for approximately 50.32%, 35.94% and 13.74% equity interests in Hangzhou Meijian, respectively, at an aggregate consideration of RMB4,104,741 as determined after arm’s length negotiations among the parties with reference to the registered share capital of Hangzhou Meijian. The aforementioned share transfers were completed on January 7, 2022, and Hangzhou Meijian became wholly owned by Mr. Huang, Mr. Chen and Mr. Zhu, who are the Registered Shareholders. Pursuant to the newly adopted contractual arrangements, Hangzhou Meijian is our Consolidated Affiliated Entity and Mr. Huang, Mr. Chen and Mr. Zhu are the Registered Shareholders. For more information, see “Contractual Arrangements.”

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately after the transfer of equity interest of Consolidated Affiliated Entity to the Registered Shareholders:



Note:

- (1) As of the Latest Practicable Date, the transfer of equity interest from minority shareholders of Shanghai Mengdai has been completed, and Shanghai Mengdai has become a wholly-owned subsidiary of Hangzhou QunHe.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] EQUITY INCENTIVE PLANS

We have adopted the Pre-[REDACTED] Equity Incentive Plans, which include (i) the 2014 Pre-[REDACTED] Equity Incentive Plan initially adopted on August 28, 2014, as amended on June 30, 2017 and October 28, 2021; and (ii) the 2024 Pre-[REDACTED] Equity Incentive Plan adopted on December 17, 2024. As of the Latest Practicable Date, outstanding Options to subscribe for 115,430,660 Ordinary Shares have been granted by our Company under the Pre-[REDACTED] Equity Incentive Plans, representing [REDACTED]% of the total issued Shares of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans). See “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document for further details.

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] (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans):

Shareholders	Series A	Series A-1	Series B-1	Series B-2	Series C	Series D-1	Series D-2	Series D+1	Series D+2	Series E	Series E+	Aggregate number of Shares as of the date of this document (on an as-converted basis) ⁽¹⁾	Aggregate ownership percentage as of the date of this document ⁽¹⁾	Aggregate number of Shares upon the completion of the [REDACTED]	Aggregate ownership percentage upon the completion of the [REDACTED]
	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares (on an as-converted basis) ⁽¹⁾
Wintmatch International Limited ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	238,000,000	15.46%	[REDACTED]	[REDACTED]
Ineffable International Limited ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	170,000,000	11.04%	[REDACTED]	[REDACTED]
Peekaboo International Limited ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	65,000,000	4.22%	[REDACTED]	[REDACTED]
Wide Future Group Limited ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	-	56,566,803	3.67%	[REDACTED]	[REDACTED]
Mountain Glacier Investments Ltd.	-	-	-	-	-	-	-	-	-	-	-	17,000,000	1.10%	[REDACTED]	[REDACTED]
Aquanauts 3820 III L.P.	-	-	-	-	-	-	-	-	-	-	-	2,659,560	0.17%	[REDACTED]	[REDACTED]
IDG Technology Venture Investment IV, L.P.	-	-	-	-	-	-	-	-	-	-	-	120,000,000	7.79%	[REDACTED]	[REDACTED]
IDG Technology Venture Investment V, L.P.	-	51,063,840	-	4,773,040	5,022,520	-	17,729,826	-	-	-	-	78,589,226	5.10%	[REDACTED]	[REDACTED]
New Gular Limited	-	-	-	-	-	-	-	-	-	17,892,733	-	17,892,733	1.16%	[REDACTED]	[REDACTED]
GGV Capital V L.P.	-	-	115,187,600	-	31,639,000	10,688,862	-	-	-	8,629,658	4,844,448	170,989,568	11.11%	[REDACTED]	[REDACTED]
GGV Capital V Entrepreneurs Fund L.P.	-	-	4,227,400	-	1,161,160	392,281	-	-	-	316,708	177,792	6,275,341	0.41%	[REDACTED]	[REDACTED]
MPC III L.P.	-	-	38,297,840	-	2,187,880	-	-	-	-	-	-	40,485,720	2.63%	[REDACTED]	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Series A	Series A-1	Series B-1	Series B-2	Series C	Series D-1	Series D-2	Series D+1	Series D+2	Series E	Series E+	Aggregate number of Shares as of the date of this document (on an as-converted basis) ⁽¹⁾	Aggregate ownership percentage as of the date of this document ⁽¹⁾	Aggregate number of Shares upon the completion of the	Aggregate ownership percentage upon the completion of the
	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares	Preferred Shares (on an as-converted basis) ⁽¹⁾	Preferred Shares (on an as-converted basis) ⁽¹⁾	converted basis) ⁽¹⁾	document ⁽¹⁾	of the completion of the	of the completion of the
MPC III-A L.P.	-	-	4,255,320	-	243,080	-	-	-	-	-	-	4,498,400	0.29%	[REDACTED]	[REDACTED]
Shanghai Yuanyan Enterprise Management Consulting Partnership (Limited Partnership)	-	-	-	-	-	-	-	2,422,841	1,346,727	3,578,546	8,370,400	15,718,514	1.02%	[REDACTED]	[REDACTED]
Shunwei Growth III Limited	-	-	-	-	-	-	118,198,839	3,960,673	2,201,524	8,946,366	-	133,307,402	8.66%	[REDACTED]	[REDACTED]
Astrend Opportunity III Alpha Limited	-	-	-	-	-	-	-	-	-	-	16,740,800	16,740,800	1.09%	[REDACTED]	[REDACTED]
HH SUM-I Holdings Limited	-	-	-	-	-	-	-	36,342,622	20,200,902	53,678,200	83,704,002	193,925,726	12.60%	[REDACTED]	[REDACTED]
HES VENTURES I, INC.	-	-	17,635,920	3,049,200	-	-	-	-	-	-	-	20,685,120	1.34%	[REDACTED]	[REDACTED]
HEARST VENTURES INC.	-	-	-	-	10,933,400	-	2,954,971	-	-	-	-	13,888,371	0.90%	[REDACTED]	[REDACTED]
Yun Qi Partners I, L.P.	-	-	2,355,450	-	6,394,160	-	7,387,427	-	-	-	-	16,137,037	1.05%	[REDACTED]	[REDACTED]
EXC Investment LLC	-	-	6,972,018	-	-	-	-	-	-	-	-	6,972,018	0.45%	[REDACTED]	[REDACTED]
Yun Qi EXC Investment LLC	-	-	6,221,944	-	-	-	-	-	-	-	3,348,160	9,570,104	0.62%	[REDACTED]	[REDACTED]
Coatue PE Asia 36 LLC	-	-	-	-	-	-	-	-	-	53,678,200	-	53,678,200	3.49%	[REDACTED]	[REDACTED]
Coatue PE Asia 73 LLC	-	-	-	-	-	-	-	-	-	-	50,222,401	50,222,401	3.26%	[REDACTED]	[REDACTED]
QINGTING INVESTMENTS PTE. LTD.	-	-	-	-	-	-	19,207,311	-	-	-	-	19,207,311	1.25%	[REDACTED]	[REDACTED]
Linear Venture, Ltd.	-	-	-	-	-	-	1,477,485	-	-	-	-	1,477,485	0.10%	[REDACTED]	[REDACTED]
Other [REDACTED] taking part in the [REDACTED] ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	[REDACTED]	[REDACTED]
TOTAL	120,000,000	51,063,840	195,153,492	7,822,240	57,581,200	11,081,143	166,955,859	42,726,136	23,749,153	146,720,411	167,408,003	1,539,487,840	100%	[REDACTED]	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Assuming that all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios. For details of the conversion ratio of each Preferred Share, see “— Share Conversion.”
- (2) Wintermatch is wholly owned by Mr. Huang.
- (3) Ineffable is wholly owned by Mr. Chen.
- (4) Peekaboo is wholly owned by Mr. Zhu.
- (5) Wide Future is a trust company established by the Company for the purpose of settling options when they are exercised by relevant participants under the 2014 Pre-[REDACTED] Equity Incentive Plan, with Trident Trust Company (HK) Limited acting as the trustee. Pursuant to trust deed dated March 15, 2021 between the Company and Trident Trust Company (HK) Limited, an advisory committee (“**Advisory Committee**”) comprising two members was established by the Board to make all determination and provided directions to Trident Trust Company (HK) Limited in relation to the administration of the trust. Mr. Shen is one of the members of the Advisory Committee (with another member being a non-director employee of our Group).
- (6) To be issued upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

Overview

We have received several rounds of Pre-[REDACTED] Investments since our establishment, which are summarized below. All of our Pre-[REDACTED] Investors were issued Preferred Shares in our Company pursuant to the relevant agreements in respect of the Pre-[REDACTED] Investments.

No.	Series	Date of initial share purchase agreement	Date of settlement (last payment)	Conversion rate	Total number of Shares subscribed	Cost per Share paid ⁽¹⁾	Approximate amount of consideration paid	Discount to the [REDACTED] ⁽²⁾
						(in USD)	(in USD)	
1. . .	Series A	December 13, 2013	January 7, 2014	1:1	3,000,000 (120,000,000 Shares after Share Split)	0.010	1,200,000	[REDACTED]
2. . .	Series A-1 ⁽³⁾	December 13, 2013	June 26, 2014	1:1	1,276,596 (51,063,840 Shares after Share Split)	0.012	600,000	[REDACTED]
3. . .	Series B-1	August 29, 2014	September 23, 2014	1:1	5,323,056 (212,922,240 Shares after Share Split)	0.038	8,005,882	[REDACTED]
4. . .	Series B-2 ⁽⁴⁾	August 29, 2014	September 10, 2014	1:1	195,556 (7,822,240 Shares after Share Split)	0.032	250,000	[REDACTED]
5. . .	Series C	December 29, 2016	January 17, 2017	1:1	1,477,103 (59,084,120 Shares after Share Split)	0.14 ⁽⁵⁾	8,106,010	[REDACTED]
6. . .	Series D-1	January 26, 2018	January 30, 2018	1:1	11,081,143	0.27	3,000,000	[REDACTED]
7. . .	Series D-2	January 26, 2018	February 12, 2018	1:1	168,433,344	0.34	57,000,000	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Series	Date of initial share purchase agreement	Date of settlement (last payment)	Conversion rate	Total number of Shares subscribed	Cost per Share paid ⁽¹⁾ <i>(in USD)</i>	Approximate amount of consideration paid <i>(in USD)</i>	Discount to the [REDACTED] ⁽²⁾
8. . .	Series D+1 ⁽⁶⁾	August 7, 2019	August 26, 2019	1:1.0804 ⁽⁷⁾	39,546,136	0.58	22,835,624	[REDACTED]
9. . .	Series D+2	August 7, 2019	August 26, 2019	1:1	23,749,153	0.52	12,433,820	[REDACTED]
10. .	Series E	September 25, 2020	December 15, 2020	1:1.8717 ⁽⁷⁾	78,390,625	1.05	82,000,000	[REDACTED]
11. . .	Series E+	October 28, 2021	December 28, 2021	1:2.4442 ⁽⁷⁾	68,492,489	1.46	99,999,999	[REDACTED]

Notes:

- (1) The cost per share paid is calculated based on the Shares after taking into account the effect of Share Split conducted on June 30, 2017 and without taking into account any conversion of Preferred Shares into Ordinary Shares according to their respective conversion ratios.
- (2) The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], and (ii) all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios.
- (3) Pursuant to the share purchase agreement dated December 13, 2013, IDG Venture V was granted a warrant to purchase up to 1,276,596 Preferred Shares at the exercise price of US\$0.47. On June 11, 2014, IDG Venture V exercised its warrant to purchase 1,276,596 Series A-1 Preferred Shares.
- (4) Pursuant to the shareholders agreement dated December 13, 2013 and the share purchase agreement dated August 29, 2014, IDG Venture IV was granted an exclusive option to purchase or designate its affiliate to purchase Series B-2 Preferred Shares at a per share purchase price of 85% of the Series B-1 Preferred Shares. On August 29, 2014, IDG Venture IV designates IDG Venture V to purchase 195,556 Series B-2 Preferred Shares at an exercise price of US\$1.28.
- (5) The valuation of our Group increased substantially during the two-year period from the Series B-2 investment to the Series C investment, which was in line with the then business growth of our Group. The consideration for the Series C investment was determined based on arm’s length negotiations between our Company and the relevant investors based on our Group’s business prospects and the then market value.
- (6) Pursuant to share repurchase agreements dated August 12, 2019, our Company repurchased (i) 9,308,480 Series B-1 Preferred Shares, 1,502,920 Series C Preferred Shares and 1,477,485 Series D-2 Preferred Shares from Linear Venture, L.P. at approximately US\$0.52 per share with an aggregate consideration of US\$6,433,821; and (ii) 8,460,268 Series B-1 Preferred Shares at approximately US\$0.52 per share with an aggregate consideration of US\$4,429,356 from Yun Qi Partners I, L.P..
- (7) Pursuant to the written resolutions of the shareholders dated December 17, 2024, our Shareholders resolved that, among other things, (i) each Series D+1 Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:1.0804; (ii) each Series E Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:1.8717; and (iii) each Series E+ Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:2.4442.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Principal Terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors’ Rights

Use of proceeds from the Pre-[REDACTED] Investments

Unless otherwise agreed by the Pre-[REDACTED] Investors in writing or under the transactions contemplated hereby, all the proceeds from the Pre-[REDACTED] Investments shall be contributed as investment capital to be used for business expansion, capital expenditures, general working capital requirements or other purposes of our Group in the ordinary course of the business. As of the Latest Practicable Date, approximately 80.1% of the funds raised from the Pre-[REDACTED] Investments have been utilized.

Strategic benefits the Pre-[REDACTED] Investors brought to our Company

At the time of each of the Pre-[REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[REDACTED] Investors’ investments in our Company and their knowledge and experience. Our Pre-[REDACTED] Investors include renowned companies in relevant industries, which can help us achieve business synergies, and professional strategic investors, which can provide us with professional advice on our Group’s development and improve our corporate governance, financial reporting and internal control.

Our Directors are also of the view that the Pre-[REDACTED] Investors’ investments demonstrated their confidence in our Group’s operations and served as an endorsement of our Company’s performance, strengths and prospects.

Basis of determining the consideration paid

The consideration for the Pre-[REDACTED] Investments was determined based on arm’s length negotiations between our Company and the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

Lock-up period

Each of the Pre-[REDACTED] Investors agrees that, upon request by our Company or the [REDACTED] managing the [REDACTED], it will not sell or otherwise transfer or dispose of any securities of the Company without the prior written consent of our Company or such [REDACTED], as the case may be, for a period of time specified by the representative of the [REDACTED] not exceeding 180 days from the date of this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special Rights of the Pre-[REDACTED] Investors

Our Company and, among others, the Pre-[REDACTED] Investors entered into shareholders agreement, and were bound by the terms of the then memorandum and articles of association of our Company. Certain special rights in relation to our Company were granted to the Pre-[REDACTED] Investors, including, among others, information rights, right to elect directors, anti-dilution rights, drag-along rights, divestment rights, right of first refusal, right of co-sale, redemption right and several covenants which require prior approval from holders of Preferred Shares.

The divestment rights have been terminated immediately before our Company's filing of its [REDACTED], provided that the divestment rights shall be reinstated automatically upon the earliest of the occurrence of the following events: (a) the [REDACTED] is withdrawn by our Company, (b) the [REDACTED] is rejected or returned by the Stock Exchange, (c) the [REDACTED] lapses but is not renewed within three months, or (d) our Company fails to complete a qualified [REDACTED] as defined in the shareholders agreement within eighteen (18) months immediately after the [REDACTED].

No other special rights granted to the Pre-[REDACTED] Investors will survive after the [REDACTED].

Public Float

Upon the completion of the [REDACTED], a total of 922,081,755 Shares held by Wintermatch, Ineffable, Peekaboo and Wide Future, IDG Technology Venture Investment IV, L.P., IDG Technology Venture Investment V, L.P. and HH SUM-I Holdings Limited, representing [REDACTED] of the total issued Shares immediately after the [REDACTED] (assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans), will not be counted towards the public float of the Company.

Save as disclosed above, no other Pre-[REDACTED] Investor is a core connected person of our Company. Therefore, the Shares held by the other Pre-[REDACTED] Investors will count towards the public float for the purposes of Rule 8.08 of the Listing Rules. Consequently, approximately [REDACTED] of our total issued Shares upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans) will be counted towards public float, which is in compliance with the requirement under Rule 8.08 of the Listing Rules.

Information of the Pre-[REDACTED] Investors

Set out below is the background information of the Pre-[REDACTED] Investors. To the best of our knowledge, information and belief, save as disclosed below, each of our Pre-[REDACTED] Investors is an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

GGV Capital V Entrepreneurs Fund L.P. (“GGV Entrepreneurs”) and GGV Capital V L.P. (“GGV Capital”)

GGV Entrepreneurs and GGV Capital are limited partnerships organized under the laws of the state of Delaware, the United States, which are controlled by GGV Capital V L.L.C. as the general partner. GGV Capital V L.L.C. is in turn controlled by Lee Hongwei Jenny, Jeffrey G. Richards, Glenn Solomon, Hans Tung and Foo Ji-xun, our non-executive Director. To the best of our knowledge, information and belief, all these individuals, except Mr. Foo Ji-xun, are Independent Third Parties.

Shanghai Yuanyan Enterprise Management Consulting Partnership (Limited Partnership) (上海源彦企業管理諮詢合夥企業(有限合夥)) (“Shanghai Yuanyan”)

Shanghai Yuanyan is a limited partnership established in the PRC, a special purpose vehicle for the purpose of overseas direct investment, of which the general partner is Shanghai Jiyuan Private Equity Fund Management Co., Ltd. (上海紀源私募基金管理有限公司), and is ultimately controlled by Xu Bingdong. To the best of our knowledge, information and belief, Xu Bingdong is an Independent Third Party.

Shunwei Entities

Astrend Opportunity III Alpha Limited (“Astrend Opportunity”)

Astrend Opportunity is a company incorporated under the laws of the British Virgin Islands, which is wholly owned by Shunwei China Internet Opportunity Fund III, L.P. The general partner of Shunwei China Internet Opportunity Fund III, L.P. is Shunwei Capital Partners IV GP, L.P., and the general partner of Shunwei Capital Partners IV GP, L.P. is Shunwei Capital Partners IV GP Limited. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares of Shunwei Capital Partners IV GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Mr. Koh Tuck Lye co-founded Shunwei Capital in 2011, an early to growth stage venture capital firm focusing on deep technology, smart manufacturing, Internet+, consumer IoT, consumption, enterprise services and electric vehicle ecosystem sectors, and has served as its chief executive officer. To the best of our knowledge, information and belief, Mr. Koh Tuck Lye is an Independent Third Party.

Shunwei Growth III Limited (“Shunwei Growth”)

Shunwei Growth is a company incorporated under the laws of the British Virgin Islands, which is wholly owned by Shunwei China Internet Opportunity Fund II, L.P. The general partner of Shunwei China Internet Opportunity Fund II, L.P. is Shunwei Capital Partners III GP, L.P., and the general partner of Shunwei Capital Partners III GP, L.P. is Shunwei Capital Partners III GP Limited. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares of Shunwei Capital Partners III GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

IDG Technology Venture Investment IV, L.P. (“IDG Venture IV”) and IDG Technology Venture Investment V, L.P. (“IDG Venture V”)

IDG Venture IV and IDG Venture V are limited partnerships established under the laws of the state of Delaware, the United States. The sole general partner of IDG Venture IV is IDG Technology Venture Investment IV, LLC (“**IDG IV LLC**”), while IDG Technology Venture Investment V, LLC (“**IDG V LLC**”) serves as the sole general partner of IDG Venture V. Both IDG IV LLC and IDG V LLC are controlled by their two managing members, namely, Ho Chi Sing and Zhou Quan.

New Gultar Limited (“New Gultar”)

New Gultar is a limited liability company incorporated under the laws of the British Virgin Islands. The shareholders of New Gultar are Shang Hai Jin Zhi Enterprise Management Consulting Partnership (Limited Partnership) (上海瑾芝企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Jin Zhi**”) and Shang Hai Jin Xian Enterprise Management Consulting Partnership (Limited Partnership) (上海瑾現企業管理諮詢合夥企業(有限合夥)) (“**Shanghai Jin Xian**”). The general partner of Shanghai Jin Zhi is Xizang Yufei Enterprise Management Co., Ltd. (西藏羽飛企業管理有限公司) (“**Xizang Yufei**”), and the general partner of Shanghai Jin Xian is Xizang Yuchi Enterprise Management Co., Ltd. (西藏昱馳企業管理有限公司) (“**Xizang Yuchi**”). The ultimate beneficial owners of both Xizang Yufei and Xizang Yuchi are Niu Kuiguang, Li Jianguang and Wang Jingbo. To the best of our knowledge, information and belief, each of Li Jianguang and Wang Jingbo is an Independent Third Party.

HH SUM-I Holdings Limited (“HH SUM-I”)

HH SUM-I is an exempted limited liability company established in the Cayman Islands and is wholly owned by HH SPR-XIV Holdings L.P. (“**HH SPR-XIV**”). The sole limited partner of HH SPR-XIV is Hillhouse Fund IV, L.P. The sole investment manager of Hillhouse Fund IV, L.P. is Hillhouse Investment Management, Ltd., a company incorporated in the Cayman Islands with limited liability (“**Hillhouse Investment**”). Founded in 2005, Hillhouse Investment is dedicated to partnering with high quality businesses for the long-term. With nearly two decades of experience, Hillhouse collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across healthcare, business services, consumer, and industrial sectors. Hillhouse is a diversified asset manager across equities, credit, and real assets. The firm manages capital for global institutions, including non-profit foundations, endowments, and pensions.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MPC Entities

MPC III L.P. (“MPC III”) and MPC III-A L.P. (“MPC III-A”)

Each of MPC III and MPC III-A is an exempted limited partnership established in the Cayman Islands. The general partner of both MPC III and MPC III-A is MPC Management III L.P., whose general partner is MPC GPGP III Ltd.. David Su is the controlling shareholder of MPC GPGP III Ltd.. To the best of our knowledge, information and belief, David Su is an Independent Third Party.

Coatue Entities

Coatue PE Asia 36 LLC (“Coatue 36”) and Coatue PE Asia 73 LLC (“Coatue 73”)

Coatue 36 and Coatue 73 are limited liability companies incorporated under the laws of the state of Delaware, the United States. Both Coatue 36 and Coatue 73 are managed by Coatue Management, L.L.C. as the investment manager. The sole owner of Coatue Management, L.L.C. is Coatue Management Partners L.P., for which Coatue Management Partners GP LLC serves as general partner. Mr. Philippe Laffont serves as managing member of Coatue Management Partners GP LLC. To the best of our knowledge, information and belief, Mr. Philippe Laffont is an Independent Third Party.

Hearst Entities

HES VENTURES I, INC. (“HES Ventures”) and HEARST VENTURES INC. (“Hearst Ventures”)

Both HES Ventures and Hearst Ventures are corporations incorporated under the laws of the state of Delaware, the United States, and are controlled by Hearst Communications, Inc. Hearst Communications, Inc. is controlled by Hearst Holdings, Inc., which is in turn controlled by The Hearst Corporation. All the issued and outstanding stocks of The Hearst Corporation are owned by The Hearst Family Trust (the “**Hearst Trust**”). The Hearst Trust is controlled by 13 individual trustees. Each trustee has an equal vote, and none of the trustees control the Hearst Trust. To the best of our knowledge, information and belief, each of the 13 trustees of the Hearst Trust is an Independent Third Party.

QINGTING INVESTMENTS PTE. LTD. (“Qingting Investments”)

Qingting Investments is an investment holding company, and is a wholly-owned indirect subsidiary of Pavilion Capital Holdings Pte. Ltd. (“**Pavilion Capital**”). Pavilion Capital is a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”), and is an independently-managed Temasek portfolio company. Temasek is not involved in the business or operating decisions of Pavilion Capital or Qingting Investments.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CITIC Hong Kong Entities

Linear Venture, Ltd. (“Linear Venture”)

Linear Venture is an exempted limited liability company established in the Cayman Islands. Linear Venture, Ltd. is wholly owned by River LV Holdings Ltd., which is in turn wholly controlled by CITIC Hong Kong (PTC) Limited. CITIC Hong Kong (PTC) Limited is a company ultimately controlled by Chow Kum Cheong. To the best of our knowledge, information and belief, Chow Kum Cheong is an Independent Third Party.

Mountain Glacier Investments Ltd. (冰川山脈投資有限公司) (“Mountain Glacier”)

Mountain Glacier is a limited liability company established under the laws of the British Virgin Islands. Mountain Glacier is wholly controlled by CITIC Hong Kong (PTC) Limited.

Yun Qi Entities

Yun Qi Partners I, L.P. (“Yun Qi Partners”)

Yun Qi Partners is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of Yun Qi Partners is Yun Qi Partners I GP, Ltd., which is ultimately controlled by Ng Yipin. The principal objective of Yun Qi Partners is to build superior, long-term appreciation through investments. To the best of our knowledge, information and belief, Ng Yipin is an Independent Third Party.

EXC Investment LLC (“EXC Investment”)

EXC Investment is a limited liability company incorporated under the laws of the Cayman Islands. EXC Investment is managed by YUN QI MANAGEMENT (SINGAPORE) PTE. LTD., which is ultimately controlled by Ng Yipin.

Yun Qi EXC Investment LLC (“Yun Qi EXC Investment”)

Yun Qi EXC Investment is a limited liability company incorporated under the laws of the Cayman Islands. Yun Qi EXC Investment is managed by YUN QI MANAGEMENT (SINGAPORE) PTE. LTD., which is ultimately controlled by Ng Yipin.

Aquanauts 3820 III L.P. (“Aquanauts 3820 III”)

Aquanauts 3820 III is an exempted limited partnership established under the laws of the Cayman Islands. The general partner of Aquanauts 3820 III is Golden Laurel Holdings Limited. Stars Select Global Corp., as the only limited partner of Aquanauts 3820 III, holds 99% of its partnership interest. Aquanauts 3820 III is ultimately controlled by Huang Mingming. To the best of our knowledge, information and belief, Huang Mingming is an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

JOINT SPONSORS’ CONFIRMATION

On the basis that (i) the Pre-[REDACTED] Investments were completed more than 28 clear days before the date of our first submission of the [REDACTED] to the Stock Exchange; and (ii) all special rights of the Pre-[REDACTED] Investors will be terminated as disclosed in “— Special Rights of the Pre-[REDACTED] Investors” above, the Joint Sponsors confirm that the Pre-[REDACTED] Investments are in compliance with the Pre-[REDACTED] Investment Guidance (as defined in Chapter 4.2 of the Guide for New Listing Applicants).

PRC REGULATORY REQUIREMENTS

Corporate Structure and Reorganization

Our PRC Legal Advisor has confirmed that the Reorganization of our PRC subsidiaries and the Consolidated Affiliated Entity has been legally completed in material respects from the PRC law perspective and the equity transfers of our PRC subsidiaries and the Consolidated Affiliated Entity as described in “— Reorganization” in this section above have been registered with competent local SAMR in accordance with the PRC laws and regulations.

CSRC Filing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which has come into effect on March 31, 2023. As advised by our PRC Legal Advisor, based on the Overseas Listing Trial Measures and relevant notices, our Directors are of the view that we are required to submit the filings with CSRC in accordance with the Overseas Listing Trial Measures and relevant notices. On [●], the CSRC issued a notification on our completion of the PRC filing procedures for the [REDACTED] and the [REDACTED]. For details, see “Regulatory Overview — Regulations on Overseas Securities Offering and Listing.”

M&A Rules

Pursuant to the Regulations on Merger with and 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”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires the equity in a domestic non-foreign-invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of a registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the [REDACTED] like ours are subject to the M&A Rules; (ii) Hangzhou Yunjiazhuang was established by foreign direct investment, rather than through a merger or acquisition of a domestic company as defined under the M&A Rules; (iii) Hangzhou QunHe, a foreign-invested enterprise that we acquired, was not a domestic company as defined under the M&A Rules, and (iv) that no explicit provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules, as advised by our PRC Legal Advisor, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval under the M&A Rules for the [REDACTED] is not required.

SAFE Registration

Pursuant to the SAFE Circular on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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》 (the "SAFE Circular 37"), promulgated by SAFE and which replaced the SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles 《國家外匯管理局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》 (the "SAFE Circular 75") which became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in 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 (2) 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. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies 《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 Circular 13"), promulgated by SAFE which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

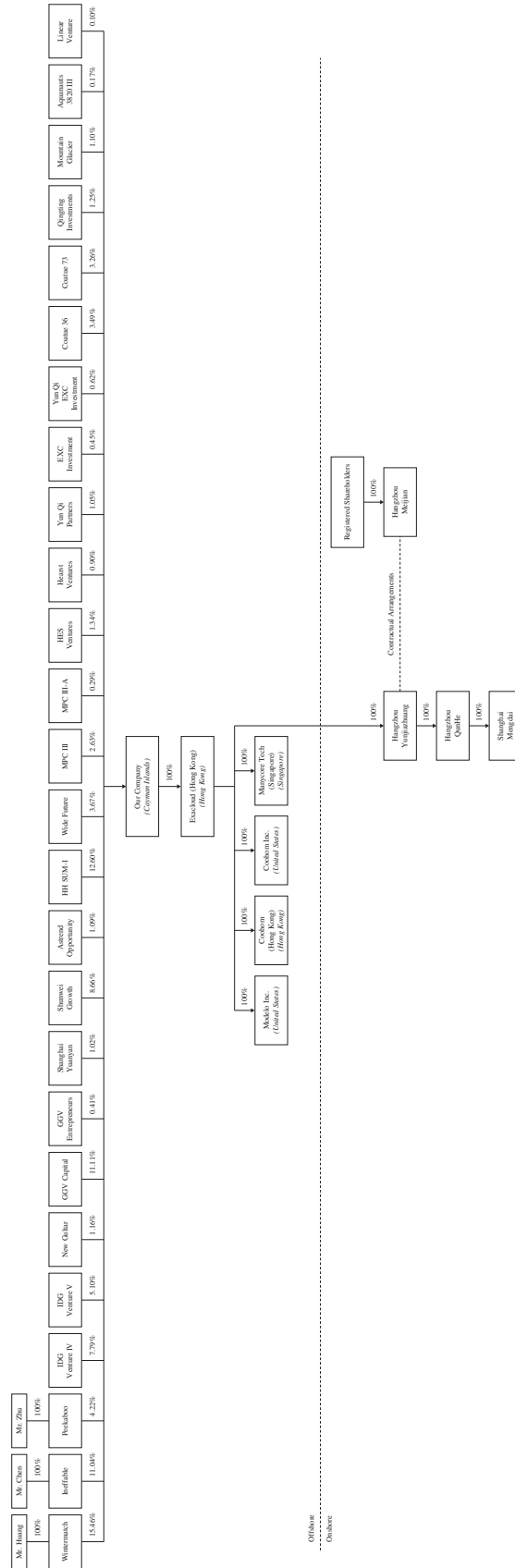
As advised by our PRC Legal Advisor, as of the Latest Practicable Date, Mr. Huang, Mr. Chen and Mr. Zhu completed the required registration under the SAFE Circular 37 on April 20, 2021.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate Structure before the [REDACTED]

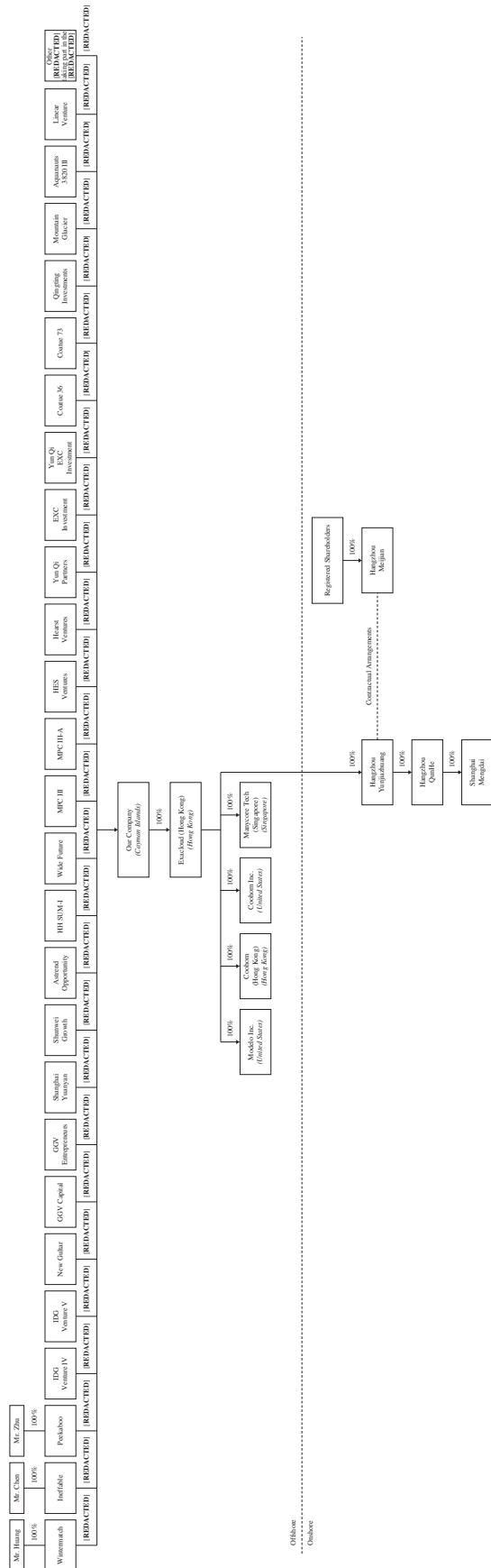
The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans):



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate Structure Immediately Following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans):



BUSINESS

OVERVIEW

Our mission is to realize imagination.

Businesses and designers often struggle to transform their creative designs into tangible, engaging visuals and face challenges in converting these designs into finished products. We have built Manycore to bridge this gap — enabling users to seamlessly realize their design visions, craft compelling visual experiences, and streamline the path from design to final production. Every day, our platform empowers the creation, collaboration, and implementation of millions of design ideas.

Manycore is a fast-growing, disruptive design and visualization platform powered by artificial intelligence (AI) technologies and purpose-built graphics processing unit (GPU) clusters. Our platform empowers businesses of all sizes to create captivating designs and bring them to life through immediate and immersive visuals. Designs crafted on our platform can be translated into production-ready drawings, enabling an automated and accurate manufacturing process. The open architecture of our platform allows for seamless data interoperability, continuous platform upgrades and scalability, offering great potential for broad application in various vertical industries.

Our journey started with a focus on spatial design and visualization. We are the world’s largest spatial design platform, as measured by the number of average monthly active users (MAUs) in 2023, and also the largest software provider in China’s spatial design industry as measured by revenue in 2023, according to Frost & Sullivan. Over the years, we have broadened our offerings to include a wide array of design and visualization solutions, catering to both real-world spaces, such as residences, office buildings, retail stores, and commercial projects, as well as virtual environments, including embodied AI training and e-commerce product staging. As we have evolved into a central hub within an ecosystem that connects millions of designers, retailers, manufacturers, and end consumers, we now offer a comprehensive, end-to-end experience that encompasses design, visualization, implementation, and value chain collaboration. Among our product matrix, our key offerings are highlighted below:

- ***Kujiale*** (酷家樂). Our flagship product, Kujiale, is a spatial design software mainly targeting the China market. It allows users to quickly start a new design by dragging and dropping 3D models and provides instant visualization of their creations through photorealistic renderings. Kujiale features an ever-expanding library of over 362.2 million 3D models and spatial design elements as of December 31, 2024. Beyond facilitating the design process with its advanced rendering engine, Kujiale can automatically translate detailed design data into production-ready instructions and then directly deliver them to manufacturers for production. In 2021, we introduced an add-on feature KuSpace (酷空間) with enhanced BIM capabilities that can automatically generate engineering drawings, material takeoff lists, and cost schedules based on 3D designs. These BIM capabilities enable production of a wide range of engineering drawings tailored to the specific needs of enterprise customers,

BUSINESS

including construction drawings, lighting system plans, and electrical plans, to name a few. Kujiale has been employed in designing residences, office buildings, retail chain stores, and commercial projects, while also expanding into emerging use cases, such as e-commerce product staging.

- ***Cohom***. Cohom, debuted in 2018, is our spatial design software product developed for international users and customers, mainly targeting markets in the United States, South Korea, Japan, and Southeast Asia. As part of our strategy of going global while staying local, Cohom has made continuous iterations and upgrades to better cater to the needs of our international customers. One example is the introduction of imperial units based on feet and inches, alongside other tailored functionalities to better meet the requirements of overseas designers. For its unique features and industry-leading technology, Cohom was recently recognized by G2, a globally renowned software rating platform, as the software earning the titles of “Leader,” “Most Implementable,” and “Fastest Implementation” in the 3D rendering category for 2024. Currently, Cohom supports 14 languages, including English, Korean, Japanese, and Spanish, and serves users and customers in over 200 countries and regions around the world.
- ***SpatialVerse***. SpatialVerse is a next-generation spatial intelligence solution for AI development in indoor environments. At its core lies our massive, physically accurate dataset library specifically designed to train sophisticated models through realistic virtual simulations. Leveraging our powerful 3D design datasets, rendering engines and spatial editing tools, we create highly realistic and physically accurate synthetic virtual datasets that mirror real-world physical properties and spatial relationships. SpatialVerse enables developers to train AI-generated content (AIGC) models in virtual settings and enhance cognitive capabilities of intelligent robots, AR/VR systems, and embodied AI. Users can also conduct industrial-scale simulations with multi-sensor compatibility and achieve high-fidelity RTX rendering aligned with NVIDIA Isaac Sim’s OpenUSD framework. This technology bridge between digital simulations and physical reality accelerates AI development while reducing real-world testing costs.

Technology and innovation are integral to our software platform. Our solutions rest upon three core technological capabilities: purpose-built GPU infrastructure, advanced AI applications, and synthetic virtual data generation. Our platform is strategically constructed on purpose-built GPU clusters that harness the collective power of individual GPUs with different specifications to enable efficient parallel processing. These GPU clusters are designed to allocate computing resources optimally for graphics rendering tasks of varying scales and complexities. This approach optimizes GPU utilization as new generations of hardware emerge, ensuring high software performance while maintaining competitive costs. With this robust foundation, we are able to convert design ideas into instant visual experiences while preserving intricate details. Our AI copilot significantly elevates the design experience by automatically transforming user-uploaded files, such as computer-aided design (CAD) drawings, advertisement layouts, and graphic designs, into photorealistic images and

BUSINESS

immersive 3D design schemes. In 2024, our platform generated over 640.6 million images utilizing our AI capabilities, including floor plan visualizations, e-commerce product images, lighting effect images, and other images with optimized renderings. Our capability to generate synthetic virtual datasets further enhances our platform by enabling the simulation of a diverse range of scenarios and situations. This facilitates deep learning, sensor simulation, and training of embodied AI in realistic and physically accurate indoor environments.

We have adopted a freemium go-to-market approach and a product-led growth (PLG) strategy since our inception. We offer free versions of our products, creating low-friction entry points and fostering a dynamic, expansive user community. Our offerings have gained popularity within the designer community. In 2024, our platform amassed average monthly active visitors of 86.3 million, and our average MAUs reached 2.7 million. Every day, our platform processes millions of renderings and billions of application programming interface (API) calls. As user engagement with our products grows, many opt to upgrade to paid, premium subscriptions, becoming our paying customers. As of December 31, 2022 and 2023 and September 30, 2024, we had served over 311,107, 390,585, and 413,872 individual customers, respectively. Beyond the growing popularity among individual customers, our solutions have also gained traction within the broader design and visualization value chain, benefitting from our unique end-to-end design-to-production coverage. This integration has enhanced our brand recognition and attracted an increasing number of enterprises, including their downstream manufacturers, to become our subscribers. Our enterprise customer base enlarged by 24.2% from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023, and further increased to 45,548 as of September 30, 2024.

We operate primarily under a subscription model and have experienced continued growth in recent years. Our revenue increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, and increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the same period in 2024. Our gross profit margin amounted to 72.7%, 76.8%, and 80.4% in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our loss for the year/period decreased by 8.2% from RMB703.7 million in 2022 to RMB646.1 million in 2023, and decreased by 13.8% from RMB489.5 million for the nine months ended September 30, 2023 to RMB422.1 million for the same period in 2024. Our adjusted net loss (non-IFRS measure) decreased by 28.3% from RMB337.5 million in 2022 to RMB241.9 million in 2023, and decreased by 52.8% from RMB198.5 million for the nine months ended September 30, 2023 to RMB93.6 million for the same period in 2024.

BUSINESS

Industry Trends and Challenges

We are at an inflection point in the spatial design industry, driven by evolving technology. As millennials and tech-savvy generations become decision makers for their homes, workspaces, and business environments, traditional industry practices are falling short of meeting their design needs and preferences. Designers are now required to deliver customized solutions that satisfy both aesthetic and functional criteria at a faster pace. This generation of end consumers demands designs that can be easily visualized and shared as they are deeply engaged in the design process. This need can only be served through digitalization with innovative software technologies. Technology advancements, such as advancement of AI technologies and iteration of hardware configurations, have paved the way for a transformative shift in design and visualization software.

However, participants in the spatial design industry still face tremendous challenges in delivering such software experience:

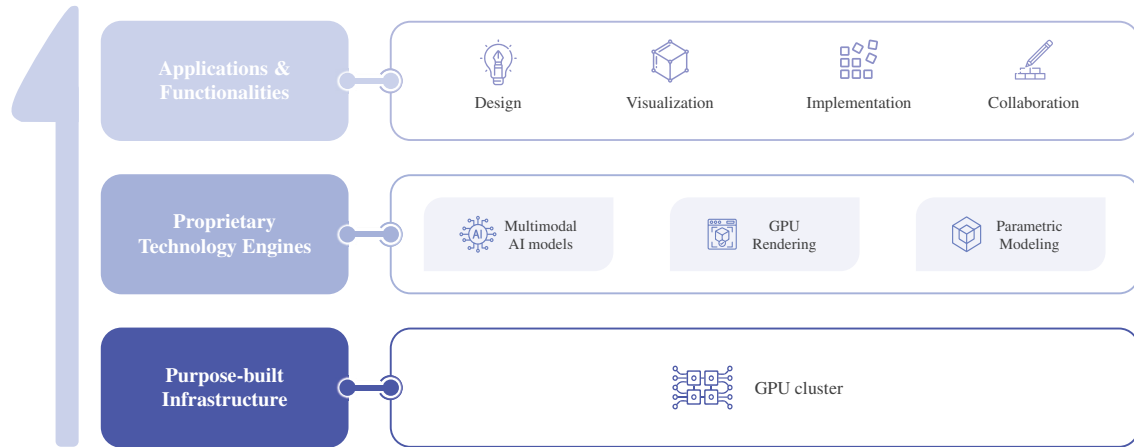
- ***High Requirements for Hardware.*** Legacy design software processes rendering tasks on local workstations without integrating cloud-based graphic processing technology, thus demanding local devices with high-end hardware components and configurations for optimal performance, making them costly for enterprises and designers. Users today are seeking a software solution that minimizes dependency on local devices while delivering consistent high-performance across multiple platforms, allowing them to design, review, and share work on the go.
- ***Suboptimal User Experience.*** Legacy software poses challenges for designers. They often have to start a project from scratch with few precedents to work from, manually assemble models and elements, and have difficulties in finding the most popular models and design ideas. Common features are often buried within unintuitive interfaces, making it too complex for users to navigate and operate the software’s functionalities. Legacy design software also lacks sufficient industry-specific customization, limiting its suitability for specialized use cases. Moreover, legacy design software lacks the compatibility and architecture necessary to fully leverage AI-powered features, which are delivering disruptive user experience and have significantly enhanced productivity.
- ***Disintegrated Workflows.*** Traditionally, work of different players along the industry chain, such as design, engineering drawings, and manufacturing specifications, are produced, processed, and stored separately using different software or systems, resulting in dispersed and non-interoperable data that are hard to share across organizations, which causes workflow redundancies and difficulty in collaboration.

Facing evolving consumer demands and the existing industry pain points, designers and businesses desire a cost-effective, flexible, and fully integrated solution to deliver a differentiated software experience.

BUSINESS

The Manycore Solution

We have created a platform that deploys mission-critical features of design and visualization on our purpose-built GPU clusters.



Our platform consists of three main layers:

- **Infrastructure.** Our purpose-built GPU clusters utilize the collective computing power of individual GPUs to ensure optimal resource utilization, performance, and scalability. With a primary emphasis on high-performance graphic rendering, our GPU infrastructure has been continuously optimized to process a greater volume of graphic calculations simultaneously, realizing smoother visuals and faster loading times. Beyond graphics, this robust infrastructure also supports AI model training and the creation of AIGC.
- **Technology Engines.** Our design and visualization platform is powered by advanced engines in AI, rendering, and BIM, each enhancing and expanding our software’s capabilities. The AI engine elevates our platform by enabling automated design scheme generation and CAD drawing recognition and analysis, among other features. Our rendering engine allows users to generate photorealistic images and interact dynamically with them as changes occur, providing an immediate and immersive visual experience. The BIM engine, which is powered by parametric modeling capabilities, offers a comprehensive suite of 3D modeling, document generation, and collaboration tools, effectively managing building data throughout the design and construction lifecycle. Architects and designers can easily craft architectural designs using built-in parametric building elements and generate engineering drawings and material takeoffs instantly with just a few clicks.

BUSINESS

- **Key Functionalities.** Our products are empowered by an integrated suite of functionalities built on top of our infrastructure backbone and technology engines, which can be categorized into four primary groups as set forth below:
 - **Design.** Our intuitive design platform offers plug-and-play models catered to a wide range of design needs across multiple verticals. Our design library covers hundreds of millions of 3D models and substantially all spatial design elements, such as furniture, wiring, piping, lighting, walls, ceilings, and decorative accessories, to name a few. Users can start design process by simply dragging and dropping CAD drawings, advertisement layouts, or graphic designs to our platform for an automatic generation of detail-rich 3D design scheme by our copilot, a readily furnished starting point to work from.
 - **Visualization.** Thanks to continuous advancements in AI like diffusion models and ray tracing, our visualization now offers instant rendering with a hyper-realistic effect. Users can view visualization effects while revising their designs, effectively breaking the boundary between design and rendering and allowing for a more interactive and efficient design process. This visualization transcends photorealism, capturing not only the intricate details of the space but also the rich textures of objects and the more natural lighting effects, resulting in renderings that are more vibrant and truer to life. Unlike many AI tools that can only roughly reflect designer’s intent, our platform allows for precise real-time adjustments, enabling users to finetune the final appearance of their designs with clear, granular instructions. With rich collections of presentation tools, customers can easily convert their designs into professional product brochures, posters, video clips and presentations, facilitating efficient online and offline marketing campaigns.
 - **Implementation.** Our products empower customers to convert their design schemes into comprehensive, accurate, and compatible datasets ready for manufacturing. Our platform also supports integration with various third-party applications via our open API environment, such as computer-aided manufacturing (CAM) system, customer relationship management (CRM), enterprise resource planning (ERP), manufacturing execution system (MES), and computer numerical control (CNC) systems. This high level of integration facilitates the swift implementation of design ideas.
 - **Collaboration.** Our platform features a collaborative solution that allows multiple team members to work together on the same design project. It supports real-time interaction, such as simultaneous review, commenting, and editing of a design work, fostering enhanced productivity through efficient collaboration. Moreover, our enterprise customers can holistically manage design content, coordinate order placements with manufacturers, and oversee the entire order process until delivery, in a structured and streamlined manner. Our application marketplace provides additional collaborative tools that bring stakeholders closer in the design-to-production workflow.

BUSINESS

We bring enormous benefits to our customers:

- ***Hardware Agnostic.*** Our platform processes computation intensive tasks on the cloud, allowing users to access through a web browser or mobile application anytime, anywhere. Our platform and its outputs are compatible with all mainstream desktop and mobile browsers as well as operating systems. This cloud-based approach allows users to access our software and utilize its high-performance capabilities without the need for high-end hardware components on their local devices, ensuring a frictionless customer experience with enhanced communication efficiency.
- ***Enhanced User Experience and High Productivity.*** Our design software features a simple, clear, and user-friendly interface, ensuring quick onboarding. We leverage AI and data analytics to automate a substantial portion of the design-to-production workflow. For example, our platform can automatically generate diverse design schemes and translate designs into precise production drawings. Adding to this powerful feature is our vast library of spatial design elements, which allows designers to browse for inspirations and implement pre-built spatial design elements or full plans with just a few clicks. The utilization of purpose-built GPU clusters effectively accelerates computationally intensive design tasks through optimized algorithms and parallel-running servers, delivering intricate photorealistic renderings within seconds. These disruptive features empower our customers to significantly improve their productivity.
- ***Streamlined Collaboration and Integrated Workflows.*** The integration of design and manufacturing data flow, combined with the open API environment of our platform, enables integration with various third-party applications. This allows users to exchange design data for different purposes like procurement, manufacturing, and marketing, paving the way for cross-enterprise collaboration. Our platform features collaborative tools that enable multiple team members to work on the same design project and interact in real time. For enterprise customers, we provide advanced collaborative capabilities for them to effectively manage design content, coordinate order placements with manufacturers, and oversee the entire order fulfillment process. Moreover, the application marketplace within our platform offers a selection of add-on tools to further enhance collaboration among stakeholders involved in the design-to-production workflow.

Our Market Opportunities

We primarily target the spatial design software market. In China, we are the largest spatial design software provider in terms of revenue in 2023, with approximately 22.2% market share, according to Frost & Sullivan. The Chinese spatial design software industry has seen substantial growth over the past few years, increasing from RMB1.6 billion in 2019 to RMB3.0 billion in 2023, representing a CAGR of 16.6%, and it is projected to further increase to RMB6.8 billion by 2028, representing a CAGR of 17.7% from 2023 to 2028, according to Frost & Sullivan. Globally, the market size of the spatial design software industry reached RMB18.0 billion in 2023, and is expected to reach RMB36.9 billion by 2028, growing at a CAGR of 15.4% from 2023 to 2028, according to Frost & Sullivan.

BUSINESS

Spatial design software is closely tied to the broader spatial design and visualization sector. It has great potential for cross-industry applications in areas such as advertising, gaming, media, architecture, and product development, enabling businesses to create immersive, interactive visuals that enhance customer experiences, streamline product design, and improve marketing strategies. According to Frost & Sullivan, the market size of general purpose design and visualization software in China may potentially reach RMB157.2 billion by 2028, and its global market is expected to reach RMB819.5 billion by 2028.

OUR STRENGTHS

Next Generation Design and Visualization Platform

Our goal is to create a computer-aided design (CAD) experience that is truly unprecedented. To achieve this goal, we have built our platform to be smart, mobile friendly, and cloud native.

Our platform revolutionizes the design process with advanced AI technologies that enhance key aspects of the user experience. We have developed an AI copilot that facilitates an easy start of design by automatically transforming user-uploaded files — such as CAD drawings, advertisement layouts, and graphic designs — into photorealistic images and immersive 3D design schemes. In 2024, our platform generated over 640.6 million images utilizing our AI capabilities, including floor plan visualizations, e-commerce product images, lighting effect images, and other images with optimized renderings. By integrating image generative AI with our proprietary rendering engine, our platform delivers visualizations through instant rendering with a hyper-realistic effect of texture, lighting, shading, and reflections, significantly elevating designer experience. In March 2024, we launched our AI-empowered instant rendering feature in our software products. Since then, the average daily renderings have significantly increased from 0.9 million in March 2024 to 3.1 million in December 2024. AI is also employed to suggest personalized design ideas, enable seamless editing, and simulate functional layouts, simultaneously advancing creativity, precision, and practicality. We continuously optimize our AI capabilities by leveraging our purpose-built GPU infrastructure. As we roll out more AI-related features and refine existing functionalities, we are able to enrich our offerings, expand our customer base, and capitalize on new market opportunities.

Our commitment to cloud addresses designers’ growing demand for efficiency and convenience, and leads the shift from heavy on-premise computation to high-speed cloud-based design and visualization. Our cloud infrastructure enables an “anytime, anywhere” experience, with design outputs compatible across all major mobile and desktop browsers and operating systems. This accessibility eradicates barriers to idea sharing. For example, a designer can generate a design on our Kujiale web portal and present the client with a photorealistic VR display that can be viewed on smartphones and tablets. In 2024, the number of average monthly active visitors reached 86.3 million and an average of 90% of total views on our platform were accessed via mobile devices.

BUSINESS

Industry Leader Fostering a Thriving Ecosystem

We are the world’s largest spatial design platform, as measured by the number of average MAUs in 2023, and also the largest software provider in China’s spatial design industry as measured by revenue in 2023, according to Frost & Sullivan. Our influence within the design community continues to expand, as shown by the increasing number of monthly active visitors to our platform, which grew from 48.3 million in 2022 to 86.3 million in 2024. With the success of our core products, we are well positioned to expand our business along the design and visualization value chain.

Design serves as a critical entry point for us to offer end-to-end coverage on the design and visualization value chain. By facilitating collaboration among designers, retailers, manufacturers, and end consumers, we go beyond design and establish us as a fully-fledged platform. Our platform supports interoperability with various third-party applications via our API, such as CRM, ERP, CAM, MES, and CNC systems. This high level of integration enables our customers to import raw data and export design work for manufacturing, procurement, and marketing purposes, paving the way for potential cross-enterprise collaboration. Our ability to connect all stakeholders — including designers, retailers, manufacturers, and end consumers — with interoperable data, while addressing their unique needs, has achieved a transformational experience and productivity in the industry.

Leveraging our unique position, we have launched an application marketplace on our platform as part of our strategy to cultivate a PaaS (platform as a service) ecosystem. These applications greatly expand the depth and breadth of our offerings, by providing not only specialized tools to meet individual user needs, but also collaborative solutions that connect customers across different industries. As of December 31, 2024, we introduced around 94 new applications covering business scenarios from design and production to supply chain and construction. By consistently prioritizing customer success on an individual level and fostering collaboration across industries, we have become a system of record for the design and visualization industry.

Unique Tech-stack Leveraging Purpose-built Infrastructure

Behind the beautiful design works created by our users, we prioritize high performance and efficiency through our unique GPU infrastructure. Our platform is powered by purpose-built GPU clusters that harness the collective computational power of individual GPUs with different specifications for efficient parallel processing, particularly excelling in graphic rendering and real-time modification. By simultaneously performing multiple tasks, our GPU clusters process large amounts of data at a faster rate. In 2024, we were able to process a typical 2K image in just 1.2 seconds down from 53 seconds as of December 31, 2022, which is significantly below the industry average, according to Frost & Sullivan.

BUSINESS

To maximize GPU utilization and enhance system efficiency, we consistently tailor our GPU clusters to allocate computing power for rendering tasks of varying scales and complexities, while upgrading our software to improve compatibility with different specifications of GPUs. The scalable nature of our GPU clusters allows for seamless adaptation to evolving computational needs by adding and upgrading GPUs as necessary without incurring significant additional expenses. As of December 31, 2024, our GPU clusters comprised more than 5,400 high-performance servers assembled with a centralized system and customized hardware, capable of processing an average of 7.1 million computing tasks on a daily basis in 2024.

We strategically integrate purpose-built GPU clusters with general cloud infrastructure, optimizing computing power distribution while enhancing platform availability, reliability, and scalability. This integration not only enhances performance but also reduces image rendering costs. Our average cost for rendering a typical 2K image is significantly below that using a general-purpose cloud setup, providing us with a clear edge as compared to our competitors. With this GPU cloud-based approach, our platform delivers superior performance, quality, and cost-effectiveness, offering enhanced value propositions to our users.

Building upon our robust infrastructure, our platform is optimized for performance, efficiency, and scalability, allowing us to cater to diverse applications and industries without being limited by specific use cases. By harnessing collective computation power as well as tailored computing distribution, our infrastructure can excel in various fields such as graphic design, AI training and inference, scientific computation, and more.

Effective Go-to-Market Strategy with Powerful Network Effects

Our land-and-expand strategy comes in two prongs: a freemium model to quickly land new users and capture the mindshare of designers, who play a central role in influencing business decisions, and a focus on delivering high-quality products and strong customer success support to retain existing customers and maximize their lifetime value.

We offer a free version of our products to facilitate quick user onboarding and upsell them with premium add-on features and support. This freemium model promotes our products and brands to a broader audience at a lower entry cost. By allowing free experience of our products, we nurture user habits and convert them into paying customers. This approach aligns with our PLG principle — using the product itself as the primary driver for our customer acquisition, conversion, expansion, and retention. By prioritizing user needs, understanding their pain points, and making continuous improvements to address those issues, we deliver exceptional user experiences.

During the Track Record Period, our platform has experienced a significant surge in traffic and successful user conversions. In 2024, our platform amassed average monthly active visitors of 86.3 million, and our average MAUs reached 2.7 million. Our individual customers increased by 25.5% from 311,107 as of December 31, 2022 to 390,585 as of December 31, 2023, and further increased to 413,872 as of September 30, 2024. Our enterprise customer base enlarged by 24.2% from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023,

BUSINESS

and further increased to 45,548 as of September 30, 2024. Notably, approximately 47.0% of our enterprise customers newly engaged during the nine months ended September 30, 2024 started with a free or personal version of our products before transitioning into an enterprise subscription.

The network effects on our platform are multi-fold. The more designers and enterprises we serve, the more design ideas and models they create on our platform, which catalyze greater creativity and attract a larger user community to our platform. As our user base expands, our outreach to end consumers grows, which prompts increased demand from customers for designers and enterprises to adopt our products. By providing comprehensive post-design features across the design and visualization value chain, enterprises find value in continued platform usage to facilitate smooth collaboration across various business units.

Unwavering Commitment to Customer Success and Satisfaction

Customer satisfaction is at the heart of our business. We offer 24/7 support for our customers, alongside a variety of resources on our website, including a comprehensive knowledge base, catering to the diverse needs of our users. Our dedicated customer success team provides customized onboarding, modeling, training, implementation and operational solutions to ensure seamless user experiences. Through our proprietary, data-driven operation support system, we record and analyze customer service interactions to maintain service standards. Valuable insights gained from customer communication feed directly into our system, and are in turn used to refine customer profiles and optimize our business solutions. Moreover, we have deployed AI-powered customer services to offer intelligent, automated responses that adapt to customer usage patterns and preferences, which has not only elevated our customer satisfaction but also improved our operational efficiency.

Once subscribed, our customers stay loyal to our platform as we offer high-quality products with visible benefits. Our focus is not just on acquiring customers but on fostering a loyal, engaged user base that relies on our solutions for their business success. We typically conduct customer surveys on a quarterly basis, using feedback to optimize product functionalities and improve overall customer experience. As of September 30, 2024, our NRR rate for key accounts was 114.1%, and our NRR rate for individual customers was 96.0%.

Experienced Management Team and Innovation Culture

We are led by a pioneering and experienced management team. Our visionary co-founders, Mr. HUANG Xiaohuang (黃曉煌), Mr. CHEN Hang (陳航), and Mr. ZHU Hao (朱皓), honed their expertise at prominent global companies and research institutions including NVIDIA, Microsoft, Amazon, and the National Center for Supercomputing Applications of the United States, prior to founding Manycore. Their extensive experience as software engineers at renowned technology institutions enabled them to develop deep expertise in computer graphics and parallel computing. Our other management members also bring diverse backgrounds in technology, product management and finance from prominent global companies such as Google, Amazon, Autodesk, J.P. Morgan, and Goldman Sachs. Collectively, their unique perspectives and skills are essential to our success.

BUSINESS

We believe our operational excellence is sustained by our distinctive corporate culture rooted in three core values — simple, focused, and open. At Manycore, we strive to simplify the design experience for our users and make the same commitment to our employees — we make things simple in a flat and inspiring environment, so everyone can focus on perfecting our products and technologies. We also recognize that the dynamic culture of the design and visualization software industry, so we stay open-minded to effectively navigate upcoming transformations and challenges.

OUR STRATEGIES

Growing Our Customer Base

We grow alongside our customers by continually retaining and expanding their purchases. We plan to expand our customer base by executing our PLG strategy and further penetrating customers along the design and visualization value chain. Adhering to our tiered marketing strategy, we aim to further enhance efficiency of our sales team in expanding the bases of both key accounts and medium-sized enterprises. To enhance our brand image, we plan to strategically promote our brand across different channels, including search engines, live stream platforms, social media apps, and influencer collaborations. We also intend to increase our brand visibility among potential customers in our target industries by hosting and sponsoring industry-specific summits and seminars. Furthermore, we are committed to delivering enhanced product features to our customers while fostering collaborations with ecosystem partners to drive mutual success in expanding market verticals. We believe that this customer-centric strategy will not only effectively drive product sales, but also strengthen our relationships with existing customers, encourage higher level of engagement, and promote long-term customer retention and satisfaction.

Continuing to Enhance Our Products and Tap into New Business Scenarios

The superiority of our product is our core competency. We have been expanding our product offerings to facilitate the entire design and visualization value chain, spanning from design to manufacturing, supply chain, and construction. To meet the evolving needs of our customers, we aim to introduce new products, novel features, and enhanced functionalities through ongoing innovation. We intend to optimize our design and visualization functionalities by continuously improving rendering quality and speed. In response to customer preferences for increased manufacturing efficiency and environmental sustainability, we plan to improve the BIM features of our products, and we believe these enhancements will help us capture opportunities arising from the rapidly growing smart manufacturing market.

While we further solidify our leadership in the spatial design software industry, we strive to continue our expansion into different verticals and business scenarios, by leveraging our design software products and underlying infrastructure. Our solutions are optimized for design-centric activities, enabling us to cater to diverse business scenarios. We have launched an add-on feature KuSpace (酷空間) with enhanced BIM capabilities, which has gained traction in the design of office and retail chain store spaces. Our e-commerce solutions enable

BUSINESS

customers to set up a virtual studio where they can present their merchandise on websites and through live streaming, a virtual but vivid environment. Since the launch of our e-commerce solution in April 2023, we generated RMB2.8 million in revenue from this sector within the same year and achieved significant revenue growth of 122.0% from RMB2.1 million for the nine months ended September 30, 2023 to RMB4.6 million for the same period in 2024. We anticipate this upward trend will persist. Beyond design, we will continue to upgrade SpatialVerse to establish ourselves in sophisticated research areas, such as AIGC, embodied AI, AR/VR and robotics, utilizing our vast amounts of synthetic virtual datasets and private computing centers. We will leverage our technology engines and modular architecture to develop and improve products customized for the growing demands in these and other new verticals with high growth potential.

Continuing to Invest in Technology

To further enhance our technology leadership and support our continuous innovation of product offerings, we will continue to invest in the development of our core technology and infrastructure. To this end, we will closely monitor technological advancements in the industry, such as AIGC and spatial intelligence, and consistently improve our research and development capabilities. Specifically, we plan to upgrade our technology infrastructure by continuously investing in our proprietary, purpose-built GPU clusters to support a higher volume of concurrent computation tasks. Our strategy involves optimizing computing power allocation through dynamic distribution based on workload demands. Meanwhile, we will keep upgrading our software to work with our underlying infrastructure to deliver a better user experience. We also plan to invest in research and development to explore new AI applications, such as using AI tools in architecture, media, robotics, and other fields. Additionally, we will enhance our synthetic virtual data engine, leveraging our spatial scene datasets to support the creation of AIGC, the training of embodied AI, and the development of AR/VR and robotics. To achieve these goals, we aim to attract and retain top global talent to drive our long-term growth.

Expanding Our Global Footprint

Our products are present in over 200 countries and regions as of September 30, 2024. We expect our international revenue to grow at a rapid pace as we invest further in Coohom, our primary global brand, to roll out more localized product offerings with a focus on the United States, South Korea, Japan, and Southeast Asia. To enhance customer success for Coohom, we plan to improve support for customers across different geographical locations and time zones. We will also improve the features and functionalities of Coohom, expand our overseas sales and marketing team, and seek collaborations with international market leaders in the design and visualization market to explore business opportunities globally and unlock new growth points.

BUSINESS

Growing and Harnessing Our Ecosystem

We have established a PaaS platform that allows various software vendors to collaboratively serve value chain customers. To further enrich our ecosystem, we intend to pursue strategic investments and acquisitions both in China and internationally that can strengthen our market position, attract new ecosystem participants, broaden our service offerings, as well as boost our data and technology capabilities. We believe our leading position, extensive industry experience, and insights will enable us to act as a central hub, effectively collaborating with our business partners to provide more diverse and enhanced products for our customers. By expanding our ecosystem, our goal is to continue delivering value to our customers and working alongside our business partners to empower the design and visualization industry globally in the long run.

OUR BUSINESS MODEL

We have adopted a freemium model to cater to a broad user base. Our platform offers a comprehensive set of design and visualization tools and features that are freely accessible to users, enabling them to craft, visualize, and share their designs without any initial cost or upfront professional training. This free tier fosters widespread adoption and engagement by lowering the entry barrier. For users with advanced needs, such as professional designers and enterprises, we provide paid, premium subscription options with different product depth and functionality, offering enhanced features to suit varying levels of design complexity and professional requirements. Beyond our growing popularity among individual users, our solutions have integrated into the broader design and visualization value chain, benefitting from our unique end-to-end design-to-production coverage. This integration has attracted an increasing number of enterprises, including downstream manufacturers, to subscribe to our enterprise solutions.

This freemium model aligns with our PLG principle. By prioritizing user needs, understanding their pain points and making continuous improvements to address those issues, we deliver exceptional user experiences. During the Track Record Period, our platform has experienced a significant surge in traffic and successful user conversions. In 2024, our platform amassed an average monthly active visitors of 86.3 million, and our average MAUs reached 2.7 million. The number of our individual customers increased by 25.5% to 390,585 as of December 31, 2023 from 311,107 as of December 31, 2022, which further increased to 413,872 as of September 30, 2024. Our enterprise customer base enlarged by 24.2% to 41,070 as of December 31, 2023 from 33,058 as of December 31, 2022, which further increased to 45,548 as of September 30, 2024. Notably, approximately 47.0% of our enterprise customers newly engaged during the nine months ended September 30, 2024 started with a free or personal version of our products before transitioning into an enterprise subscription.

BUSINESS

We generate the majority of our revenue through subscription fees for access to the premium features of our software products, with pricing determined by the number of accounts and volume of usage. For details about the fee models for our products and solutions, see “— Fee Models.” In addition to software product subscriptions, we offer a range of professional services tailored for enterprise customers, which primarily include modeling services, technical deployment services, and customer trainings that aim to maximize the value propositions of our software.

The following table sets forth a breakdown of our revenue by offering type and customer type, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
	<i>(unaudited)</i>				<i>(unaudited)</i>			
Subscription revenues	543,935	90.6	647,089	97.5	474,672	97.7	543,523	98.3
Enterprise customers	490,121	81.6	562,825	84.8	413,963	85.2	464,337	84.0
Individual customers	53,814	9.0	84,264	12.7	60,709	12.5	79,186	14.3
Professional service revenues ⁽¹⁾	56,681	9.4	16,451	2.5	11,332	2.3	9,418	1.7
Total	<u>600,616</u>	<u>100.0</u>	<u>663,540</u>	<u>100.0</u>	<u>486,004</u>	<u>100.0</u>	<u>552,941</u>	<u>100.0</u>

Note:

(1) All professional service revenues were generated from enterprise customers.

In 2022, 2023 and the nine months ended September 30, 2024, our enterprise customers contributed the majority of our subscription revenues. The number of our enterprise customers reached 33,058, 41,070, and 45,548 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these enterprise customers were RMB490.1 million, RMB562.8 million, and RMB464.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 90.1%, 87.0%, and 85.4% of our total subscription revenues for the respective periods. In particular, our key accounts contributed RMB203.5 million, RMB257.4 million, and RMB225.9 million of our total subscription revenues in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 37.4%, 39.8%, and 41.6%, respectively, of our total subscription revenues for the same periods.

BUSINESS

We have been witnessing a parallel growth in the individual customer segment. The number of our individual customers reached 311,107, 390,585, and 413,872 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these individual customers were RMB53.8 million, RMB84.3 million, and RMB79.2 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 9.9%, 13.0%, and 14.6% of our total subscription revenues for the respective periods.

OUR PRODUCTS

Our journey started with a focus on spatial design and visualization. Over the years, we have broadened our offerings to include a wide array of design and visualization solutions, catering to both real-world spaces, such as residences, office buildings, retail stores, and commercial projects, as well as virtual environments, including embodied AI training and e-commerce product staging. Among our product matrix, our key offerings are highlighted below:

- ***Kujiale (酷家樂)***. Kujiale is our flagship product with a full suite of functionalities.

Launched in 2013, Kujiale is a cloud-native design and visualization software that allows users to quickly start a new design by dragging and dropping 3D models and provides instant visualization of their creations through photorealistic renderings. Kujiale features an expanding library of over 362.2 million 3D models and spatial design elements as of December 31, 2024, allowing designers to customize their projects freely and with a vast array of options. One of Kujiale’s standout features is its capability to translate detailed 3D design data into production-ready instructions and then directly deliver them to manufacturers for production. This substantially improves the efficiency and accuracy of the entire the design-to-production workflow. In 2021, we introduced an add-on feature KuSpace (酷空間) with enhanced BIM capabilities that can automatically generate engineering drawings, material takeoff lists, and cost schedules based on 3D designs. These BIM capabilities enable production of a wide range of engineering drawings tailored to the specific needs of enterprise customers, including construction drawings, lighting system plans, and electrical plans, to name a few. Kujiale has been employed in designing residences, office buildings, retail chain stores, and commercial projects, while also expanding into emerging use cases, such as e-commerce product staging.

BUSINESS

- ***Coohom.*** Coohom, debuted in 2018, is our spatial design software product developed for international users and customers, mainly targeting markets in the United States, South Korea, Japan, and Southeast Asia. As part of our strategy of going global while staying local, Coohom has made continuous iterations and upgrades to better cater to the needs of our international customers. One example is the introduction of imperial units based on feet and inches, alongside other tailored functionalities to better meet the requirements of overseas designers. For its unique features and industry-leading technology, Coohom was recently recognized by G2, a globally renowned software rating platform, as the software earning the titles of “Leader,” “Most Implementable,” and “Fastest Implementation” in the 3D rendering category for 2024. Currently, Coohom supports 14 languages including English, Korean, Japanese, and Spanish, and serves users and customers in over 200 countries and regions around the world.
- ***SpatialVerse.*** SpatialVerse is a next-generation spatial intelligence solution for AI development in indoor environments. At its core lies our massive, physically accurate dataset library specifically designed to train sophisticated models through realistic virtual simulations. Leveraging our powerful 3D design datasets, rendering engines and spatial editing tools, we create highly realistic and physically accurate synthetic virtual datasets that mirror real-world physical properties and spatial relationships. SpatialVerse enables developers to train AIGC models in virtual settings and enhance cognitive capabilities of intelligent robots, AR/VR systems, and embodied AI. Users can also conduct industrial-scale simulations with multi-sensor compatibility and achieve high-fidelity RTX rendering aligned with NVIDIA Isaac Sim’s OpenUSD framework. This technology bridge between digital simulations and physical reality accelerates AI development while reducing real-world testing costs.

For most of our products, we offer multiple subscription tiers based on the volume of usage and combination of functionalities, providing varying levels of product depth to meet our customers’ diverse needs. Individual users have access to a free version with basic functions and may choose to upgrade to a paid, premium version with advanced features. For enterprise customers, we also offer a selection of enterprise-grade, industry-specific software solutions that are developed under each product to cater to customers’ specific use cases. Please refer to “— Fee Models” for more details.

KEY FUNCTIONALITIES

Our products offer a variety of highly configurable solutions that consist of four major functionalities: design, visualization, implementation, and value chain collaboration. Below is an introduction to these four functionalities that form the basis of our products.

BUSINESS

User-Centric Design Platform with Purpose-built Design Capabilities

- **Transformative AI Copilot-generated Design Schemes.** We have developed an AI copilot that facilitates an easy start of design by automatically transforming user-uploaded files — such as CAD drawings, advertisement layouts, and graphic designs — into immersive 3D design schemes. This offers designers a readily furnished starting point for their projects, significantly enhancing productivity. Moreover, with the aid of our AI-powered templates, designers can seamlessly integrate their preferred styles into their designs, ensuring consistency and personalized aesthetics.

The following screenshots show the CAD drawings uploaded and the 3D floor plan generated through our AI copilot:

AI Copilot

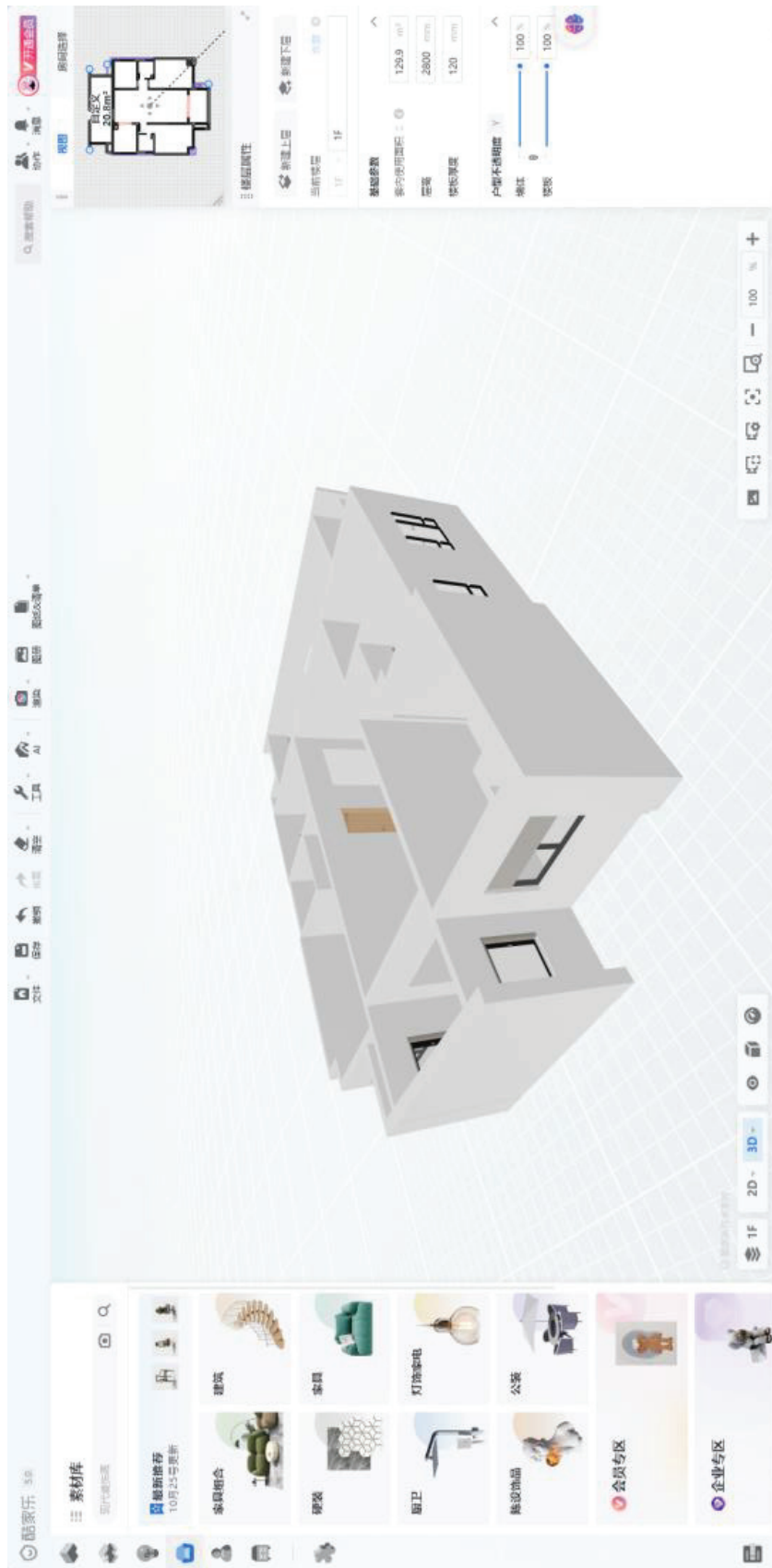


CAD Drawings Uploaded through AI Copilot



BUSINESS

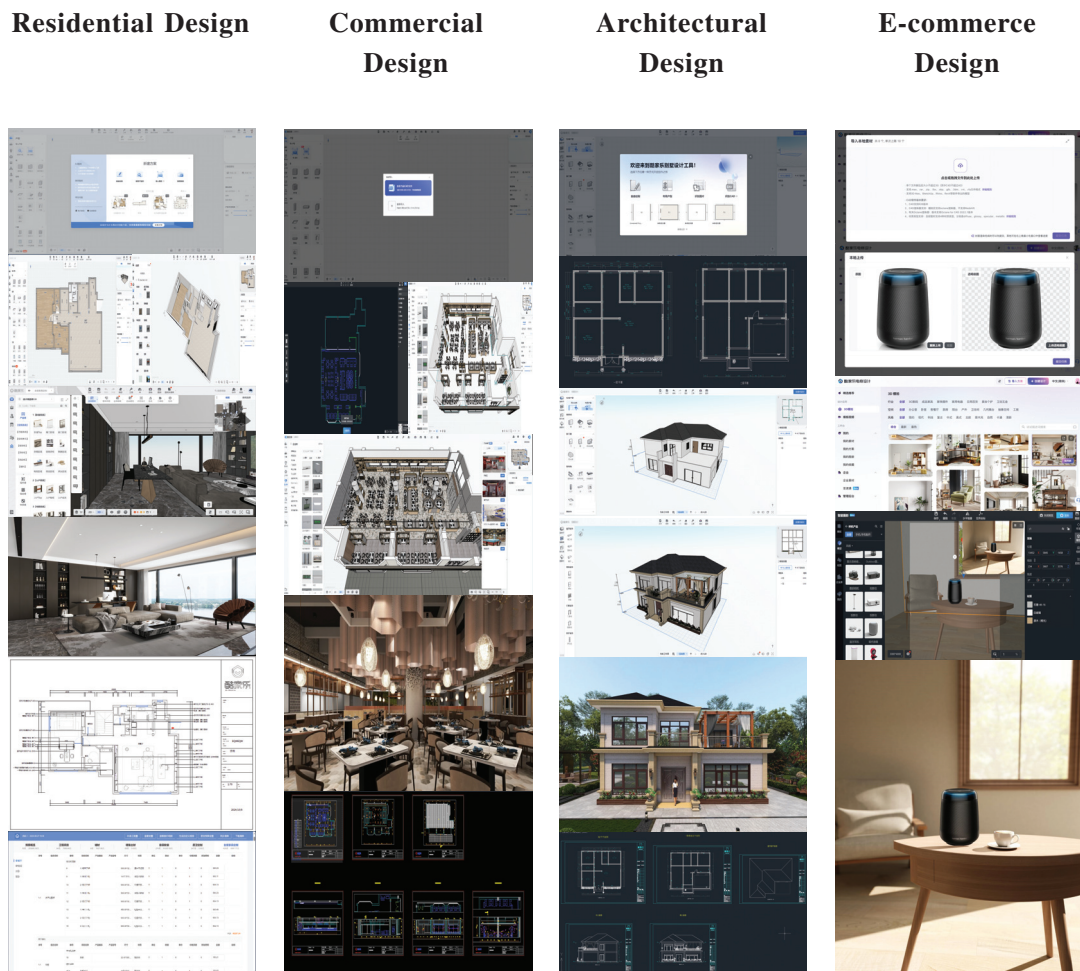
3D Floor Plan Generated on Kujiale



BUSINESS

- **Versatile Design Platform with an Extensive Design Content Library.** Our design platform is user-centric and offers plug-and-play models catered to both real-world spaces, such as residences, office buildings, retail stores, and commercial projects, as well as virtual environments, such as e-commerce product staging. Our design library covers hundreds of millions of 3D models and substantially all spatial design elements, such as furniture, wiring, piping, lighting, walls, ceilings, and decorative accessories, to name a few.

The following screenshots showcase the residential design, commercial design, architectural design, and e-commerce product design created and the manufacture-ready data outputs on our platform:



- **Intuitive Design Interface.** Our easy-to-use design interface allows users to express their design idea intuitively. After importing a CAD design draft or a floor plan, users can drag and drop elements, such as furniture and decorative accessories, into the floor plan with ease. The interface allows seamless switching between 2D and 3D design views, offering users different perspectives to proceed the design process. Once a design plan is complete, our design interface can generate a photorealistic 3D model based on the finished plan, enabling panoramic reviews and video clip outputs.

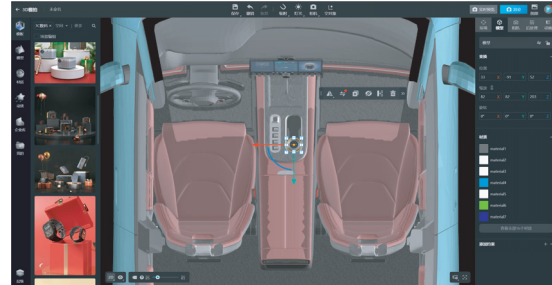
BUSINESS

2D and 3D Design Interfaces on Kujiale

**2D Design Interface
(Residential Design)**



**2D Design Interface
(E-commerce Design)**



**3D Design Interface
(Residential Design)**



**3D Design Interface
(E-commerce Design)**



Visualization Tools Realized by High Performance Computing Power

- **AI-empowered Photorealistic Image Generation.** Building on our high-performance GPU clusters and AI technologies such as AI diffusion models and ray tracing, we offer tools that can generate panoramic images within seconds to deliver immersive and photorealistic visual experiences. Our platform can also integrate all panoramic images into a unified VR walkthrough to augment visual experiences.

BUSINESS

Photorealistic Visualization



- **Instant Interactive Renderings.** In March 2024, we introduced the instant rendering feature powered by technologies including AI denoising techniques, delivering hyper-realistic effects. This feature allows users to simultaneously view visualization effects while modifying their designs, effectively merging the design and rendering processes into a more interactive experience. Unlike many AI tools that can only roughly reflect a designer’s intent, our platform allows for precise real-time adjustments, enabling users to finetune the final appearance of their designs with clear, granular instructions. Since its launch, average daily instant renderings have surged significantly, from 0.9 million in March 2024 to 3.1 million in December 2024.
- **Video Generation.** We introduced the first video rendering solution in China’s spatial design industry in 2021, according to Frost & Sullivan. This solution allows for the automatic generation of video clips featuring photorealistic renderings for each frame, delivering superior visual effects to our customers in a cost-effective way. These video clips are share-ready across different social media platforms, enabling us to capitalize on the rising trend of short video content.

BUSINESS

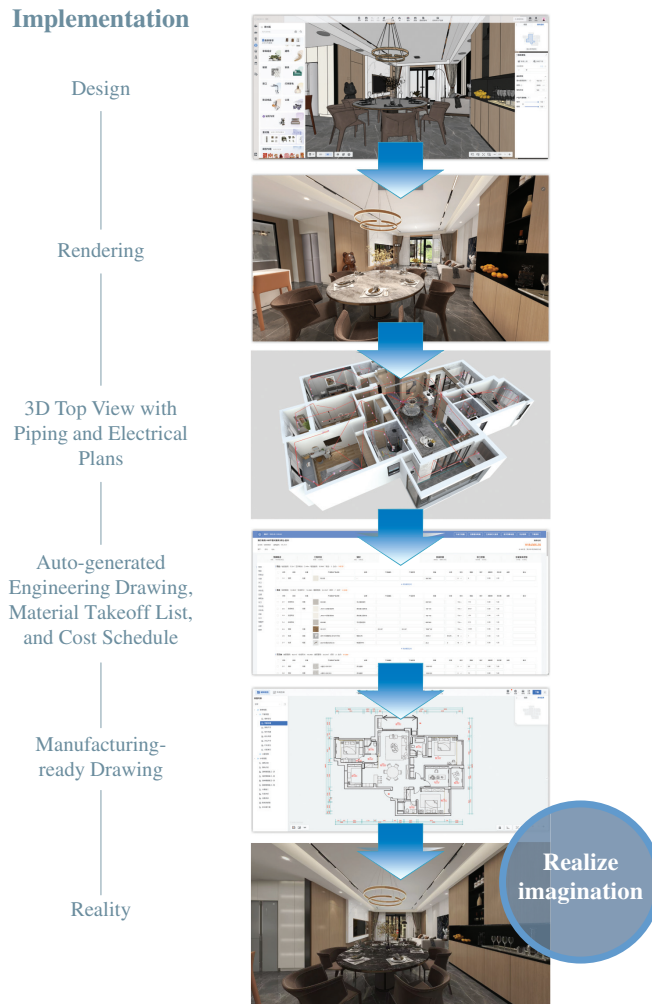
- **Presentation.** We provide tools to customers to convert their designs into professional product brochures, posters, video clips, and presentations, facilitating efficient online and offline marketing campaigns. It also enables designers to rapidly generate design proposals with a simple, intuitive description.

Implementation Tools Spanning the Design and Visualization Value Chain

- **Design and Production.** Our software enables designers to transmit detailed 3D design data, including measurements, material preferences, and other specifications, directly to manufacturers. It leverages our CAM capabilities, which are compatible with most CAM software used by manufacturers in the custom furniture industry. By aligning with industry standards, our software allows for the automated production of highly customized furniture orders directly from 3D design data. Our software has also plugged in AI functionalities that monitor data flow and verify the physical validity and accuracy of designs and manufacturing drawings. As of December 31, 2024, approximately 50.0% of our enterprise customer accounts are premium subscriptions with built-in CAM functionalities. To date, our manufacturing capabilities have extended beyond bespoke furniture to a wide range of spatial design elements, such as doors, windows, commercial furniture, stainless steel cabinets, ceilings, walls, and bathroom fixtures.

Apply Our Design Tool to Production

Implementation



BUSINESS

- ***Design and Construction.*** We have expanded our design capabilities to commercial and industrial spaces through our BIM functionalities. These features provide comprehensive cloud-based design, modeling, and collaboration tools for managing building data throughout the design and construction lifecycle. With our module-based design tools, architects and designers can easily create architectural designs using built-in parametric building elements, such as geometry, spatial relationships, geographic information, and quantities, and generate engineering drawings and material takeoffs instantly with just a few clicks. In 2024, our platform produced over 71.2 million engineering drawings, including construction drawings, lighting system plans, and electrical plans, to name a few.

Streamlined Collaboration and Integrated Workflows

- Our platform features collaborative tools that enable multiple stakeholders to work on the same design project. It supports real-time interaction, such as simultaneous editing, commenting, and reviewing of a design work, fostering enhanced productivity through efficient collaboration. For enterprise customers, we provide advanced collaborative tools that allow them to holistically manage design content, coordinate order placements with manufacturers, and oversee the entire order process until delivery, in a structured and streamlined manner. By leveraging our API, our platform enables integration with various third-party applications. This high level of integration allows users to exchange design data for different purposes like manufacturing, procurement, and marketing, paving the way for potential cross-enterprise collaboration. Additionally, our application marketplace offers a range of add-on tools aiming to eliminate collaboration obstacles among stakeholders involved in the design-to-production workflow. As of December 31, 2024, we introduced around 94 new applications covering business scenarios from design and production to supply chain and construction.

FEE MODELS

We typically serve customer needs by offering multiple tiers of subscriptions that vary by product depth and functionality, with pricing determined by the number of accounts and volume of usage.

For individual users, we offer a free version of our products with entry-level functions, as well as various paid, premium tiers with advanced functions primarily targeting professional designers. Users who initially subscribed for free versions often upgrade to paid and higher-tier subscriptions as they get more familiar with our products, becoming our customers.

For enterprise customers, we offer a selection of enterprise-grade, industry-specific software solutions. Each solution includes a comprehensive package of functions and features that allow customers to rapidly digitalize a wide range of operations, including design, visualization, implementation, and value chain collaboration. To support the integration of our solutions into customers’ own business processes and systems, we also offer our enterprise customers with various types of professional services to deliver enhanced performance and customization.

BUSINESS

We drive customer lifetime value by continually optimizing our existing solutions and launching new ones. We provide add-on features to existing solutions that are available at an additional cost. Meanwhile, we continue to roll out new solutions to cover more industry players and business scenarios along the design and visualization value chain, as well as in the broader building industry. For example, we have launched an add-on feature KuSpace (酷空間) with enhanced BIM capabilities, which has gained traction in the design of office and retail chain store spaces. Our e-commerce solutions enable customers to set up a virtual studio where they can present their merchandise in a virtual but vivid environment. Our SpatialVerse extends our platform into sophisticated research areas to help train and enhance the intelligence of embodied AI, AR/VR, and robotics.

The following table sets forth our key arrangements and pricing with our customers for paid subscriptions of major products during the Track Record Period:

Product	Version	Key Arrangements with Customers
Kujiale	Premium	Premium versions are primarily for individual customers. Customers who subscribe to different premium versions gain access to unique features tailored to each version. These versions are distinguished by varying product depth and functionality. Depending on the version subscribed, customers can choose to pay a fixed rate monthly, annually, or over a three-year period.
	Enterprise	<ul style="list-style-type: none"> • We provide our enterprise customers with a range of enterprise-grade, industry-specific software solutions tailored to their unique use cases. • The pricing for enterprise-grade solutions is primarily the subscription fee. When determining the fees for our enterprise customers, we consider several factors, including the number of accounts required, the volume of usage, the number of functions and features included in the subscribed solution, and the subscription term.

BUSINESS

Product	Version	Key Arrangements with Customers
Coohom	Premium	Premium versions are primarily for individual customers. The premium versions of Coohom differ in product depth and functionality. Depending on the version subscribed to, customers can choose to pay a fixed rate monthly, quarterly, semi-annually, or annually.
	Enterprise	<ul style="list-style-type: none">• We provide our enterprise customers with various industry-specific solutions to satisfy enterprise customers’ different demands. The solutions typically provide customers with enhanced design capabilities and ability to create projects and access to a greater number of renderings.• The pricing for enterprise versions is based on several factors, including the number of accounts required, the volume of usage, the number of functions and features included in the subscribed solution, and the subscription term.
SpatialVerse . . .	Enterprise	We offer customized solutions to our enterprise customers, with pricing determined by several factors including the number of users, their volume of usage based on total time and computing power consumed, and the number of schemes generated on the platform.

BUSINESS

OUR CUSTOMERS

Our customers cover the entire design and visualization value chain, mainly including designers, interior design and construction companies, furniture manufacturers and retailers, custom furniture producers, real estate developers, and spatial design material providers. We cater to a diverse range of customers, from individual designers and small and medium-sized businesses to global enterprise clients. Initially focused on spatial design and visualization, we have now broadened our offerings to include a wide array of design and visualization solutions, catering to both real-world spaces, such as residences, office buildings, retail stores, and commercial projects, as well as virtual environments, including embodied AI training and e-commerce product staging. Our customer base is expanding across geographies, covering mainly China, the United States, South Korea, and Southeast Asia.

With a strategic focus on enterprise customers, who contributed the majority of our revenue, we strive to increase the lifetime value of our enterprise customers, particularly our key accounts. In the meantime, we provide flexible subscription options to individual customers, in order to leverage their word-of-mouth referrals to achieve organic customer acquisition and to expand our market presence.

Enterprise Customers

During the Track Record Period, the number of our enterprise customers and our revenue contributed by them increased along with our overall business growth. The number of enterprise customers we served increased by 24.2% from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023, which further increased to 45,548 as of September 30, 2024. As of December 31, 2022 and 2023 and September 30, 2024, we had served 316, 353, and 368 key accounts, respectively, who contributed an annual revenue of RMB200,000 or above.

Below are the salient terms of our agreements with enterprise customers:

- ***Products and Services Provided.*** We provide our enterprise customers with our solutions, with such functions and features as set forth in a schedule. At an additional cost, customers may choose to add new accounts, or obtain certain professional services, such as modeling, technical deployment services, and customer trainings.
- ***Term and Renewal.*** Typically, the term of our agreements ranges between one year to three years, which can be extended upon mutual agreement.
- ***Payment Term.*** Our enterprise customers are generally required to make full payment for the products and services within five business days from the date of signing the agreement.
- ***Termination.*** Either party is entitled to terminate the agreement in cases of material defaults.

BUSINESS

Individual Customers

During the Track Record Period, the number of our individual customers and our revenue contributed by them also experienced steady increase. We had 311,107 and 390,585 individual customers as of December 31, 2022 and 2023, respectively, with a growth rate of 25.5%, and the number of our individual customers increased to 413,872 as of September 30, 2024.

Below are the salient terms of our agreements with individual customers:

- **Services Provided.** We provide our individual customers with the services included in their subscribed solutions.
- **Term and Renewal.** The subscription period for our solutions depends on the product version subscribed to. See “— Fee Models.” The agreements can be automatically renewed with the customer’s prior authorization.
- **Payment Term.** The subscription fee is paid at a fixed rate based on the subscription length and is collected upfront before the customer’s account is activated.
- **Termination.** Individual customers cannot transfer or cancel their subscription once the services have been subscribed.

Our Top Five Customers

We do not have substantial reliance on any single customer. In 2022, 2023 and the nine months ended September 30, 2024, revenues generated from our five largest customers in aggregate accounted for 10.9%, 8.0%, and 9.4% of our total revenue, respectively, and the revenue generated from our largest customer accounted for 5.2%, 2.2%, and 2.6% of our total revenue, respectively. Our major customers generally settle with us through advance payments by bank transfer.

BUSINESS

The following table shows the details of our five largest customers in each year and period during the Track Record Period:

Rank	Customer	Main product/service purchased	Background	Year of Commencement	Revenue contribution	% of our total revenue
<i>(RMB in thousands)</i>						
For the nine months ended September 30, 2024						
1. . .	Customer A	Kujiale	A limited liability company established in 2008 and headquartered in Chengdu, Sichuan, primarily focusing on the sales of furniture, with a registered capital of RMB16.0 million.	2018	14,228	2.6%
2. . .	Customer B	Kujiale	A joint stock company established in 2003 and headquartered in Guangzhou, Guangdong, primarily focusing on the research, production and sales of customized furniture. Customer B is listed on the Shenzhen Stock Exchange, with a registered capital of RMB963.0 million.	2015	12,551	2.3%
3. . .	Customer C	Kujiale, Coohom	A Korea-based company established in 1970 and listed on the Korea Exchange, primarily focusing on the design, manufacture, and retail of home furniture and interior solutions.	2017	12,121	2.2%
4. . .	Customer D	Kujiale	A joint stock company established in 2006 and headquartered in Hangzhou, Zhejiang, primarily focusing on the research, design, development, production, sales and service of full-scene home furnishing products. Customer D is listed on the Shanghai Stock Exchange, with a registered capital of RMB822.0 million.	2014	7,582	1.4%
5. . .	Customer E	Coohom	A Korea-based company established in 1947, primarily focusing on the research, design, development, and production of advanced materials and interior solutions. The parent company of Customer E is listed on the Korea Exchange.	2023	4,883	0.9%
Total					<u>51,365</u>	<u>9.4%</u>

BUSINESS

Rank	Customer	Main product/service purchased	Background	Year of Commencement	Revenue contribution	% of our total revenue
For the year ended December 31, 2023						
1. . .	Customer C	Kujiale, Coohom	A Korea-based company established in 1970 and listed on the Korea Exchange, primarily focusing on the design, manufacture, and retail of home furniture and interior solutions.	2017	14,895	2.2%
2. . .	Customer A	Kujiale	A limited liability company established in 2008 and headquartered in Chengdu, Sichuan, primarily focusing on the sales of furniture, with a registered capital of RMB16.0 million.	2018	13,872	2.1%
3. . .	Customer B	Kujiale	A joint stock company established in 2003 and headquartered in Guangzhou, Guangdong, primarily focusing on the research, production and sales of customized furniture. Customer B is listed on the Shenzhen Stock Exchange, with a registered capital of RMB963.0 million.	2015	12,530	1.9%
4. . .	Customer D	Kujiale	A joint stock company established in 2006 and headquartered in Hangzhou, Zhejiang, primarily focusing on the research, design, development, production, sales and service of full-scene home furnishing products. Customer D is listed on the Shanghai Stock Exchange, with a registered capital of RMB822.0 million.	2014	7,211	1.1%
5. . .	Customer F	Kujiale	A limited company established in 2007 and headquartered in Guangzhou, Guangdong, primarily focusing on the manufacturing and sales of furniture and home appliance, with a registered capital of RMB311.3 million.	2018	4,908	0.7%
Total					<u>53,416</u>	<u>8.0%</u>

BUSINESS

Rank	Customer	Main product/service purchased	Background	Year of Commencement	Revenue contribution	% of our total revenue
<i>(RMB in thousands)</i>						
For the year ended December 31, 2022						
1. . .	Customer G	SpatialVerse	A U.S.-based public company established in 2004 and listed on the Nasdaq Stock Market, which is a global leader in social media and technology services, focusing on social networking, digital advertising, and online community building.	2020	31,346	5.2%
2. . .	Customer C	Kujiale, Coohom	A Korea-based company established in 1970 and listed on the Korea Exchange, primarily focusing on the design, manufacture, and retail of home furniture and interior solutions.	2017	14,330	2.4%
3. . .	Customer A	Kujiale	A limited liability company established in 2008 and headquartered in Chengdu, Sichuan, primarily focusing on the sales of furniture, with a registered capital of RMB16.0 million.	2018	9,546	1.6%
4. . .	Customer B	Kujiale	A joint stock company established in 2003 and headquartered in Guangzhou, Guangdong, primarily focusing on the research, production and sales of customized furniture. Customer B is listed on the Shenzhen Stock Exchange, with a registered capital of RMB963.0 million.	2015	5,619	0.9%
5. . .	Customer D	Kujiale, Coohom	A joint stock company established in 2006 and headquartered in Hangzhou, Zhejiang, primarily focusing on the research, design, development, production, sales and service of full-scene home furnishing products. Customer D is listed on the Shanghai Stock Exchange, with a registered capital of RMB822.0 million.	2014	4,515	0.8%
Total					<u>65,356</u>	<u>10.9%</u>

BUSINESS

As of the Latest Practicable Date, we maintained a stable relationship with our top five customers and we generally settle with them by bank transfer. To the best of our knowledge, during the Track Record Period and as of the Latest Practicable Date, our customers were independent third parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders, who or which to the knowledge of our Directors owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

Third-party Payments

Background

During the Track Record Period, certain customers (the “**Relevant Customers**”) made payments to us through third-party payors (the “**Third-party Payment Arrangements**”). In 2022, 2023 and the nine months ended September 30, 2024, the numbers of Relevant Customers were 970, 1,058, and 1,111, respectively. The aggregate amounts of payments involving the Third-party Payment Arrangements were RMB34.7 million, RMB45.3 million, and RMB36.5 million, accounting for 5.8%, 6.8%, and 6.6% of our revenue during the respective periods. All Relevant Customers were our domestic enterprise customers which purchased our software products and professional services, with no single Relevant Customer contributing over 0.1% of our revenue during any of these periods.

Reasons for Third-party Payment Arrangements

To the best of our knowledge, the third-party payors were generally individuals affiliated with the Relevant Customers, such as their corporate legal representatives, actual controllers, shareholders, designated employees, and family members; the main reason they utilized Third-party Payment Arrangements was for the convenience and flexibility of payment settlement. Specifically, while these Relevant Customers, primarily small businesses or sole proprietorships, had corporate bank accounts, they were more accustomed to settling payments through personal accounts using QR (quick response) codes or mobile payments, as these methods are typically more convenient and faster than traditional bank transfers. According to Frost & Sullivan, this payment preference is a common practice among software subscribers in the spatial design and visualization sector for the same reason mentioned above.

During the Track Record Period and up to the Latest Practicable Date, other than accepting third-party payments made on behalf of the Relevant Customers, we did not proactively initiate any Third-party Payment Arrangements, nor did we provide any discounts, commissions, rebates, or other benefits to any of the Relevant Customers or their third-party payors to facilitate or encourage these Third-party Payment Arrangements. Our Directors have confirmed that all the third-party payors were independent of our Group and each of our directors, senior management, and shareholders during the Track Record Period.

BUSINESS

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, (i) all Third-party Payment Arrangements were related to genuine transactions between us and the Relevant Customers; (ii) the amounts received from third-party payors matched the transaction amounts specified in relevant agreements, orders, invoices, and/or other records between the Relevant Customers and us; (iii) we have not encountered any disputes with, nor received any refund request from, any Relevant Customer or third-party payor; (iv) we have not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements; and (v) nothing came to our attention that would cause our Directors to doubt the genuineness of relevant transactions or the good faith of relevant parties involved.

Internal Control Measures for Third-party Payment Arrangements and Cessation of Third-party Payments

Since November 2024, we have implemented the following mitigating measures to rectify Third-party Payment Arrangements during the Track Record Period:

- For Relevant Customers with payment amounts of RMB200,000 or more, we required these customers and their third-party payors to provide a delegation letter based on our house form, stating that (i) the Relevant Customer delegates its payment obligation under the original agreement to the third-party payor; and (ii) both the Relevant Customer and the third-party payor assume all risks associated with the Third-party Payment Arrangement; and
- For Relevant Customers with payment amounts below RMB200,000 and whose agreements with us were in effect, we sent messages through our software platform to obtain confirmation from these customers that (i) the third-party payor was duly authorized to make the payment on behalf of the Relevant Customer; (ii) the Third-party Payment Arrangement would not affect the validity of the agreement between the Relevant Customer and our company; and (iii) the funds used to settle the payment with our company were from legal and compliant sources, with no disputes, money laundering issues, or violations of applicable laws and regulations.

As of the Latest Practicable Date, we had received delegation letters or message confirmations, as the case may be, for over 74% of the payment amounts involving Third-Party Payment Arrangements during the Track Record Period.

BUSINESS

Furthermore, to safeguard our interest against risks associated with the third-party payment arrangements, we have started to implement the following internal control measures since January 1, 2025:

- we circulated internal notice to alert and inform relevant staff members of requirements on prohibition on accepting third-party payments going forward;
- we amended our standard form of agreements with enterprise customers and required all parties which are allowed to settle payments with us to enter into such amended agreements as contractual parties, which specify, among others, detailed information and payment obligations of such parties; and
- our finance department is responsible for conducting a semi-annual review to maintain oversight on implementation of the foregoing measures.

We had ceased all third-party payment arrangements since January 1, 2025.

We regularly check the effectiveness of our internal control measures in relation to the third-party payment arrangements and promptly address any abnormalities. Based on the review of the implementation of the above enhanced measures and the termination of all third-party payment arrangements starting from January 1, 2025, our Directors are of the view that the abovementioned internal control measures are effective and adequate in preventing third-party payments and their associated risks, and do not have material adverse impact on our business.

Our Customer Stories

To better illustrate how customers in various industry verticals can all benefit from our rich selection of industry-specific software solutions that cover a wide range of business scenarios, we presented the following customers stories:

BUSINESS

Hanssem

Situation

Hanssem stands as a top-tier company in the interior furniture industry, especially excelling in the kitchen furniture sector with a competitive edge in the global market. Since the 1970s, Hanssem has been leading the transformation of South Korea’s residential environment. As a full-service interior home furnishing company, Hanssem provides furniture, appliances, household accessories, fabric products, among other things, for every part of the home, including kitchen, bedroom, living room and bathroom. Due to limitations in Hanssem’s proprietary 3D software, designers at Hanssem found it challenging to share their saved design projects with other users. Hanssem sought a design software solution that would enable anytime, anywhere access and sharing of design projects, attract customers by providing add-on design services, and enhance customers user experience at its stores.

Solutions and Benefits

Hanssem has developed a new design system based on our Coohom platform, allowing designs to be accessed and edited seamlessly from any location at any time, with design drawings and projects stored securely on cloud servers. Our Coohom solution also allowed designers at Hanssem to quickly create whole home design schemes to showcase products while interacting with customers. With 3D photorealistic renderings, designers at Hanssem can provide customers with highly realistic product views, aiding their purchasing decisions. Coohom further supports Hanssem in building a full ecosystem for “design-sales-quotation-order-production-delivery-installation” through integration with CRM, ERP and other systems. Since adopting our products, Hanssem has reported the following benefits:

- Instant presentation, sharing, and editing of design concepts strengthen communication between designers and customers as well as collaboration among designers.
- 3D renderings achieve better product presentation, with photorealistic whole home 3D design eliminating the need for costly home staging.
- Integrated systems enable full-process management for enhanced operational efficiency.

BUSINESS

AuGroup (傲基股份)

Situation

Founded in 2010, AuGroup is a world-leading cross-border e-commerce company in the field of furniture and home furnishings. Leveraging its multi-brand systematic operations, a fully digitized business chain, robust supply chain management, and an agile organizational structure, AuGroup has developed a diverse portfolio of products that are aesthetically designed, high-quality, and functionally advanced. These offerings cover a wide array of categories such as furniture and home furnishings, electric tools, home appliances, consumer electronics, and sports and wellness products. With a comprehensive global multi-tier warehousing and logistics network, AuGroup efficiently delivers its products to international markets, including the United States and Europe, through leading third-party e-commerce platforms such as Amazon, Walmart, and Wayfair.

Solutions and Benefits

We provided AuGroup with a tailored Kujiale e-commerce solution to effectively address its business needs. Leveraging the Kujiale platform, AuGroup’s designers can create customized scene templates and rapidly generate scenario-based images that fit their requirements. Additionally, the studio shooting feature on Kujiale facilitates the quick generation of white-background product images and promotional videos, which are integrated into the product detail pages across AuGroup’s various e-commerce outlets. Since adopting our solution, AuGroup has reported the following benefits:

- The real-time rendering functionality allows designers to preview and adjust 3D scenes during editing, which ensures the efficient creation of high-quality visuals.
- The extensive scene library is adaptable to various needs, empowering designers to quickly create different product display images that align with the fast-paced launch cycles of brand partners. Customizable and reusable scenes ensure cohesive visual effects, which greatly enhance brand development.
- The creation of compelling display videos and motion capture scenes effectively showcases product details and usage scenarios.

BUSINESS

Mengtian (夢天家居)

Situation

Founded in 1989, Mengtian is a prominent high-end, one-stop custom home furnishing brand in China, specializing in comprehensive custom home solutions with a focus on creating healthy, warm, and visually appealing living spaces. Mengtian currently operates two state-of-the-art intelligent production facilities in China and has been recognized by the Ministry of Industry and Information Technology of the PRC as a model enterprise for large-scale personalized customization of whole-home furniture. Committed to leveraging its brand strength, product innovation, and market insights, Mengtian aims to enhance digital management to unlock market potential.

Solutions and Benefits

We have collaborated with Mengtian to develop an integrated design-to-production system, addressing several long-standing challenges faced by Mengtian’s distributors and significantly improving the operational efficiency of its retail stores. These challenges include, among others, inefficient ordering processes, lengthy order handling times, and high error rates. To optimize on-site installation processes for Mengtian, we have jointly developed a door-wall-cabinet design system, allowing the generation of product combination drawings based on wall dimensions, effectively addressing inefficiencies and reducing errors that previously hindered the installation process. Since adopting our Kujiale solution, Mengtian has reported the following benefits:

- The optimized automated workflows have significantly improved the efficiency of front-end designers, streamlining the design and ordering processes while minimizing unnecessary labor and time costs.
- The high-precision drawings generated by Kujiale provide accurate installation guidance, enhancing the installation accuracy and speed, and ensuring high-quality, efficient execution.
- By analyzing front-end order challenges and continuously refining rule-based checks, our solution has reduced the need for design revisions and modifications, significantly improving order processing efficiency.

BUSINESS

Snimay (詩尼曼)

Situation

Snimay is a well-established one-stop provider of integrated space solutions, specializing in customized wardrobes and cabinets within the integrated home furnishing sector. Currently, Snimay operates nearly 2,000 flagship stores across numerous countries and regions worldwide, supported by a 650,000-square-meter intelligent manufacturing base in China. As a leading provider in the custom home furnishing industry, Snimay has consistently prioritized digital transformation as a key strategic focus to drive cost reduction, enhance quality, and improve efficiency.

Solutions and Benefits

In response to Snimay’s specific needs, we developed an integrated design-to-production system. Designers at Snimay’s franchise stores can use our Kujiale product to submit design proposals with a single click for direct factory production, completely transforming the previously inefficient process that required designers to redraw plans before placing orders. Building on this foundation, we continuously refine the solution to align with Snimay’s operational workflows, enabling the majority of orders to pass review on the first attempt. This effectively addresses challenges such as high order revision rates and lengthy processing times in franchise stores, empowering stores to enhance operational efficiency and quality. Following the adoption of our Kujiale solution, Snimay has reported the following benefits:

- By combining an extensive library of design options with configuration tools, designers can meet the increasingly diverse design consultation needs, allowing for the quick creation of design solutions when customers visit the store, thereby significantly enhancing customer retention and loyalty.
- Automated drawing generation improves product standardization, accelerates the ordering process, and allows designers to efficiently place orders.
- Using software-based intelligent detection in place of traditional manual reviews improves the accuracy and speed of order processing, reduces design revisions and modifications, and shortens the delivery cycle.

BUSINESS

Xi Jie Zha Chuan (喜姐炸串)

Situation

Xi Jie Zha Chuan (“Xi Jie”) is a modern dining enterprise that integrates chain restaurant operations, standardized ingredient development and production, marketing, and brand development. As the brand continues to grow, Xi Jie has implemented comprehensive systems for product development and supply chain management, brand operations, franchise management, and training, positioning itself as a nationwide fried skewer chain with over 2,000 stores. Xi Jie sought a design software solution that could rapidly deliver design proposals and visual renderings to its franchisees.

Solutions and Benefits

We provided Xi Jie with the KuSpace BIM cloud design tool, empowering the company to swiftly create 3D visualized design schemes for franchisees. This tool allows franchisees to intuitively visualize the post-renovation appearance of their stores, greatly simplifying the decision-making process for site selection. Moreover, by utilizing the construction drawing functionality, designers can quickly export engineering drawings, streamlining the process from initial renderings to construction documentation and cost estimation, which minimizes discrepancies between different stages and enhances cost control efficiency. Since adopting our solution, Xi Jie has reported the following benefits:

- The AI model matching functionality facilitates the immediate generation of 3D models from standard templates and 2D layouts, effectively lowering design barriers.
- The intelligent cloud design tool enables the rapid reuse of standardized designs across multiple stores, significantly increasing the design efficiency and reducing errors rates.
- The integration of cloud rendering technology and automated annotation functions allow designers to quickly export construction drawings, improving the efficiency of construction documentation output.

AgiBot (智元機器人)

AgiBot was established in February 2023, as an innovative company dedicated to AI+robotics fusion innovation, creating world-class leading embodied intelligent robot products and application ecosystems. The founding team includes several industry veterans, including “Zhihui Jun” Peng Zhihui, with complementary backgrounds, deep core technology expertise industry management experience, and industry resources. Up until now, AgiBot has completed multiple rounds of financing. AgiBot and our company have formed a collaborative partnership in the field of robot training data solutions and achieved remarkable results.

BUSINESS

Customer Success Support

To foster strong customer loyalty, we have built a global customer success support team that provides 24/7 services. Our customer success team currently provides services in Chinese, English, Japanese, Korean, Indonesian, Vietnamese, and Thai. To ensure strong support to all kinds of customers while maintaining high operational efficiency, we divide our customer success team into specialized groups based on their areas of expertise and equip them with proprietary operations support systems. For key accounts, our customer success team provides tailor-made onboarding support, and delivers trainings, monitoring, and promotion support to promote their success. Additionally, we have deployed AI-powered customer services to offer intelligent, automated responses that adapt to customer usage patterns and preferences.

With our software offerings, we proactively identify potential customer needs and offer timely support. For example, if our system detects that a customer spends an above-average amount of time on the modeling page, our customer support team will reach out to the customer and assess if assistance is needed with the modeling function. Similarly, if a customer repeatedly reapplies a rendering feature to a model, our customer support team will inquire if there is anything to be done to help the customer improve the rendering effect. This approach allows us to identify and address potential customer needs and constantly improve our services before customers raise any question. By leveraging activity data from our operations support system, we are able to timely adjust our services to continuously enhance customer satisfaction and capture potential business opportunities.

SALES AND MARKETING

We have adopted a land-and-expand strategy that comes in two prongs: a freemium model to quickly land new users and capture their mindshare, and a focus on delivering high-quality products and strong customer success support to convert these users into paying customers and increase their lifetime value.

Direct Sales Team

We sell our products primarily through our direct sales team, which engages with potential customers both online and offline. Our direct sales team operates in China, the United States, South Korea, Singapore, Vietnam, Malaysia, Thailand, Indonesia, and India as of September 30, 2024. We adopt a tiered marketing approach, tailoring our marketing team and strategies for businesses of different sizes to efficiently utilize our resources. For small to medium-sized enterprises, our salesforce engages with prospective customers online with AI assistance, enabling a broad coverage with superior efficiency. For key accounts, we have a dedicated sales team with industry expertise to provide customized services to meet customers’ unique needs. To broaden our market outreach, we have also set up a sales call center dedicated to engaging potential micro and small enterprise customers. In 2022, 2023 and the nine months ended September 30, 2024, our subscription revenues attributable to direct sales amounted to RMB532.1 million, RMB635.5 million, and RMB533.7 million, respectively, accounting for 97.8%, 98.2%, and 98.2% of our total subscription revenues, respectively.

BUSINESS

We reach potential customers and generate leads and referrals for our sales team through various strategies, including content marketing, public relations, advertising, sponsorships, digital marketing, partner marketing, social media, and events. We capitalize on word-of-mouth referrals from our existing customers to achieve organic customer acquisition and to expand our market presence in a cost-efficient manner. For example, many of our individual customers are designers who work at large or medium-sized interior design and construction companies, furniture manufacturers and retailers, custom furniture producers, real estate developers, and spatial design material providers. These designers often recommend our products to their employers, who then become our enterprise customers. We also participate in industry trade shows and other events, allowing us to connect directly with our customers, collaborators, and key stakeholders within the design and visualization industry.

Third-party Agents

To a lesser extent, we work with third-party agents to increase our sales of enterprise versions. As of December 31, 2022 and 2023 and September 30, 2024, we collaborated with 43, 88, and 131 third-party agents, respectively. These agents are familiar with enterprises that may have potential needs for design software solutions. We strategically engage such third-party agents to execute our sales and marketing efforts in these cities, which is consistent with the industry norm of utilizing regional sales agents for market expansion purposes, according to Frost & Sullivan.

In 2022, 2023 and the nine months ended September 30, 2024, our revenue attributable to third-party agents amounted to RMB11.9 million, RMB11.6 million, and RMB9.8 million, respectively, accounting for 2.2%, 1.8%, and 1.8% of our total subscription revenues, respectively. Depending on negotiations with third-party agents, we typically work with them in one of the following two models, which are common in our industry, according to Frost & Sullivan:

- **Commission Model.** Under this model, we pay a commission to a third-party agent if the agent successfully facilitates a sales contract entered between us and the referred customer. The commission is calculated as a percentage of the payment we receive from the referred customer for the purchased software product, plus a quarterly incentive based on a percentage of the agent’s quarterly sales if a sales target is met. Salient terms of the agency agreements under this model include the following:
 - *Scope of Agency.* We sign the sales contract directly with the customer referred by the third-party agent. The third-party agent is responsible for promotional services before the sales agreement is signed, as well as after-sales support, renewals, service upgrades, and customer training.

BUSINESS

- *Compensation.* The compensation for the third-party agent consists of monthly service fees, calculated as a percentage of the monthly payments we receive from referred customers for purchased products, and if a sales target is met, a quarterly incentive, determined as a percentage of the agent's quarterly sales. Customer refunds during the service period may result in a deduction of the applicable service fees.
- *Sales Target.* We conduct a quarterly performance evaluation of our third-party agents. Agents who meet sales targets earn a quarterly incentive determined as a percentage of the agent's quarterly sales. Sales targets are communicated to the agents in a separate quarterly task letter.
- *Pricing.* The third-party agent is required to abide by our pricing terms.
- *Term of Agency.* We typically enter into a three-year agency agreement with the third-party agent, which may be renewed subject to certain conditions. We have the right to unilaterally terminate the agency agreement under certain circumstances, such as if the agent fails to meet the quarterly sales target for two consecutive quarters, or if the agent transfers its rights and obligations without our authorization.
- *Exclusivity.* The services provided by the third-party agent are restricted to the authorized territory.
- ***Distributor Model.*** Under this model, the third-party agent purchases software products from us and resells these products to end enterprise customers within a given period at a price no less than the minimum price set by us. Customers who purchase these products have access to our services for a certain period of time after the products being resold to them. Salient terms of the agency agreements under this model include the following:
 - *Scope of Agency.* We sell our software products to the third-party agent, who is then responsible for reselling these products to its customers as well as providing after-sale support and other customer maintenance services. Third-party agents are not allowed to resell our products to other parties without our prior written consent.
 - *Pricing.* The third-party agent can only resell the products at a price no less than the minimum price approved by us. Once an account for our product is activated, it cannot be closed or returned to us without our consent.

BUSINESS

- *Term of agency.* The term of our agency agreement ranges from one to three years and may be renewed subject to certain conditions. We have the right to unilaterally terminate the agreement under certain circumstances, such as if the agent sells an account at a price less than the approved minimum price, or if the agent transfers its rights and obligations without our authorization.
- *Refund policy.* Refund is not allowed once we sell software products to the third-party agent, which is a common practice for software subscriptions.
- *Exclusivity.* The third-party agent can only sell our products within the authorized territory to the targeted customers.

During the Track Record Period, we discontinued cooperation with three, 28, and ten third-party agents in 2022, 2023 and the nine months ended September 30, 2024, respectively. For risks related to engaging third-party agents, see “Risk Factors — Risk Relating to Our Business and Industry — We utilize third-party agents to market and sell our software solutions. Any disruption in our relationships with these agents could adversely impact our business, results of operations, financial condition, and prospects.”

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders, who or which to the knowledge of our Directors owned more than 5% of our issued share capital, had any interest in any of our third-party sales agents. During the Track Record Period and up to the Latest Practicable Date, to the knowledge of our Directors, none of the third-party agents or their respective shareholders, directors, or subsidiaries had any other relationship, transaction, agreement, arrangement or understanding with us, our affiliates, shareholders, directors or senior management, or any of their respective associates.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily consist of (i) IT service providers, including server providers, public cloud service providers, and computer and accessories providers, (ii) business travel agencies, and (iii) real property leasing and management companies. In 2022, 2023 and the nine months ended September 30, 2024, our top five suppliers accounted for 30.8%, 34.1%, and 37.8% of our total purchase, respectively, and our largest supplier accounted for 9.0%, 8.8%, and 13.2% of our total purchase, respectively. We generally settle with them by bank transfer.

BUSINESS

The following table shows the details of our five largest suppliers in each year and period during the Track Record Period:

Rank	Supplier	Product/ service provided	Background	Year of Commencement	Settlement method	Purchase amount	% of our total purchase
							<i>(RMB in thousands)</i>
For the nine months ended September 30, 2024							
1. . .	Supplier A	Servers	A limited liability company established in 2020 and headquartered in Hangzhou, Zhejiang, primarily focusing on providing information systems services and the sales of electronic and chemical products, with a registered capital of RMB1.0 million.	2022	Settlement in two to four installments, depending on the timing of delivery and acceptance	19,857	13.2%
2. . .	Supplier B	Cloud services	A limited liability company established in 2010 and headquartered in Beijing, primarily focusing on providing cloud services, including cloud computing, cloud databases and cloud storages, with a registered capital of RMB1,042.5 million.	2020	Monthly settlement	13,989	9.3%
3. . .	Supplier C	Business travel services	A limited liability company established in 2016 and headquartered in Nanjing, Jiangsu, primarily focusing on providing tourism services, with a registered capital of RMB10.0 million.	2021	Monthly prepayment	8,835	5.9%

BUSINESS

Rank	Supplier	Product/ service provided	Background	Year of Commencement	Settlement method	Purchase amount	% of our total purchase
						<i>(RMB in thousands)</i>	
4. . .	Supplier D	Property rental services	A limited liability company established in 2008 and headquartered in Shangrao, Jiangxi, primarily focusing on real estate-related business, with a registered capital of RMB2,287.0 million.	2018	Settlement with a prepayment of six months	7,373	4.9%
5. . .	Supplier E	Online marketing services	A limited liability company established in 2016 and headquartered in Shenzhen, Guangdong, primarily focusing on providing specialized solutions and services for cross-border digital marketing, with a registered capital of RMB5.0 million.	2023	Monthly settlement	6,750	4.5%
					Total	<u>56,804</u>	<u>37.8%</u>
For the year ended December 31, 2023							
1. . .	Supplier C	Business travel services	A limited liability company established in 2016 and headquartered in Nanjing, Jiangsu, primarily focusing on providing tourism services, with a registered capital of RMB10.0 million.	2021	Monthly prepayment	17,505	8.8%

BUSINESS

Rank	Supplier	Product/ service provided	Background	Year of Commencement	Settlement method	Purchase amount	% of our total purchase
						<i>(RMB in thousands)</i>	
2. . .	Supplier B	Cloud services	A limited liability company established in 2010 and headquartered in Beijing, primarily focusing on providing cloud services, including cloud computing, cloud databases and cloud storages, with a registered capital of RMB1,042.5 million.	2020	Monthly settlement	17,419	8.7%
3. . .	Supplier A	Servers	A limited liability company established in 2020 and headquartered in Hangzhou, Zhejiang, primarily focusing on providing information systems services and the sales of electronic and chemical products, with a registered capital of RMB1.0 million.	2022	Settlement in two or four installments, depending on the timing of delivery and acceptance	12,898	6.5%
4. . .	Supplier D	Property rental services	A limited liability company established in 2008 and headquartered in Shangrao, Jiangxi, primarily focusing on real estate-related business, with a registered capital of RMB2,287.0 million.	2018	Settlement with a prepayment of six months	10,742	5.4%

BUSINESS

<u>Rank</u>	<u>Supplier</u>	<u>Product/ service provided</u>	<u>Background</u>	<u>Year of Commencement</u>	<u>Settlement method</u>	<u>Purchase amount</u>	<u>% of our total purchase</u>
						<i>(RMB in thousands)</i>	
5. . .	Supplier F	Business travel services	A limited liability company established in 2015 and headquartered in Tianjin, primarily focusing on computer and network services and transport services, with a registered capital of RMB50.0 million.	2021	Monthly settlement	9,473	4.7%
					Total	<u><u>68,037</u></u>	<u><u>34.1%</u></u>

For the year ended December 31, 2022

1. . .	Supplier B	Cloud services	A limited liability company established in 2010 and headquartered in Beijing, primarily focusing on providing cloud services, including cloud computing, cloud databases and cloud storages, with a registered capital of RMB1,042.5 million.	2020	Monthly settlement	15,615	9.0%
2. . .	Supplier D	Property rental services	A limited liability company established in 2008 and headquartered in Shangrao, Jiangxi, primarily focusing on real estate-related business, with a registered capital of RMB2,287.0 million.	2018	Settlement with a prepayment of six months	11,633	6.7%

BUSINESS

Rank	Supplier	Product/ service provided	Background	Year of Commencement	Settlement method	Purchase amount	% of our total purchase
						<i>(RMB in thousands)</i>	
3. . .	Supplier C	Business travel services	A limited liability company established in 2016 and headquartered in Nanjing, Jiangsu, primarily focusing on providing tourism services, with a registered capital of RMB10.0 million.	2021	Monthly prepayment	9,517	5.5%
4. . .	Supplier F	Business travel services	A limited liability company established in 2015 and headquartered in Tianjin, primarily focusing on computer and network services and transport services, with a registered capital of RMB50.0 million.	2021	Monthly settlement	8,781	5.0%
5. . .	Supplier G	Internet data center services	A joint stock company established in 2004 and headquartered in Hangzhou, Zhejiang, primarily focusing on providing IT management and cloud computing technology for enterprises, with a registered capital of RMB51.0 million.	2020	Settlement with a prepayment of six months	7,942	4.6%
					Total	<u>53,488</u>	<u>30.8%</u>

BUSINESS

The salient terms of our framework agreements with our major suppliers of cloud services are set out below:

- ***Duration.*** We typically enter into long-term service agreements with these suppliers.
- ***Scope of Services.*** These suppliers generally provide us with services, including network infrastructure, cloud computing, cloud servers, cloud databases, cloud security, monitoring, and management, among others. We procure and utilize these services as needed. These suppliers are also obligated to provide suitable after-sales support.
- ***Charging Basis.*** We choose the charging basis, such as periodic subscription basis and volume basis, depending on our needs. For services charged on a periodic subscription basis, we prepay a fixed subscription fee for a specified period of usage. For services charged on a volume basis, we either pre-purchase a set volume at the unit price and consume it upon usage, or opt for post-payment, settling the charges after a specified period. We may be entitled to discounts as set out in agreements or as offered from time to time by such suppliers.
- ***Service Payment.*** We may either deposit in our prepaid accounts or make payments as we procure services.
- ***Data Protection.*** Our suppliers are not permitted to access or use our data without our consent unless otherwise required by law.

We maintain good business relationships with our five largest suppliers. During the Track Record Period, we did not have any material disputes with or any material operation interruptions caused by our five largest suppliers. Our Directors believe, based on our good business relationship with our largest supplier in the past and to the best of their knowledge, the likelihood that our relationship with the largest supplier will materially adversely change is low.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our suppliers were independent third parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders, who or which to the knowledge of our Directors owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

BUSINESS

BUSINESS SUSTAINABILITY

We have incurred operating losses and net operating cash outflow throughout the Track Record Period, primarily because of our business nature, the continuous research and development efforts, and the growth strategies we have adopted. Cloud-native subscription products typically require substantial upfront investment in product development and customer acquisition to drive market acceptance. As product deployment continues to scale up and customer base continues to grow, it generally leads to higher profit margin mainly due to the recurring revenue nature of subscription fees, high customer loyalty, and greater economies of scale and synergies in customer acquisition and product development.

We are operating in a rapidly growing industry. According to Frost & Sullivan, the market size of the Chinese spatial design software industry grew from RMB1.6 billion in 2019 to RMB3.0 billion in 2023, representing a CAGR of 16.6%, and further projected to reach RMB6.8 billion by 2028, representing a CAGR of 17.7% from 2023 to 2028, as measured by revenue. To capture the vast growing opportunities, we have strategically prioritized scale, vertical and geographic expansion, customer acquisition, technology innovation, and product development, over short-term profitability, which would make us incur higher expenses in the short term but is crucial to lay a solid foundation for long-term sustainable success.

By implementing this strategy, we have achieved continued growth during the Track Record Period. Our revenue increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, and increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the same period in 2024. Our gross profit margin amounted to 72.7%, 76.8%, and 80.4% in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our net loss decreased by 8.2% from RMB703.7 million in 2022 to RMB646.1 million in 2023, and decreased by 13.8% from RMB489.5 million for the nine months ended September 30, 2023 to RMB422.1 million for the same period in 2024. Our adjusted net loss (non-IFRS measure) decreased by 28.3% from RMB337.5 million in 2022 to RMB241.9 million in 2023, and decreased by 52.8% from RMB198.5 million for the nine months ended September 30, 2023 to RMB93.6 million for the same period in 2024. See “Risk Factors — Risks Relating to Our Business and Industry — We have a history of losses and we may not be able to achieve or sustain profitability in the future.”

Being the largest spatial design software provider in China as measured by revenue in 2023, we took approximately 22.2% market share, according to Frost & Sullivan. As we continue to ramp up our business presence and enhance our brand awareness, we expect to expand our customer base more cost-effectively. Additionally, we have continued to introduce industry-specific solutions to expand the use cases and enhance functionalities to optimize user experience. We expect these efforts to effectively broaden our revenue sources, drive upselling of our offerings and increase customer lifetime value, paving way for our long-term profitability. In the meantime, the expansion of our offerings enables us to achieve economies of scale and synergies through the sharing of AI technology, purpose-built GPU infrastructure, and operational capabilities, and improve our profitability. With an improving profitability, we also expect to have better operating cash flow.

BUSINESS

Going forward, we plan to achieve long-term profitability primarily by further (i) expanding our customer base, (ii) driving customers’ lifetime value, and (iii) managing costs and improving operational efficiency.

Expand Our Customer Base

We have adopted a freemium model to provide low-friction entry points for everyone, which has proven to be effective in building and enlarging our user base. Our enterprise customers in aggregate contributed the majority of our total revenue in each period during the Track Record Period. The number of our enterprise customers reached 33,058, 41,070, and 45,548 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these enterprise customers were RMB490.1 million, RMB562.8 million, and RMB464.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 90.1%, 87.0%, and 85.4% of our total subscription revenues for the respective periods. We have been witnessing a parallel growth in the individual customer segment. The number of our individual customers reached 311,107, 390,585, and 413,872 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from individual customers were RMB53.8 million, RMB84.3 million, and RMB79.2 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 9.9%, 13.0%, and 14.6% of our total subscription revenues for the respective periods.

We intend to further expand our customer base to drive revenue growth and achieve long-term profitability. To achieve this goal, we plan to deepen our penetration into the design and visualization industry, tap into broader industry verticals, and expand our geographic footprint globally. For more details, see “— Our Strategies — Growing Our Customer Base,” “— Our Strategies — Continuing to Enhance Our Products and Tap into New Business Scenarios” and “— Our Strategies — Expanding Our Global Footprint.” Specifically, we intend to enhance our brand awareness to effectively engage potential customers. Concurrently, we will continuously optimize product functionalities to drive conversions to premium versions of our products. We plan to continue enhancing our BIM capabilities and will persist in promoting innovative solutions tailored to new business scenarios, including our solutions for e-commerce businesses. We aim to expand our customer base across different geographic locations and time zones, unlocking new growth points. As the costs associated with product development are generally incurred upfront, we expect our expanded customer base will lead to increasing marginal revenues, which in turn helps to improve our overall profitability.

Drive Customer Lifetime Value

In 2022, 2023 and the nine months ended September 30, 2024, 81.6%, 84.8% and 84.0% of our total revenue was generated from subscriptions by enterprise customers, respectively. The subscription model yields recurring revenues allowing us to facilitate and at the same time benefit from our customers’ success and long-term growth while gaining visibility into our future financial performance. We adopt a growth strategy with a focus on increasing the lifetime value of our enterprise customers, particularly our key accounts. We assess our performance in this regard using NRR rate, a metric that we believe provides meaningful

BUSINESS

insights into revenue contribution from our existing customers over time. As of December 31, 2022 and 2023 and September 30, 2024, our NRR rate for enterprise customers was 112.3%, 106.0%, and 104.2%, respectively; and was 127.6%, 115.5%, and 114.1%, respectively, for key accounts.

To reinforce our land-and-expand strategy, we are committed to continuously enhancing our solutions, upgrading existing functionalities and introducing new premium features to address customers’ evolving needs, creating upselling opportunities, and fostering customer loyalty, through an improved user experience. With a proven track record, we believe these efforts will effectively help retain and further drive subscription growth from our existing customers in a cost-effective manner, leading to our long-term profitability.

Manage Costs and Improve Operational Efficiency

As our business ramps up and our customer base continues to expand, we have incurred significant expenses that are disproportionate to the revenue recognized during the Track Record Period. In 2022, 2023 and the nine months ended September 30, 2024, our research and development costs were RMB437.7 million, RMB390.8 million, and RMB263.4 million, respectively, representing 72.9%, 58.9%, and 47.6% of our total revenue during the relevant periods. For the same periods, our selling and marketing expenses were RMB320.5 million, RMB356.4 million, and RMB248.2 million, respectively, representing 53.4%, 53.7%, and 44.9% of our total revenue during the relevant periods.

We operate primarily on a subscription model, which features significant upfront investments in product development and customer acquisition that generate recurring revenue as existing customers maintain their subscriptions to our products. We believe our early investments in research and development capabilities to address customers’ growing demand and in selling and marketing to acquire new customers propel a long-term benefit to the overall development of our business. As our business continues to grow, we expect to benefit from economies of scale, which will have a positive impact on our long-term profitability.

In our pursuit of long-term profitability, we are committed to enhancing operational efficiency through ongoing initiatives. To enhance research and development efficiency, we are optimizing project selection to ensure efficiency and focus on impactful developments. We regularly review ongoing projects and assess their alignment with our strategic objectives to ensure efficient resource allocation. To improve selling and marketing efficiency, we intend to have dedicated sales representatives to review, validate and follow up on marketing-generated leads, fostering synergies and alignment between selling and marketing efforts. We will also continue to refine our training programs for sales and marketing functions to minimize the learning curve for new employees and enhance overall team performance.

BUSINESS

Going forward, we expect our operating expenses as percentages of our total revenue to decrease as we benefit from the improved economies of scale and operational efficiency, which will have a long-term positive impact on our profitability. Despite operating losses incurred during the Track Record Period, due to our focus on products development and customer acquisition, we believe we are well positioned to achieve sustainable profitability in the future by implementing the foregoing strategies.

TECHNOLOGY

Technology serves as the foundation of our operations and is integral to our sustained business growth. We develop most of our technologies in-house. Our solutions rest upon three core technological capabilities: purpose-built GPU infrastructure, advanced AI applications, and synthetic virtual data generation. Leveraging these technologies, we have established a cloud-based platform that dynamically adapts to the evolving needs of our users.

Purpose-built GPU Infrastructure

Our platform is powered by purpose-built GPU clusters that harness the collective computational power of individual GPUs with different specifications for efficient parallel processing. By simultaneously performing multiple tasks, our GPU clusters process large amounts of data at a faster rate. In 2024, our average time to process a typical 2K image decreased to 1.2 seconds down from 53 seconds in 2022, which is significantly lower than the industry average, according to Frost & Sullivan. To maximize the GPU utilization and enhance the system efficiency, we tailor our GPU clusters to allocate computing power for rendering tasks of varying scales and complexities. The scalable nature of our GPU clusters allows for seamless adaptability to evolving computational needs by adding more GPUs as necessary without incurring significant additional expenses. As of December 31, 2024, our GPU clusters comprised more than 5,400 high-performance servers assembled with a centralized system and customized hardware, capable of processing an average of 7.1 million computing tasks on a daily basis in 2024. Our purpose-built GPU clusters are rooted in data centers in multiple cities of China, and we have a dedicated team responsible for the operation, maintenance and development of this infrastructure.

In addition, we have strategically architected our platform to integrate GPU clusters with general cloud infrastructure, which optimizes computing power distribution while enhancing platform availability, reliability, and scalability. Leveraging the scalability of cloud, we are able to store and manage growing data sets generated by our customers and offer our platform as a service across the globe. The integration of GPU clusters and general-purpose cloud allows users to interact with our software without the need for local installations of high-performance hardware. Our software is fully compatible with mainstream desktop and mobile browsers and operating systems, including Windows, Mac OS, Android, and iOS. Due to this cloud-native infrastructure, our Kujiale and Coohom platforms can support interior design in a space as large as 40,000 square feet as of December 31, 2024.

BUSINESS

Artificial Intelligence Applications

We are a pioneer in the development and application of AI in the design and visualization market. We have developed AI solutions that enhance our customers’ user experience. In December 2024, approximately 29.6% of our MAUs utilized our AI features included in their subscribed product versions. Some examples of our AI applications include:

- ***Input.*** Our AI copilot, leveraging vision transformer tool, can analyze CAD drawings, advertisement layouts, and graphic designs in various formats, and convert them into an editable 3D design scheme. This AI-enabled tool provides a foundation for users to craft their designs while also reducing the costs associated with creating digital models from scratch.
- ***Inspiration and Editing.*** Our platform leverages advanced language interpretation capabilities to tailor design ideas and styles to each user’s unique tastes. This AI-enabled functionality empowers users to explore a wide range of design themes, discover new elements, and experiment with various interior layouts and furnishing arrangements. With the aid of AI-powered templates, users can generate a complete 3D design scheme in seconds, incorporating their preferred styles into their designs. This approach not only ensures consistency and personalized aesthetics but also dramatically enhances design efficiency.
- ***Visualization.*** By integrating image generative AI with our proprietary rendering engine, our platform delivers visualizations through instant rendering with a hyper-realistic effect of texture, lighting, shading, and reflections, significantly elevating designer experience. Users can view visualization effects while revising their designs, effectively breaking the boundary between design and rendering.
- ***Manufacturing.*** When a design is ready for manufacturing, our advanced algorithms can compare real-time, manufacture-ready data with established quality parameters to detect deviations or irregularities that may indicate potential issues.

Synthetic Virtual Data Generation

We accumulate a large collection of 3D design data with copyright, along with powerful rendering engines and advanced spatial editing tools, to create highly realistic and physically accurate synthetic virtual datasets. Our SpatialVerse platform provides accurate 3D spatial synthetic virtual datasets for companies in AIGC, embodied AI, AR/VR, robotics, and other fields, helping them train sophisticated models. For example, by copying real-world physics, we can test embodied AI in many different situations and challenges to make sure it works well and safely in real life.

BUSINESS

SpatialVerse has an accurate rendering engine and a comprehensive set of spatial editing tools. These tools can simulate real indoor environments, automatically segment and label objects, and enhance scenes. SpatialVerse follows the OpenUSD standard from NVIDIA Isaac Sim and can handle large-scale, multi-sensor RTX rendering for industry use. One key feature of SpatialVerse is its automatic segmentation and annotation technology. It can create custom segmentation and annotation data based on researchers’ needs and provide tailored datasets for different industries and business scenarios. For example, when processing a 3D bedroom scene, the system can break it down into separate items like beds, pillows, and blankets, and create precise labels for them. This makes data processing much faster and provides better data for training and testing AR/VR and robotics.

RESEARCH AND DEVELOPMENT

We invest significant resources in research and development to improve our technology and products. We believe a strong research and development capability is crucial to our continued success and ability to develop innovative product offerings to keep up with rapid development and advances in software technology. We closely attend to the needs of our customers and respond to their feedback and requests through rolling out new solutions and improving the functionality of, and adding new features to, our existing solutions. In 2022, 2023 and the nine months ended September 30, 2024, we incurred research and development costs of RMB437.7 million, RMB390.8 million, and RMB263.4 million, respectively.

We currently have three research and development centers, located in Hangzhou, Shanghai, and Chengdu. Our unremitting efforts in research and development not only optimize our products and solutions but also solidify our leadership in industry technology as we, from time to time, publish papers at authoritative forums, such as Conference on Computer Vision and Pattern Recognition and European Conference on Computer Vision. We have also established KooLab, a laboratory for graphics and intelligent computing, jointly with Zhejiang University. As of September 30, 2024, our research and development team had 615 personnel, representing approximately 44.3% of our total employees.

DATA SECURITY AND PRIVACY

Data security and privacy is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data.

We obtain users’ acceptance to our terms of services and privacy policy under which they agree to provide certain personal information to us. We have taken various measures to ensure data security and protect personal information in accordance with applicable regulatory requirements. Specifically, we collect personal information and data from users only with their prior consents and make reasonable efforts to prevent the unauthorized use of user data. Users have the right to withdraw their consents and the right to review, copy, make changes to or delete their personal information. We update our user privacy policy on a regular basis in order to reflect any new data protection rules and policies. In our policy, we have clearly set forth

BUSINESS

how we will collect, protect and store personal information that is being collected. For instance, we will collect a user’s profile name, email address and/or phone number when this user creates an account on our platform. When a user chooses to become a paid customer, we collect certain additional necessary information, such as the user’s personal identity and payment information. When a user logs into our platform through a third-party platform, we will collect his or her profile picture and profile name, the purpose of which is mainly to conduct real-name verification on our platform.

Data Protection and Privacy

We have established (i) an information security committee consisting of members of senior management to oversee the protection of data privacy and security, and (ii) a dedicated information security team with staff in charge of the planning of secure data infrastructure, security of development and operation, secure system maintenance, supervision on internal data operation, and regular risk assessment on security protocols and compliance management. Our legal department monitors updated laws and regulations, and helps prescribe and enforce data security compliance rules and protocols.

Led by our information security committee, we have adopted and implemented a robust internal control system focusing on protection of data security and personal information. This system consists of internal control protocols covering the full lifecycle of data processing, such as security and system certification, data storage, data encryption and penetration testing, data access, as well as organization and personnel security compliance.

- ***Security and System Certification.*** Our information security management system has passed various national and international security certificates, such as Level 3 Security Certification under the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》), ISO27001: 2013 (Information Security Management System Certification) and SOC2 Type 1 Certification.
- ***Data Storage.*** We create a closed platform environment for our private computing clusters that is disconnected with external internet by using firewall and whitelist to manage their entry and exit. This ensures the security of data stored in the private computing clusters by filtering out malicious file requests and behaviors. In addition, according to our service agreements with our public cloud service providers, we maintain full control of data stored on their cloud platforms. Therefore, other users of public clouds have no access to our users’ data stored on the cloud computing platforms.
- ***Data Encryption and Penetration Testing.*** Sensitive business information and personal information is routinely encrypted and we conduct system-wide vulnerability scanning to continually improve our data security measures.

BUSINESS

- **Data Access.** We have strict access control policies and provide limited authorization to our employees holding specific positions at specific levels to access and process customer data on a strict need-to-know basis. We also conduct routine internal audit and keep logs of our employee’s operational activities, to ensure that remedial measures will be taken immediately if any violation of the internal protocols is identified during the internal audits.
- **Organization and Personnel Security Compliance.** We enter into confidentiality agreement with all employees, provide training on confidentiality and information security to our employees on an annual and as-needed basis, and conduct security testing to ensure the strict implementation of our internal control system and data security compliance policies.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data leakage nor received any claim from any third party against us on the ground of infringement of such party’s right to data protection as provided by applicable PRC laws and regulations or any applicable laws and regulations in other jurisdictions.

Infrastructure Stability and Security

As our solutions run fully in the cloud and we rely on internet connectivity to deliver services, we are exposed to risks in relation to cybersecurity in our operations. We therefore take comprehensive security precautions to ensure the stability and security of our infrastructure.

- **Business Continuity Planning.** We have established a business continuity mechanism in case of any major catastrophic event, including natural or unnatural disasters that could lead to various business interruptions, such as power failure, network failure, or server power outages.
- **Internet Security.** We use advanced anti-virus software to prevent, detect and remove malware. We implement intrusion-detection systems, web application firewalls and network firewalls against external threats and carry out account access and authorization inspection to prevent internal misconducts.
- **Security Audits.** We perform security audits periodically and on an as-needed basis and strengthen our security measures based on audit results. These include automatic vulnerability scanning and penetrating testing conducted by third parties. We promptly address any vulnerabilities identified. Applications and solutions are required to pass internal security test before going live and are subject to ongoing penetration test to ensure timely bug detection and repair.

BUSINESS

- **Data Recovery.** We back up our important code and data on a daily basis and kept two backup copies in separate and various secured data back-up systems on internet data center servers and public clouds to minimize the risk of data loss. Our cloud-native architecture ensures smooth operations despite failures experienced in individual availability zones.

Our Data Compliance Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, we have adopted comprehensive data compliance measures which cover multiple aspects and processes in our business and in the services we provide, in accordance with relevant requirements prescribed in laws and regulations with respect to data privacy, personal information protection and cyber security in the PRC. During the Track Record Period and up to the Latest Practicable Date, (i) we have not experienced any material data loss or breach incidents, (ii) we have not been subject to any material risk with respect to data compliance, and (iii) there have been no fundamental flaws in the data compliance measures we have adopted which may lead to the interruption to our business operations due to potential violation, or non-compliance, of laws and regulations with respect to data privacy, personal information protection and cyber security in the PRC.

We and our Data Compliance Advisor believe that we have effective measures in place to ensure compliance with applicable PRC laws and regulations relating to privacy and data protection in all material respects. However, the relevant laws and regulations are continuously evolving and may change in ways that could impact our operations. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. We may need to adjust our business to comply with data security requirements from time to time. We have made significant efforts to comply with existing laws and regulations and will maintain active communication with the regulatory authorities and rectify any problems as soon as possible, if any. See “Risk Factors — Risks Related to Our Business and Industry — We are required to comply with laws and regulations in the PRC relating to data privacy and security. If we fail to comply with such laws and regulations, our business, results of operations, financial condition, and prospects may be adversely affected;” and “— Our business is subject to data privacy and security risks, and our measures may be inadequate to address these risks, which could damage our reputation, deter current and potential users and customers from using our products and materially adversely affect our business, results of operations, financial condition, and prospects.”

BUSINESS

INTELLECTUAL PROPERTY

Our copyrights, trademarks, trade secrets, domain names and other intellectual property are important to our business. We rely on a combination of patent, copyright, trademark and trade secret laws in China and other jurisdictions, as well as contractual arrangements with our key employees and others, to protect our intellectual property rights. We strive to make timely registration, filing and application for intellectual property rights and we require our key employees to enter into standard employment contracts that include clauses acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works.

As of September 30, 2024, we owned 156 registered patents, 118 registered software copyrights, five registered works copyrights, 426 registered trademarks, and 18 registered domain names. Our patents and copyrights form the core of our technology infrastructure and allow us to develop innovative products and services to drive our competitive advantages. Our trademarks and domains are crucial for our reputation, brand recognition and marketing activities.

In addition to the protection provided by our intellectual property rights, we rely on proprietary intellectual property assignment agreements or similar agreements with our employees, consultants, and contractors. We further control the use of our intellectual property rights through provisions in our subscription agreements with our users and customers. We continually review our research and development efforts to assess the existence and patentability of new intellectual property, and we intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost-effective.

We intend to protect our intellectual property rights vigorously, but there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors — Risks Related to Our Business and Industry — We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.” and “— We have been and may in the future be involved in disputes relating to alleged infringement of intellectual property rights, including disputes in relation to the floor plans, digital properties or other content materials in our design library, which could adversely affect our business, results of operations, financial condition and prospects.”

During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC.

BUSINESS

For details of our material intellectual property rights, see “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Material Intellectual Property Rights.”

COMPETITION

The market for spatial design software is rapidly evolving, and we believe it holds significant potential for growth. We anticipate that technological advancements will be the key differentiator that sets us apart from other market players. We believe our competitors primarily include spatial design software providers in China and globally.

We compete to attract and retain users and customers in the spatial design market, such as designers, home renovation companies, furniture manufacturers, and real estate developers, primarily on the basis of the breadth and quality of products offered as well as the support provided to our users and customers. Although certain of our competitors have greater financial resources, longer operating histories, greater brand recognition, we believe we compete favorably on the basis of the following competitive factors:

- focus on technology and AI capability;
- cloud-native nature;
- ease of deployment, implementation and use;
- breadth and depth of our products;
- end-to-end coverage on the spatial design value chain;
- freemium go-to-market model;
- customer experience and customer support; and
- global presence.

In addition, we also face competition for highly skilled personnel, including management, software engineers and product managers. Our growth depends in part on our ability to retain our existing personnel and attract additional highly skilled employees. See “Risk Factors — Risks Related to Our Business and Industry — If we are unable to attract, retain and motivate qualified personnel, our business may be adversely affected.”

We are the world’s largest spatial design platform, as measured by the number of average MAUs in 2023, and we are also the largest spatial design software provider in China, as measured by revenue in 2023, holding approximately 22.2% market share, according to Frost & Sullivan. With the success of our core products and strong technological capabilities, we believe we are well-positioned to thrive in the competitive landscape and maintain our leadership in the spatial design software industry. However, the market we operate within is relatively new, rapidly evolving, and competitive, and we anticipate these competitive dynamics will persist. If we fail to compete effectively, it could negatively impact our market share, growth, and profitability. See “Risk Factors — We operate in a competitive market and may not be able to compete successfully against our existing and future competitors.”

BUSINESS

EMPLOYEES

As of September 30, 2024, we had 1,388 full-time employees, among whom 910 are located at our headquarters in Hangzhou, China, 475 are located in other cities of China, such as Beijing, Shanghai, and Guangzhou, and three are located in countries outside China, including Malaysia and South Korea. The following table sets forth the number of our employees categorized by function as of September 30, 2024.

<u>Function</u>	<u>Number</u>	<u>% of Total Employees</u>
Research and Development	615	44.3
Sales and Marketing	492	35.5
Operation	149	10.7
General and Administration	132	9.5
Total Number of Employees	<u>1,388</u>	<u>100.0</u>

Our success depends on our ability to attract, retain and motivate qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages initiative and meritocracy. As required by PRC laws and regulations, we participate in various employee social security schemes that are organized by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We primarily recruit our employees through on-campus job fairs, employee referrals, industry referrals and online channels including our corporate website and social networking platforms. We maintain a stringent hiring process aimed at selecting the most qualified individuals. Our hiring process involves multiple rounds of interviews, assessments and reference checks to ensure that the candidates not only possess the necessary skills and experience but also align with our company culture. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in the recruitment or retention of experienced staff or skilled personnel.

We enter into standard confidentiality and employment agreements with our employees. The contracts with our key personnel typically include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for a period up to two years after the termination of his or her employment, provided that we pay, during the restriction period, compensation that equals to 30% of such personnel’s average salary in the 12 months preceding the termination.

BUSINESS

We believe that we maintain a good working relationship with our employees. We handle our labor disputes in accordance with applicable laws, rules and regulations. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant labor disputes with the labor union or our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to promoting environmental, social and corporate governance (“ESG”) values and integrating them into all major aspects of our business operations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations, and we had not incurred material capital expenditures or compliance costs related to ESG. We do not anticipate incurring material capital expenditures or compliance costs related to ESG in the foreseeable future.

Environment

We are dedicated to promoting sustainability and reducing the environmental impact of our operations. We believe our platform’s capabilities, such as virtual design, cloud-native operations, and enhanced collaboration, create an environmental-friendly solution for the spatial design industry. Our platform allows designers and furniture manufacturers to create and test designs virtually, significantly reducing the need for physical prototypes and cutting down on material waste. The cloud-native functionality of our platform minimizes the necessity for extensive physical infrastructure and on-site servers, which not only simplifies infrastructure management but also reduces energy consumption. Our platform also fosters enhanced collaboration among designers, manufacturers, and end users through efficient data exchange. By providing a centralized repository of design data that can be accessed in real time, we ensure that all stakeholders can work together seamlessly. This integration allows for precise communication, reduces misunderstandings, and ensures that tasks are completed with increased efficiency and productivity.

At workplace and throughout our daily operations, we have implemented internal policies to reduce our environmental impact and carbon footprint. We send daily energy-saving reminders to employees to turn off lights, electronic equipment, and air conditioning when not in use and encourage the use of our online system whenever possible to minimize paper consumption. We promote a culture of sustainability through waste management, recycling and sustainable living programs, under which we encourage employees to reduce waste and recycle materials such as paper, plastic, glass and electronics. To build a more environmental-friendly supply chain, we have established a rigorous supplier vetting and approval process, as well as detailed protocols for ongoing monitoring and review of our suppliers. Additionally, we are exploring further green initiatives such as upgrading to energy-efficient appliances and systems including automated systems to control lighting, heating, and cooling based on occupancy and usage, and promoting sustainable transportation options, such as biking, walking, carpooling,

BUSINESS

and using public transportation. By integrating these practices into our daily operations, we aim to create a work environment that aligns with our environmental values, enhancing sustainability and reducing our overall environmental impact.

Health, Work And Safety

We do not operate any production facilities. Therefore, we are not exposed to significant health, work or safety risks. To ensure compliance with applicable laws and regulations, our human resources department, in consultation with our legal advisors, would adjust our policies as necessary to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any accidents or claims for personal or property damage by our employees that had materially and adversely affected our financial condition or business operations.

Social Responsibility

We are committed to cultivating a collaborative company culture sustained by our core values — simple, focused, and open. We strive to build a flat and inspiring environment where people can unleash their creativity, and treat each other with care and appreciation. We have set up a mentor program under which senior employees will provide on-going, one-on-one support to junior employees, in order to promote collaborating and sharing in the workplace. We value the contribution of each employee in different roles and strive to provide a fair and balanced compensation scheme as well as a clear career path. To help employees make career progress, we have established various online and offline learning channels for employees at different levels, with course offerings in leadership training, corporate culture, management, honest and ethical business conduct, sales and marketing, and research and development. We also support the health and well-being of our employees by providing various benefits, such as annual health checkups, meal allowances, and transportation related allowances.

We are of the view that contribution to charitable and public welfare causes is important manifestations of corporate value. To this end, we established Kujiale Academy, an online advanced career development center providing professional design training for individual designers and enterprises. The course offerings at Kujiale Academy focus on comprehensive skill sets related to design and visualization, such as modeling, decorating, and rendering. Experienced designers provide online classes on how to carry out 3D designs using various design tools in our product suite. We also regularly host master classes given by renowned designers. Upon completing a course and passing the evaluation, students will receive a certificate from Kujiale Academy, which is well recognized among reputable design companies in China. As of December 31, 2024, over 533.0 thousand users have successfully taken and completed at least one online course offered by Kujiale Academy and received a certificate; approximately 1.8 million users have participated in at least 30 minutes of training provided by Kujiale Academy since its establishment in 2017. Most courses offered by Kujiale Academy are free of charge, and for those that are not, the revenue generated from these courses was immaterial during the Track Record Period.

BUSINESS

Governance

Our Board of Directors has the collective responsibility for formulating, adopting and reviewing our ESG vision, policy and target, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board of Directors may assess or engage independent third parties to evaluate our ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

PROPERTIES

As of the Latest Practicable Date, we leased and actually used 26 properties in China with an aggregate gross floor area of approximately 16,000 square meters, which were primarily used as our offices. Our corporate headquarters are located in Hangzhou, China, and we maintain additional offices in China in Beijing, Shanghai, Guangzhou, Shenzhen, Changsha, Chengdu, Chongqing, Dongguan, Foshan, Hefei, Jinan, Linyi, Nanchang, Qingdao, Shenyang, Wuhan, Xi’an, Zhongshan, Suzhou, Zhengzhou, Urumqi and Guiyang. We also lease properties internationally in New York, South Korea, Vietnam, Thailand, Malaysia, and Indonesia to support our overseas business. We believe that our existing leased premises are adequate for our current business operations and that should it be needed, suitable additional or alternative space will be available to accommodate our operations.

As of the Latest Practicable Date, none of our leased properties in China had been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. The failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements under the PRC laws or regulations, but could result in fines of up to RMB10,000 per leased property that is unregistered if we fail to rectify such noncompliance within the time frame prescribed by the relevant authorities. See “Risk Factors — Risks Related to Jurisdictions Where We Operate — Our legal right to some leased properties may be challenged.” As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

Further, as of the Latest Practicable Date, three of our leased properties were subject to title defects, as the lessors of these properties failed to provide us with valid property ownership certificates or proof of authorization documents evidencing their rights to lease the properties. As a result, there is a risk that our leased property interests under such properties may be defective. Under the relevant PRC laws and regulations, it is the relevant lessors’ responsibility to comply with the relevant requirements, such as to obtain the relevant property ownership certificates or authorizations, and there are no rules or regulations requiring the lessee to obtain the property ownership certificate or imposing regulatory punishment on the lessee for not doing so. Accordingly, our PRC Legal Advisor is of the view that we are not subject to any material administrative penalty for any of the title defects in the leased properties. However, without property ownership certificates or authorizations from the property owners, our use of these leased properties may be affected by third parties’ claims or

BUSINESS

challenges against the lease rights, and we may be forced to vacate these properties and be required to seek alternative properties for lease or choose to terminate the lease earlier while bearing the penalty of early termination under the lease.

As of the Latest Practicable Date, we were not aware of any challenge made by a third party or competent government authority on the titles of any of these leased properties that might affect our current occupation. We believe that in the event that the relevant rightful title holders or other third parties challenge our use of such leased properties and we are required to move, we are able to find suitable alternative properties within the proximate area, without incurring substantial additional costs nor imposing any material adverse effect on our business, financial condition and results of operations. If such claim or challenge is raised by any other third parties, we may claim damages for breach of contract against the lessors based on relevant lease agreements and the PRC Civil Code. For the foregoing reasons, our Directors believe that such title defects will not have a material adverse impact on our business, operations or financial results.

As of September 30, 2024, none of the properties leased by us had a carrying amount of 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We believe we maintain insurance policies covering risks in line with industry standards, as of the Latest Practicable Date. We do not maintain property insurance or business interruption insurance, neither do we maintain insurance policies against risks relating to our corporate structure. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material and adverse effect on our results of operations. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors — Risks Relating to our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses, and our business, results of operations, financial condition, and prospects may be materially and adversely affected should any such liability or losses arise.”

BUSINESS

LICENSES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant regulatory authorities that are material to our operations in China except as disclosed in “Risk Factors — Risks Relating to our Business and Industry — We may fail to obtain or maintain all required licenses, permits and approvals to operate our business.” As of the Latest Practicable Date, such licenses, permits and approvals remained in full effect.

The following table sets out a list of material licenses, permits, and approvals currently held by us for our operations as of the Latest Practicable Date in China:

License/Permit/Approval	Holder	Grant Date	Expiration Date
Value-added Telecommunications Business Operating License of the People’s Republic of China (中華人民共和國增值電信業務經營許可證)	Hangzhou Meijian	October 12, 2024	November 11, 2026
Radio and Television Production Operation License (廣播電視節目製作經營許可証)	Hangzhou Meijian	April 1, 2023	March 31, 2025
Record Filing Certificates for the Graded Protection of Information System (信息系統安全等級保護備案證明) . . .	Hangzhou Meijian	December 20, 2024	Not applicable
Record Filing Certificates for the Graded Protection of Information System (信息系統安全等級保護備案證明)	Hangzhou Qunhe	April 9, 2021	Not applicable

We renew all such material licenses, permits or approvals from time to time and had not experienced any difficulties in renewing such licenses, permits or certificates during the Track Record Period and up to the Latest Practicable Date, and there is no material legal impediment to renewing such licenses, permits or approvals as of the Latest Practicable Date.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to, and were not aware of any threat of, any material legal or administrative proceedings, which, in our opinion, would likely have a material and adverse effect on our business, financial condition or results of operations. We have been, and may from time to time in the future, be subject to various legal and administrative proceedings arising in the ordinary course of our business. Such claims or legal actions, even if without merit, could result in the expenditure of significant financial and management resources and potentially result in civil liability for damages. See “Risk Factors — Risks Related to Our Business and Industry — We

BUSINESS

have been and may in the future be involved in disputes relating to alleged infringement of intellectual property rights, including disputes in relation to the floor plans, digital properties or other content materials in our design library, which could adversely affect our business, results of operations, financial condition, and prospects.” and “— We are subject to risks relating to litigation and disputes, which could adversely affect our business, results of operations, financial condition, and prospects.”

REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance of laws or regulations, which our Directors believe would, individually or in the aggregate, have a material and adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, save as set out below, we had complied with the relevant laws and regulations in all material respects.

Social Insurance and Housing Provident Funds

Pursuant to relevant PRC laws and regulations, we are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing provident funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based.

During the Track Record Period and as of the Latest Practicable Date, we did not make social insurance and housing provident fund contributions in full amount based on the actual salary for some of our employees, and we engaged third-party agencies to pay social insurance premium and housing provident funds for some of our employees, primarily because these employees prefer to participate in social welfare schemes in their respective places of residence, where they primarily conduct their work and where we have not established registered subsidiaries.

Pursuant to the relevant PRC laws and regulations, the under-contribution of social insurance may subject us to compensate for the delayed payment amount within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Additionally, pursuant to the relevant PRC laws and regulations, if there is any failure to pay the full amount of housing provident fund as required, the competent housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities if the third-party agencies failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by competent PRC authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

BUSINESS

Pursuant to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Guidelines of the Executive Meeting of the State Council to Practically and Effectively Stabilize the Collection of Social Insurance Payments (《人力資源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》) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears. Our Directors are of the view that the aforementioned failure to fully contribute to social insurance and housing provident funds would not have a material adverse effect on our business, financial condition or results of operations, based on the following considerations: (i) we have obtained the written confirmations issued by the competent government authorities of our relevant PRC subsidiaries, which indicate that we had not been subject to any administrative actions or penalties with respect to social insurance and housing provident funds during the Track Record Period; (ii) we were neither aware of any material employee complaints filed against us nor involved in any material labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification or order from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds; (iv) consultations with the relevant competent local governmental authorities of our relevant PRC subsidiaries, whose employees constitute the majority of our employees in PRC, confirm that such authorities generally would not initiate action to impose any penalty on us or compel us to make supplementary contribution with respect to social insurance and housing provident funds; and (v) as advised by our PRC Legal Advisor, based on the current regulatory policies and the facts stated above, in accordance with the existing applicable laws, regulations, and policies, and in the absence of employee complaints, the likelihood that we are subject to any material administrative penalties or compel to make supplementary contributions initiated by the relevant PRC authorities due to our failure to provide full social insurance and housing provident funds contributions for our employees during the Track Record Period is remote. We cannot assure you that the relevant governmental authorities will not take a view contrary to us and our PRC Legal Advisor, and the relevant governmental authorities will not require us to pay the outstanding amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations related to noncompliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We have been actively communicating with the relevant local government authorities. We commit to promptly fulfilling our obligations as required as soon as practicable in the event that we receive the notification from the relevant government authorities, if any, to require us to rectify, make timely payments, or pay the outstanding amounts due to any deficiencies in our social insurance and housing provident funds in full cooperation with relevant competent government authorities. We have enhanced our internal control measures, including designating our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis. We will

BUSINESS

consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us informed of relevant regulatory developments. In the event that we are required by the relevant authorities to make full contributions or terminate the engagement with third-party agencies to make contributions, we undertake to proceed accordingly.

RISK MANAGEMENT AND INTERNAL CONTROL

We face a variety of risks in our daily business operations, including operational risk, legal and compliance risk, financial reporting risk, human resource risk, credit risk and internal audit risk. We have established risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. Our Chief Financial Officer is responsible for overseeing risk management activities. Our management proactively monitors the risks we are faced with and ensures our risk management policies and protocols are effectively implemented.

We have adopted and implemented the following risk management policies and protocols.

Operational Risk Management

To ensure the continuity of our business, we have established a business operating committee, which put in place contingency plans for detecting and responding to emergency incidents. In the event of an emergency incident, our contingency plans set out prescribed response protocols applicable to our various business units. The business continuity planning committee conducts regular assessments on our contingency plans, monitoring and management systems, and data backup and restoration systems to ensure that our contingency plans are sufficient for our business operations. We also conduct business continuity plan drills on a regular basis to detect, analyze and improve our weakest link in the operation chain, and build safeguards to improve our indecent response rate.

Legal and Compliance Risk Management

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our business operations, which may be subject to changes. See “Regulations” for further details on the applicable laws and regulations in relation to our business operations. To comply with the rapidly evolving laws and regulations in the internet industry, we have a dedicated legal team that is responsible for monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities, and update our internal protocols and procedures in a timely manner. Our legal team also regularly reviews and updates the form of contracts we enter into with our customers and suppliers, and examines the contract terms for our business operations. In addition, our legal team ensures that we have obtained all material requisite licenses, permits and approvals for our business operation, and conduct regular reviews to monitor the status and effectiveness of those licenses and approvals.

BUSINESS

In addition, we have strengthened our legal and compliance risk management by putting in place an anti-bribery and anti-corruption policy to safeguard against relevant risks. The policy explains potential bribery and corruption conduct and our measures to identify, monitor and report anti-bribery and corruption conduct. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payments, or any other payments made or offered to obtain an undue business advantage. We keep accurate books and records that reflect the substance of transactions and asset dispositions in reasonable detail. We will not approve the transactions or payment if the books and records do not reflect the substance of transactions. We plan to hold regular trainings for employees regarding anti-bribery and anti-corruption policy in the future to facilitate better implementation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any bribery or corruption incident involving us or our employees.

Intellectual Property Rights Risk Management

As intellectual property rights are important for our business success, we have devoted ourselves to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. See “— Intellectual Property” for more information about our efforts and measures in intellectual property rights risk management. Our legal team is responsible for establishing intellectual property rights management policy, reviewing and approving contracts, conducting legal trainings on intellectual property and assisting our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual property rights are under the protection of relevant laws and regulations.

Information System Risk Management

We pay close attention to risk management relating to our information system as sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have designed and adopted strict internal procedures to ensure that our data are protected and that leakage and loss of such data are avoided. See “— Data Security and Protection” for more information about our efforts and measures in information system risk management.

Financial Reporting and Credit Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as accounting handbook, budget management policy, financial plan management policy, financing management policy, reserve management policy and investment and financial management policy. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular trainings to our finance

BUSINESS

department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations. We are not subject to material credit risks associated with our products, because customers for our products usually prepay for our services.

Human Resources Risk Management

We have in place an employee handbook approved by our management and have distributed them to all our employees. The handbook sets out our internal rules and guidelines regarding employee's responsibilities, work ethics, internal reporting mechanisms, data protection, confidentiality obligations, workplace safety management measures, and employee misconduct. We provide online and offline trainings to new hires and explain to them the guidelines contained in the employee handbook in detail. We also reiterate the importance of adherence to our operational protocols and procedures to our employees from time to time, to ensure effective implementation of our operational protocols and procedures.

Our human resource department has established various online and offline learning channels for employees at different levels, with course offerings in leadership training, corporate culture, management, honest and ethical business conduct, sales and marketing, and research and development. Through these trainings, we ensure that our staff's skill sets remain up-to-date, enabling them to better meet clients' needs.

Internal Audit

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our compliance department is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members are required to report to management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board of Directors, if necessary.

Our audit committee, compliance department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We operate certain businesses (the “**Relevant Businesses**”) through our Consolidated Affiliated Entity, namely Hangzhou Meijian, which was established under PRC laws.

Since the Relevant Businesses are classified as foreign investment restricted or prohibited businesses under the applicable PRC laws, regulations or rules, in order to comply with the PRC laws and regulations and maintain effective control over the operation of the Relevant Businesses, the WFOE entered into a series of contractual arrangements with Hangzhou Meijian and the Registered Shareholders on January 10, 2022 (the “**Contractual Arrangements**”), under which the WFOE is entitled to substantially all economic benefits arising from the business of the Consolidated Affiliated Entity to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, we have acquired effective control over the financial and operational management and results of Hangzhou Meijian and are entitled to substantially all the economic benefits derived from the operations of Hangzhou Meijian. In 2022, 2023 and the nine months ended September 30, 2024, Hangzhou Meijian contributed to 0.7%, 0.5% and 0.4% of the total revenue of the Group, respectively.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Technology Development, Consultancy and Service Agreement with the WFOE, our Consolidated Affiliated Entity will enjoy better economic and technological support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRC LAWS PROHIBITING OR RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT BUSINESSES

Foreign ownership of business in the PRC are mainly governed by the Catalogue of Industries for Encouraged Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalogue**”), and the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), both of which were promulgated and are amended from time to time by the MOFCOM and the NDRC. The Catalogue and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encouraged,” “restricted” and “prohibited.” Industries not listed in the Catalogue and the Negative List are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

CONTRACTUAL ARRANGEMENTS

A summary of the Relevant Businesses that are subject to foreign investment prohibition or restriction is as follows:

Prohibited Business . . . *Radio and television program production*

Our Relevant Businesses involve productions of courses and short design training videos through Kujiale Academy, which fall within the scope of the radio and television program production and operation service (廣播電視節目製作經營業務) under the Administrative Provisions on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》) (“**Radio and Television Programs Regulations**”). Under the Radio and Television Programs Regulations, any entity that engages in the production of radio and television programs are required to apply for a Radio and Television Production Operation License (廣播電視節目製作經營許可證) (“**R&T License**”). As of the Latest Practicable Date, our Consolidated Affiliated Entity holds a R&T License issued by the Radio and Television Bureau of Zhejiang Province. According to the Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television program production and operation service.

Restricted Business . . . *Value-add telecommunication services*

Our Relevant Businesses involve the provision of telecommunication information services and online data processing and transaction processing services, such as our application marketplace, sharing of 3D models and design elements, and operations support systems, which falls within the scope of value-added telecommunications services under the Catalog of Telecommunications Business (《電信業務分類目錄》). As of the Latest Practicable Date, our Consolidated Affiliated Entity holds a value-added telecommunications business operating license (中華人民共和國增值電信業務經營許可證) for both information service business (internet information services only) (the “**ICP License**”) and online data processing and transaction processing business (business e-commerce only) (the “**EDI License**”) issued by the Zhejiang Communications Administration. According to the Negative List, the provision of value-added telecommunication services business is a “restricted” business, and foreign investors are not allowed to hold more than 50% of the equity interest in enterprises conducting such business (excluding e-commerce, domestic multi-party communication services, store-and-forward services and call center services).

CONTRACTUAL ARRANGEMENTS

Based on the telephone consultations conducted by our PRC Legal Advisor and the Joint Sponsors’ PRC legal advisor with the MIIT on foreign investment restriction on value-added telecommunications business, and with the Zhejiang Communications Administration on the adoption of the Contractual Arrangements, respectively, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunication services (excluding e-commerce, domestic multi-party communication services, store-and-forward services and call center services). Our PRC Legal Advisor has confirmed that each of the Zhejiang Communication Administration and MIIT is a competent authority to confirm matters relating to the operations of value-added telecommunications business and application for the relevant license.

OUR CONSOLIDATED AFFILIATED ENTITY

Hangzhou Meijian

Hangzhou Meijian operates a mixture of “prohibited business” and “restricted business” under the Negative List. In particular, Hangzhou Meijian operates our platform which features our application marketplace, sharing of 3D models and design elements, and operations support systems, hence constituting value-added telecommunications services under the applicable PRC laws and requiring both ICP and EDI Licenses. Meanwhile, such business operation of Hangzhou Meijian involves the production of content in video format, which constitutes radio and television program production and operation pursuant to the Radio and Television Programs Regulations. The aforementioned business and supporting services are provided to our users through the Consolidated Affiliated Entity, where such courses have been fully integrated into our online platform under the same domain name and are inseparable. We believe such courses are pivotal on helping our users quickly get familiar with our software and contribute to our customers engagements as well as customer success efforts. Additionally, it is not commercially practical to separate the value-added telecommunications services and radio and the television program production services because they are carried out through common human resources, working capital, software and hardware under the same entity. Accordingly, we and our PRC Legal Advisor are of the view that it is not viable for our Company to hold any equity interest in the Consolidated Affiliated Entity that currently, or will in the future, engage in value-added telecommunications and the radio and television program production and operation business. The radio and television program production business falls within the scope of “prohibited business” under the Negative List.

Based on the above, we believe that to maintain the business operations and effectiveness of the licenses and permits held by Hangzhou Meijian, Hangzhou Meijian must be controlled by the Company through the Contractual Arrangements. Furthermore, since Hangzhou Meijian operates both “prohibited business” and “restricted businesses” under the Negative List, it is impracticable for us to set up an alternative structure that would allow us to partially hold equity interests in and control the economic benefits of Hangzhou Meijian other than through the Contractual Arrangements.

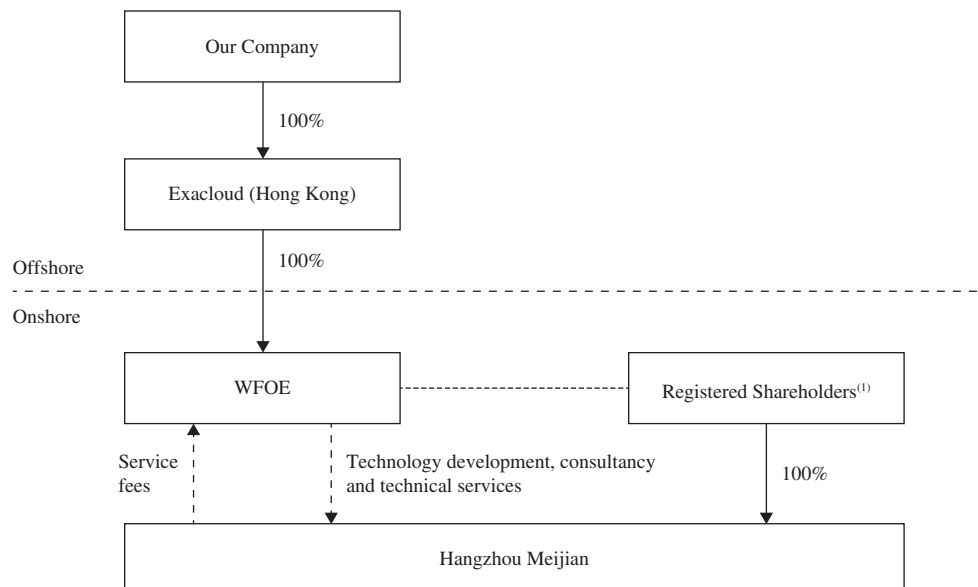
CONTRACTUAL ARRANGEMENTS

Based on the above reasons, 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. We will unwind and terminate the Contractual Arrangements wholly or partly once our businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under the PRC Laws.

For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see “Regulatory Overview — Regulations on Foreign Investment and Overseas Investment.”

CONTRACTUAL ARRANGEMENTS

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



Notes:

- (1) The Registered Shareholders of Hangzhou Meijian are Mr. Huang as to 50.32%, Mr. Chen as to 35.94%, and Mr. Zhu as to 13.74%, respectively.
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “---→” denotes contractual relationship.
- (4) “---” denotes the control by the WFOE over the Registered Shareholders and Hangzhou Meijian through (i) the Powers of Attorney, (ii) the Exclusive Option Agreement and (iii) the Equity Pledge Agreement.

CONTRACTUAL ARRANGEMENTS

Summary of the Material Terms of the Contractual Arrangements

Exclusive Technology Development, Consultancy and Service Agreement

The WFOE and the Consolidated Affiliated Entity entered into an exclusive technology development, consultancy and service agreement on January 10, 2022 (the “**Exclusive Technical Development, Consultancy and Service Agreement**”), pursuant to which the Consolidated Affiliated Entity agreed to engaged the WFOE as its exclusive supplier of technology development, consultancy and relevant services, which may include:

- (i) research and development on relevant technologies which is licensed to the Consolidated Affiliated Entity;
- (ii) technical support and implementation of business operations;
- (iii) daily maintenance, monitoring, debugging and troubleshooting services for network equipment;
- (iv) technical consultancy services for purchase of equipment, software and hardware;
- (v) appropriate training and technical support and assistance to the Consolidated Affiliated Entity’s employees;
- (vi) assistance in customer management and after-sales services;
- (vii) provision of government public relations and communication services;
- (viii) assistance in personnel management services;
- (ix) introducing the knowledge and experience of software system and equipment installation and operation to our Consolidated Affiliated Entity and its employees, assistance in problem solving that occur at any time during the installation and operation of the system and equipment;
- (x) assistance in payment recovery from customers based on trade receivables; and
- (xi) other technical services and consultation requested from time to time.

Without the WFOE’s prior written consent, the Consolidated Affiliated Entity shall not receive services which are identical or similar to the services covered by the Exclusive Technical Development, Consultancy and Service Agreement from any third party.

CONTRACTUAL ARRANGEMENTS

In consideration of the services provided by the WFOE, the Consolidated Affiliated Entity shall pay quarterly the amount of the service fees which shall be settled based on the actual service, to the WFOE. The services fees shall, subject to the negotiation between the parties, in principle equal to the Consolidated Affiliated Entity’s total annual revenue minus all expenses. In any event, the adjustments and changes to the service fees shall be approved by the board of the WFOE and the Board of our Company, respectively.

The WFOE is exclusively entitled to own all proprietary rights and interests arising out of the performance of the Exclusive Technical Development, Consultancy and Service Agreement, including but not limited to copyrights, patents, trademarks, software copyrights or trade secrets, whether self-developed by the WFOE or developed by the Consolidated Affiliated Entity based on the WFOE’s original intellectual property rights.

The effective period of the Exclusive Technical Development, Consultancy and Service Agreement shall be ten years, which may be extended for another ten years, or any term agreed between the Consolidated Affiliated Entity and the WFOE, upon expiration of the effective period and with the WFOE’s prior written consent.

Exclusive Option Agreement

The WFOE, the Consolidated Affiliated Entity and its Registered Shareholders entered into an exclusive option agreement on January 10, 2022 (the “**Exclusive Option Agreement**”) pursuant to which the WFOE or any other party or parties designated by the WFOE (“**Designee**”) was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in the Consolidated Affiliated Entity (“**Share Purchase Right**”). Pursuant to the Exclusive Option Agreement, the Registered Shareholders and the Consolidated Affiliated Entity shall not sell all or any part of, offer to sell, transfer, grant, pledge or otherwise dispose of the shares of the Consolidated Affiliated Entity, or authorize any other person to purchase all or any part of the shares of the Consolidated Affiliated Entity, unless obtaining prior written consent from the WFOE. Also, the WFOE was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their assets in the Consolidated Affiliated Entity, in accordance with steps at its sole discretion (“**Asset Purchase Right**”). No other third party other than the WFOE or its Designee shall enjoy the Share Purchase Right and Asset Purchase Right under the Exclusive Option Agreement.

Unless the WFOE and the Registered Shareholders agreed otherwise, the purchase price payable by the WFOE or its Designee when exercise the Share Purchase Right or Asset Purchase Right of the Consolidated Affiliated Entity shall be RMB100 or the minimum amount of consideration as permitted under the PRC law (subject to the valuation requirements pursuant to the PRC law, if applicable); and the Consolidated Affiliated Entity shall bear all tax expenses arising from the transfer of assets.

The effective period of the Exclusive Option Agreement shall be ten years, which may be extended for another ten years by the WFOE unilaterally.

CONTRACTUAL ARRANGEMENTS

The Consolidated Affiliated Entity, among other things, has covenanted that:

- (i) without the WFOE's or our Company's prior written consent, it shall not supplement, modify or amend its articles of association, increase or decrease its registered capital or change its registered capital structure in other ways;
- (ii) it shall maintain its corporate existence in accordance with good financial and commercial standards and practices and operate its business and handle its affairs prudently and efficiently;
- (iii) without the WFOE's or our Company's prior written consent, it shall not sell, transfer, pledge or otherwise dispose any of its asset, business, revenues or any legal and beneficial interest, or impose any encumbrances thereon from the commencement date of the Exclusive Option Agreement;
- (iv) without the WFOE's or our Company's prior written consent, it shall not incur, inherit, provide guarantees to or allow any debts other than (i) debt incurred in the ordinary and normal course of business and not by the way of borrowing; and (ii) debt that is disclosed to and agreed by the WFOE in writing;
- (v) it shall maintain the ordinary business operations as to maintain the value of its assets, and shall not take any action or omission which could have an adverse effect upon its business operations or asset value;
- (vi) without the WFOE's or our Company's prior written consent, it shall not enter into or terminate material contracts other than contracts entered into in the ordinary course of business. Material contracts refer herein means any contract with a value exceeding RMB50,000;
- (vii) without the WFOE's or our Company's prior written consent, it shall not provide any loans, securities or pledges to any person;
- (viii) at the request of the WFOE, it shall provide all information relating to its operation and financial status;
- (ix) it shall purchase and maintain insurances from an insurance company approved by the WFOE for the amount and products in line with those ordinarily purchased by companies operating similar business and possessing similar assets as the Consolidated Affiliated Entity in the same region;
- (x) without the WFOE's or our Company's prior written consent, it shall not merge, consolidate or acquire any entities, or make any investment in any entities;

CONTRACTUAL ARRANGEMENTS

- (xi) it shall immediately notify the WFOE when there are current or prospective litigations, arbitrations or administrative procedures relating to the assets, business and revenues of the Consolidated Affiliated Entity;
- (xii) it shall execute all necessary or proper documents, take all necessary or proper actions and propose all necessary or proper claims, or conduct all necessary and proper defense against all claims of indemnifications to protect the interests of the Consolidated Affiliate Entity on all of its assets;
- (xiii) without the WFOE's or our Company's prior written consent, it shall not distribute any dividends in any manner to its shareholders, provided that upon the request of the WFOE, it shall immediately distribute all distributable profits to each of its shareholders; and
- (xiv) at the request of the WFOE, it shall appoint any person assigned by the WFOE as a director of the Consolidated Affiliated Entity.

The Registered Shareholders, among other things, have further covenanted that:

- (i) without the WFOE's or our Company's prior written consent, they shall not sell, transfer, pledge or otherwise dispose legal or beneficial interest in the shares of the Consolidated Affiliate Entity or impose any encumbrances thereon from the commencement date of the Exclusive Option Agreement, other than creation of pledge on legal or beneficial interest in the shares of the Consolidated Affiliate Entity shares pursuant to the Equity Pledge Agreement;
- (ii) without the WFOE's or our Company's prior written consent, they shall not procure the shareholders of the Consolidated Affiliated Entity at a shareholders' meeting to approve the sale, transfer, pledge or otherwise disposal of legal or beneficial interest in the shares of the Consolidated Affiliated Entity or impose any encumbrances thereon from the commencement date of the Exclusive Option Agreement, other than the creation of pledge on legal or beneficial interest in the shares of the Consolidated Affiliated Entity shares pursuant to the Equity Pledge Agreement;
- (iii) without the WFOE or our Company's prior written consent, they shall not procure the shareholders of the Consolidated Affiliated Entity at a shareholders' meeting to approve a merger or consolidation, or acquisition of any entities or make an investment in any entities;
- (iv) they shall immediately notify the WFOE of any current or prospective litigations, arbitrations, or administrative procedures relating to their shares of the Consolidated Affiliated Entity;

CONTRACTUAL ARRANGEMENTS

- (v) they shall procure the shareholders of the Consolidated Affiliated Entity at a shareholders' meeting and shall vote in favor of the transfer of the shares in accordance with the Exclusive Option Agreement at such meeting;
- (vi) they shall execute all necessary or proper documents, take all necessary or proper actions and/or propose all necessary or proper claims, or conduct all necessary and proper defense against all claims of indemnifications to maintain their legal or beneficial interest in the shares of the Consolidated Affiliated Entity;
- (vii) at the request of the WFOE, they shall appoint any person assigned by the WFOE as a director of the Consolidated Affiliated Entity;
- (viii) at the request of the WFOE, they shall immediately and unconditionally transfer their shares of the Consolidated Affiliated Entity to the WFOE or its Designee at any time, and to waive any pre-emptive rights to other shareholders for the abovementioned transfer of shares; and
- (ix) they shall abide strictly by the Exclusive Option Agreement and other agreements jointly or severally entered into by the WFOE, our Company, the Registered Shareholders and the Consolidated Affiliated Entity, perform the obligation under such agreements effectively, and not take any actions or missions which may adversely affect the validity and enforceability of such agreements.

The Consolidated Affiliated Entity and the Registered Shareholders shall not revoke the abovementioned covenants and shall take joint and several liability under this Exclusive Option Agreement.

Equity Pledge Agreement

The WFOE, the Registered Shareholders and the Consolidated Affiliated Entity entered into an equity pledge agreement on January 10, 2022 (the "**Equity Pledge Agreement**") pursuant to which the Registered Shareholders pledged all of their respective equity interest in the Consolidated Affiliated Entity to the WFOE as security interest to guarantee the performance of contractual obligations by the Consolidated Affiliated Entity arising out of the Exclusive Technical Development, Consultancy and Service Agreement.

Among other things, each of the Registered Shareholders have jointly undertaken to the WFOE:

- (i) without the WFOE's prior written consent, they shall not directly or indirectly, transfer their shares of the Consolidated Affiliated Entity or create any pledge or other security interest which may affect the WFOE's rights and interest, other than the transfer of shares to the WFOE or its Designee pursuant to the Exclusive Option Agreement;

CONTRACTUAL ARRANGEMENTS

- (ii) abide and follow all applicable laws and regulations in relation to the pledge, notify the WFOE within five (5) days upon receiving any notice, instruction or suggestion from the regulatory authorities and shall abide to or propose objections or make representations according to the WFOE's reasonable request or approval in respect of the abovementioned notice, instruction or suggestion; and
- (iii) notify the WFOE upon any event or receiving any notice which may affect the pledged shares or any rights thereof and any event or receiving any notice which may affect the promises, obligations or the performance of the Registered Shareholders arising out of the Equity Pledge Agreement.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), unless the Registered Shareholders successfully resolved to the WFOE's satisfaction, the WFOE may demand all outstanding debts and payment arising out of the Contractual Arrangements immediately or otherwise dispose of the pledged equity interest with written notice immediately or any time thereafter the event of default.

The pledges under the Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.

The Equity Pledge Agreement shall remain effective until, among others, all outstanding debts under the Contractual Arrangements are settled and all contractual obligations under the Contractual Arrangements have been performed.

Other Aspects of the Contractual Arrangements

Powers of Attorney

Each of the Registered Shareholders has executed a power of attorney on January 10, 2022 (collectively, the "**Powers of Attorney**"), pursuant to which each of them irrevocably appointed the WFOE or its Designee and successors to act as their attorney-in-fact to act on their behalf on matters concerning their equity interest in the Consolidated Affiliated Entity and to exercise all of their rights, including, among others:

- (i) convening and attending shareholders' meetings, signing any resolutions, minutes or other legal documents of such meetings (including but not limited to documents approving amendments to the articles of association);
- (ii) all shareholders' right pursuant to the applicable laws and the articles of association of the Consolidated Affiliated Entity, including but not limited to voting rights, dividend rights, rights to sale, transfer, pledge or dispose legal or beneficial interest, right to increase or decrease registered capital, right on merger, division and transfer equity interest, decision on business direction and investment plans, decision on annual financial budget and financial accounting plan, right to dispose assets, approve annual budget or declare dividend, right to wind-up and liquidate, right to appoint or assign liquidators, right to approve liquidation plan and reports of the Consolidated Affiliated Entity;

CONTRACTUAL ARRANGEMENTS

- (iii) nominating and appointing representatives, chairman of the board, directors, supervisors, general managers and other senior management of the Consolidated Affiliated Entity;
- (iv) signing documents, meeting records and filling documents with relevant authorities, retaining signed documents (including but not limited to meeting records and resolutions), signing and executing documents concerning the equity interest in the Consolidated Affiliated Entity on behalf of the Registered Shareholders and filing documents with relevant authorities;
- (v) exercising voting rights on behalf of the Registered Shareholders in the event of the Consolidated Affiliated Entity's bankruptcy; and
- (vi) any other shareholder rights pursuant to applicable laws and under the articles of association of the Consolidated Affiliated Entity.

As a result of the Powers of Attorney, we, through the WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of the Consolidated Affiliated Entity.

The Powers of Attorney also provided that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of our Company, the Powers of Attorney are granted in favour of other unrelated officers or Directors of our Group.

Each of the Powers of Attorney shall remain effective during the period when the relevant shareholder remains as a shareholder of the Consolidated Affiliated Entity.

Spousal Undertakings

The spouse of each of the Registered Shareholders has signed an undertaking on January 10, 2022, pursuant to which the signing spouses have undertaken that:

- (i) they unconditionally and irrevocably consent to their respective spouse to execute the Equity Pledge Agreement, Exclusive Option Agreement and Powers of attorney as amended and restated from time to time (collectively, the "**agreements**") and consent to the arrangement as set out in the documents in relation to the arrangement of the equity interest of their respective spouse in the Consolidated Affiliated Entity,
- (ii) the performance of the obligations under the agreements by their respective spouse and the amendment or termination of the agreements does not require their respective authorization or approval,
- (iii) they shall not make any claim regarding the equity interests of their respective spouse in the Consolidated Affiliated Entity,

CONTRACTUAL ARRANGEMENTS

- (iv) they shall execute any necessary documents and take any necessary measures to procure the performance of the agreements, and
- (v) in the event that any of them obtaining any equity interest in the Consolidated Affiliated Entity from their respective spouse, they will be bound by, as amended from time to time. the agreements, and undertook to comply with the obligations of the shareholders of the Consolidated Affiliated Entity, and for this purpose, execute any documents on substantially similar terms as the agreements upon the WFOE’s request.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all parties. The dispute resolution provisions in the agreements under the Contractual Arrangements also provide that the arbitral tribunal may award remedies over the shares or assets of the Consolidated Affiliated Entity or injunctive relief (e.g. limiting or restricting transfer or sale of assets) or order the winding up of the Consolidated Affiliated Entity; subject to compliance with applicable laws, any party may apply to the courts of Hong Kong, the Cayman Islands, the PRC and the places where the principal assets of the Consolidated Affiliated Entity are located for interim remedies or injunctive relief.

However, our PRC Legal Advisor has advised that the arbitral tribunal normally would not grant such injunctive relief or order the winding up of the Consolidated Affiliated Entity pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands are subject to recognition and enforcement by the PRC courts according to the applicable laws and regulations.

As a result of the above, in the event that the Consolidated Affiliated Entity or the Registered Shareholders breach 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 Consolidated Affiliated Entity and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Related to Our Corporate Structure” for details.

Succession

The provisions set out in the Contractual Arrangements are also binding on the Registered Shareholders’ successors, including through (i) the Exclusive Option Agreement and the Equity Pledge Agreement where each of the Registered Shareholders agrees that, among other things, his successors and permitted assignees shall be bound by the Exclusive Option Agreement and the Equity Pledge Agreement, respectively; (ii) the Powers of Attorney where each of the

CONTRACTUAL ARRANGEMENTS

Registered Shareholders undertakes that, among other things, in the event of bankruptcy or any other circumstances regarding the Registered Shareholders which may affect the exercise of his equity interests in the Consolidated Affiliated Entity, he shall provide to his successors an authorization identical to the Power of Attorney, enabling his successors to fully succeed/assume all his rights and obligations under the relevant Power of Attorney; and (iii) the spouse undertakings where each spouse of the Registered Shareholders undertakes, among other things, her successors will not take any action that may affect or hinder the Registered Shareholders from fulfilling his obligations under the Contractual Arrangements under any circumstances or in any way.

Conflict of Interest

Each of the Registered Shareholders has given his irrevocable undertakings in the Power of Attorney under the Contractual Arrangements which address potential conflicts of interests that may arise in relation to the Contractual Arrangements. See “— Powers of Attorney” for details.

Loss Sharing

Neither the agreements constituting the Contractual Arrangements nor the PRC laws provide or require that our Company or the WFOE be obligated to share the losses of the Consolidated Affiliated Entity or provide financial support to the Consolidated Affiliated Entity. Further, the Consolidated Affiliated Entity is a separate legal entity and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, given that our Group conducts its businesses in the PRC through the Consolidated Affiliated Entity which holds the requisite PRC licenses and approvals, and that the Consolidated Affiliated Entity’s financial condition and results of operations are consolidated into our Company’s financial statements under the applicable accounting principles, our business, financial condition and results of operations would be materially and adversely affected if our Consolidated Affiliated Entity suffers losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on the WFOE and our Company resulting from any loss suffered by our Consolidated Affiliated Entity.

Insurance

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

Our Confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entity under the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that:

- (i) the execution and performance of the Contractual Arrangements do not violate the provisions of the articles of association of the WFOE and the Consolidated Affiliated Entity;
- (ii) the execution and performance of the Contractual Arrangements would not be deemed as “malicious collusion to damage the legitimate rights and interests of others” under the Civil Code of the PRC (《中華人民共和國民法典》);
- (iii) the execution and performance of the Contractual Arrangements are not required to obtain any approvals or authorizations from PRC governmental authorities according to the currently effective PRC laws and regulations, except that:
 - (a) the pledge of any equity interest pursuant to the Contractual Arrangements is subject to the registration with the relevant administration for market regulations;
 - (b) the exercise of the option by the WFOE or its designee of its rights under the Contractual Arrangements to acquire all or part of the equity interests in and/or assets of the Consolidated Affiliated Entity is subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
 - (c) the transfer of the equity interest in Consolidated Affiliated Entity contemplated under the Contractual Arrangements is subject to entering the share transfer agreement and applicable approval and/or registration requirements under the then applicable PRC laws; and
 - (d) the arbitration awards or rulings/judgments granted by overseas courts in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and
- (iv) the Contractual Arrangements are not in violation of applicable laws and regulations and the Contractual Arrangements are binding on the parties thereto, except in relation to the provisions regarding the dispute resolution clause. The Contractual Arrangements stipulate that disputes shall be settled by the China International Economic and Trade Arbitration Commission in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration award shall be final and binding on all parties. The dispute resolution provisions under the Contractual Arrangements also provide that the arbitral tribunal may award remedies over the shares or assets of the Consolidated Affiliated Entity or injunctive relief (e.g. limiting or restricting transfer or sale of assets) or order the winding up of the Consolidated Affiliated Entity. Subject to compliance with applicable laws, any party may apply to the courts of Hong Kong, the Cayman Islands, the PRC and the

CONTRACTUAL ARRANGEMENTS

places where the principal assets of the Consolidated Affiliated Entity are located for interim remedies or injunctive relief. However, the PRC Legal Advisor has advised that the tribunal has no power to grant injunctive relief requiring the parties to act or refrain from acting or order the winding up of the Consolidated Affiliated Entity under the current PRC laws, and consequently the interim remedies such as injunctions or enforcement order granted by overseas courts may not be recognizable or enforceable in the PRC.

As the interpretation and application of current and future PRC laws and regulations is subject to amendments and changes and still developing, our PRC Legal Advisor also advised us that 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. See “Risk Factors — Risks Related to Our Corporate Structure — If the PRC government deems that the agreements that establish the structure for operating our businesses in China do not comply with PRC regulations on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “Risk Factors — Risks Related to Our Corporate Structure — We rely on Contractual Arrangements with our Consolidated Affiliated Entity and its Registered Shareholders to operate our business, which may not be as effective as direct ownership in providing operational control.”

Based on the above analysis and advice from our PRC Legal Advisor, our Directors are of the view that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the current applicable PRC laws.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

According to IFRS 10 Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entity, the Contractual Arrangements enable our Company to exercise control over the Consolidated Affiliated Entity.

Under the Exclusive Technology Development, Consultancy and Service Agreement, it was agreed that, in consideration of the services provided by the WFOE, the Consolidated Affiliated Entity shall pay quarterly the amount of the service fees which shall be settled based on the actual service, to the WFOE. The services fees shall, subject to the negotiation between the parties, in principle equal to the Consolidated Affiliated Entity’s total annual revenue minus all expenses. In any event, the adjustments and changes to the service fees shall be approved by the board of the WFOE and our Board, respectively. Also, within thirty (30) days at the end of each quarter, the Consolidated Affiliated Entity shall provide the WFOE with its financial statements and the management accounts and any other financial information. Accordingly, the WFOE has the ability, at its discretion, to extract all of the economic benefit of the Consolidated Affiliated Entity through the Exclusive Technology Development, Consultancy and Service Agreement.

CONTRACTUAL ARRANGEMENTS

In addition, under the Exclusive Technology Development, Consultancy and Service Agreement and the Exclusive Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entity as prior written consent from the WFOE or our Company is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entity, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant Laws) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entity through the WFOE and can receive all of the economic benefits and residual returns generated by the Consolidated Affiliated Entity. Accordingly, the Consolidated Affiliated Entity's results of operations, assets and liabilities, and cash flows are consolidated in the historical financial information of our Company for the Track Record Period. The basis of consolidating the results of our Consolidated Affiliated Entity is disclosed in Note 1 to the Accountants' Report in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted 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;
- (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 the WFOE and the Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements; and
- (v) the company seals of the Consolidate Affiliated Entity shall be safely kept at a place where only designated key employees of the Company can have access, whilst the Registered Shareholders shall have no right to use such seals.

CONTRACTUAL ARRANGEMENTS

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On January 1, 2020, the Foreign Investment Law which was adopted at the second session of the thirteenth National People’s Congress came into force. The Foreign Investment Law replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Foreign Investment Law Implementing Regulations, which took effect on January 1, 2020. For details of the Foreign Investment Law and the Foreign Investment Law Implementing Regulations, see “Regulatory Overview — Regulations on Foreign Investment and Overseas Investment — Regulations on Company Establishment and Foreign Investment.”

The Potential Impact of the Foreign Investment Law on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The Foreign Investment Law does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Contractual arrangements are not explicitly specified as a form of foreign investment under the Foreign Investment Law or the Foreign Investment Law Implementation Regulations, and if future laws, regulations and provisions do not prescribe contractual arrangements as a form of foreign investment and relevant laws and regulations in respect of foreign investment remain unchanged, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be materially and adversely affected, with an exception, for which, see “Risk Factors — Risks Related to our Corporate Structure — If the PRC government deems that the agreements that establish the structure for operating our businesses in China do not comply with PRC regulations on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” In any event, we will take reasonable steps in good faith to seek compliance with the Foreign Investment Law.

However, there are possibilities that future laws, administrative regulations and 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 then effective foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. In addition, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws, and the interpretation or implementation ultimately adopted by the relevant authorities of the Foreign Investment Law or the Foreign Investment Law Implementation Regulations may be inconsistent with our PRC Legal Advisor’s understanding.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transaction with a person that will, upon [REDACTED], become our connected person (as defined under Chapter 14A of the Listing Rules). Accordingly, following the [REDACTED], the transaction contemplated thereunder will constitute our continuing connected transaction under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

The table below sets forth the party who will become our connected person upon [REDACTED] and the nature of its relationship with our Group:

Name of our connected person	Connected Relationship
Hangzhou Meijian	Hangzhou Meijian is an associate of both Mr. Huang and Mr. Chen, our executive Directors, and is therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31,		
			2025	2026	2027
			<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>

Non-exempt continuing connected transaction

Contractual Arrangements	14A.35, 14A.36, 14A.46, 14A.49, 14A.52 to 14A.59, 14A.71, 14A.105	Waiver from (i) announcement, circular and independent shareholders' approval; (ii) setting annual cap requirement; and (iii) limiting the term of an agreement to three years	Not applicable		
------------------------------------	---	--	----------------	--	--

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transaction

Contractual Arrangements

Backgrounds

As disclosed in the section headed “Contractual Arrangements,” due to regulatory restrictions on foreign ownership in the PRC, we conduct certain businesses through our Consolidated Affiliated Entity in the PRC. As a result, our Group, through the WFOE, has entered into Contractual Arrangements with Hangzhou Meijian and the Registered Shareholders on January 10, 2022, pursuant to which our Group (i) receives substantially all of the economic benefits from the Consolidated Affiliated Entity in consideration for the services provided by the WFOE to the Consolidated Affiliated Entity; (ii) exercises effective control over the Consolidated Affiliated Entity through the WFOE; and (iii) holds an exclusive purchase option to purchase all or part of equity interests and assets in the Consolidated Affiliated Entity when and to the extent permitted by PRC laws.

See “Contractual Arrangements” in this document for further details.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements are a continuing connected transaction of our Group and are subject to reporting, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transaction contemplated under the Contractual Arrangements technically constitute a continuing connected transaction under Chapter 14A of the Listing Rules, 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, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement, circular and approval of independent Shareholders.

CONNECTED TRANSACTIONS

Application for Waiver

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted us, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under the Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rules 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rules 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are [REDACTED] on the Stock Exchange subject to the following conditions:

(a) No change without independent non-executive Directors' approval

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent Shareholders. Once 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 (c) below) will however continue to be applicable.

(c) Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire all or part of equity interests and assets of the Consolidated Affiliated Entity, (ii) the business structure under which the profits generated by the Consolidated Affiliated Entity after deduction of any accumulated deficit in respect of the preceding financial years, operating costs, expenses, taxes and other statutory contributions is retained by our Group, such that no annual caps shall be set on the amount of services fees payable to the WFOE under the Exclusive Technology Development, Consultation and Technical Service Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entity.

CONNECTED TRANSACTIONS

(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 the 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 described in “Contractual Arrangements” in this document. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as connected persons of our Group and transactions between these connected persons and our Group 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.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) the Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- (ii) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report for the relevant year that: (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (2) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (3) any new contract entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole;
- (iii) 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 confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and

CONNECTED TRANSACTIONS

- (iv) for the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," the Consolidated Affiliated Entity will be treated as our Company's wholly-owned subsidiary, and at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entity and its associates will be treated as connected persons of our Company. Therefore, the transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entity) other than those under the Contractual Arrangements will be subjected to requirements under Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entity further undertakes that, for so long as the Shares are [REDACTED] on the Stock Exchange, the Consolidated Affiliated Entity will provide our Group's management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors' on the connected transactions.

Confirmation from the Directors

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transaction as set out above has been entered into in the ordinary and usual course of our business, on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Confirmation from the Joint Sponsors

Based on the representations, confirmations, documentation and data provided by the Company and participation in the due diligence and discussion with the Company, the Joint Sponsors are of the view that the continuing connected transaction as set out above has been entered into in the ordinary and usual course of business of the Company on normal commercial terms or better which are fair and reasonable, and are in the interests of the Shareholders as a whole.

The Joint Sponsors are of the view that, with respect to the terms of the relevant agreements underlying the Contractual Arrangements which exceed three years, taking into consideration the reasons for entering into the Contractual Arrangements as set out above in this section, it is reasonable for the duration of these agreements to exceed three years, and it is normal business practice for agreements of this type to be of such duration.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon [REDACTED], our Board will consist of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Position(s)	Date of joining the Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors or senior management
Mr. HUANG Xiaohuang (黃曉煌) . . .	40	Co-founder, chairman of the Board and executive Director	November 2011	July 2013	Responsible for the overall strategic planning and business direction and development of our Group	N/A
Mr. CHEN Hang (陳航) .	38	Co-founder, executive Director and Chief Executive Officer	November 2011	July 2013	Responsible for strategic planning, business operations and operational management of our Group	N/A
Mr. ZHU Hao (朱皓)	39	Co-founder, executive Director and Chief Technology Officer	April 2012	July 2013	Responsible for strategic planning and management of technological research and development of our Group	N/A
Mr. SHEN Bei (沈倍)	45	Executive Director and Chief Financial Officer	September 2019	June 2021	Responsible for planning and management of investment and financing of our Group	N/A
Mr. FOO Ji-xun (符績勛) . . .	56	Non-executive Director	March 2021	March 2021	Responsible for participating in major decisions on our Group's operations and development	N/A
Mr. TAN Zhiqian (譚之謙) . . .	33	Non-executive Director	December 2024	December 2024	Responsible for participating in major decisions on our Group's operations and development	N/A
Ms. CHEN Lianqing (陳連青) . . .	55	Independent non-executive Director	[REDACTED]	[REDACTED]	Supervising and providing independent advice and judgment to our Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining the Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors or senior management
Mr. GE Ke (葛珂)	51	Independent non-executive Director	[REDACTED]	[REDACTED]	Supervising and providing independent advice and judgment to our Board	N/A
Mr. YEUNG Kwok On (楊國安) . . .	63	Independent non-executive Director	[REDACTED]	[REDACTED]	Supervising and providing independent advice and judgment to our Board	N/A

Executive Directors

Mr. HUANG Xiaohuang (黃曉煌), aged 40, is a co-founder of our Group, the chairman of the Board and an executive Director. He has been a Director since July 2013 and was re-designated as an executive Director on December 17, 2024. Mr. Huang is primarily responsible for the overall strategic planning and business direction and development of our Group. He is also the chairman of the board and a director of Hangzhou QunHe and a director of the WFOE, Exacloud (Hong Kong), Coohom (Hong Kong) and Modelo Inc.

Mr. Huang has over 14 years of experience in the software and engineering industry. Prior to co-founding our Group, Mr. Huang served as a software engineer at NVIDIA Corporation, a visual computing company focusing on graphics and compute and networking and listed on Nasdaq Stock Exchange (stock code: NVDA), from July 2010 to June 2011, where he was mainly responsible for the design and development of NVIDIA CUDA and other software.

Mr. Huang received his bachelor’s degree in computer science from Zhejiang University (浙江大學) in the PRC in June 2007 and a master’s degree in computer science from University of Illinois Urbana-Champaign in the United States in May 2010.

Mr. CHEN Hang (陳航), aged 38, is a co-founder of our Group, an executive Director and our Chief Executive Officer. He has been a Director since July 2013 and was re-designated as an executive Director on December 17, 2024. Mr. Chen is primarily responsible for strategic planning, business operations and operational management of our Group. He is also a director of the WFOE, Exacloud (Hong Kong), Coohom (Hong Kong), Hangzhou QunHe, and Coohom Inc.

Mr. Chen has been a non-executive director of Hangzhou Yinao Intelligent Technology Co., Ltd. (杭州億腦智能科技有限公司), a company specializing in the software and information technology services industry since April 2007.

Mr. Chen received his bachelor’s degree in computer science from Zhejiang University (浙江大學) in the PRC in June 2007 and a master’s degree in computer science from University of Illinois Urbana-Champaign in the United States in December 2010.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHU Hao (朱皓), aged 39, is a co-founder of our Group, an executive Director and our Chief Technology Officer. He has been a Director since July 2013 and was re-designated as an executive Director on December 17, 2024. Mr. Zhu is primarily responsible for strategic planning and management of technological research and development of our Group. He is also a director of the WFOE, Hangzhou Meijian, Shanghai Mengdai, Exacloud (Hong Kong), Coohom (Hong Kong) and Hangzhou QunHe.

Mr. Zhu has over 15 years of experience in the software and engineering industry. Prior to co-founding our Group, Mr. Zhu was a software engineer at Amazon.com, Inc., a multinational technology company focusing on e-commerce, cloud computing and digital streaming and listed on Nasdaq Stock Exchange (stock code: AMZN), from March 2011 to March 2012, where he was mainly responsible for the development of cloud services. From July 2009 to February 2011, he was a software engineer at Microsoft Corp and was mainly responsible for the development of software program.

Mr. Zhu received his bachelor’s degree in computer science and technology from Tsinghua University (清華大學) in the PRC in July 2007 and his master’s degree in computer science from University of Illinois Urbana-Champaign in the United States in May 2009.

Mr. SHEN Bei (沈倍), aged 45, is an executive Director and our Chief Financial Officer. He has been a Director since June 2021 and was re-designated as an executive Director on December 17, 2024. Mr. Shen is primarily responsible for planning and management of investment and financing of our Group.

Mr. Shen has over 20 years of experience in the investment and financial industry. Prior to joining our Group, he was an executive director of Goldman Sachs Gao Hua Securities Company Limited from March 2010 to September 2019. Prior to that, Mr. Shen worked as an associate at J.P. Morgan Securities (Asia Pacific) Limited from July 2007 to February 2010 and a senior analyst at Citigroup Global Markets, Inc from August 2002 to May 2005.

Mr. Shen received his bachelor’s degree in mathematics and economics from Colgate University in the United States in May 2002 and his MBA degree in finance from Columbia Business School in the United States in May 2007.

Non-executive Directors

Mr. FOO Ji-xun (符績勳), aged 56, has been a Director since March 2021 and was re-designated as a non-executive Director on December 17, 2024. He is responsible for participating in major decisions on our Group’s operations and development.

Mr. Foo currently serves as a senior managing partner at Granite Asia (formerly known as GGV Capital) and leads the firm’s overall investment strategy and portfolio management. Mr. Foo joined Granite Asia in 2006 and has spent the last 20 years working with entrepreneurs in the mobility, transportation and enterprise services sectors in Asia. From May 2000 to November 2005, Mr. Foo was a director at Draper Fisher Jurvetson Ventures, a venture capital fund and was mainly responsible for investments in Asia. From December 1996 to May 2000, he was the head of the Finance and Investment Division of the National Science and Technology Board of Singapore and was mainly responsible for finance and investment affairs of the board. He served as a research and development project group leader at Hewlett Packard, a company listed on the New York Stock Exchange (NYSE: HPQ) from March 1993 to December 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Foo received a bachelor’s degree in engineering and master’s degree in management of technology in June 1993 and January 1997 from National University of Singapore, respectively.

Mr. TAN Zhiqian (譚之謙), aged 33, has been a Director since December 2024 and was re-designated as a non-executive Director on December 17, 2024. He is responsible for participating in major decisions on our Group’s operations and development.

Mr. Tan has over 10 years of experience in investment. Since August 2020, Mr. Tan has been an executive director at Hexie Tianming Investment Management (Beijing) Co., Ltd. (和諧天明投資管理(北京)有限公司). From June 2020 to July 2020, he served as a director at IDG Capital Investment Consultancy (Beijing) Co., Ltd (IDG資本投資顧問(北京)有限公司). Prior to that, he was an investment manager at Hillhouse Capital, an investment analyst at the Beijing office of The Carlyle Group Inc., a company listed on Nasdaq Global Select Market (stock code: CG) and served as an investment analyst at the Beijing office of Temasek Management Service.

Mr. Tan received his bachelor’s degree in finance from Sun Yat-sen University in Guangdong Province, PRC in June 2014.

Independent Non-executive Directors

Ms. CHEN Lianqing (陳連青), aged 55, was appointed as our independent non-executive Director with effect from the [REDACTED]. She is responsible for supervising and providing independent advice and judgment to our Board.

Ms. Chen has been working at NWS Asset Management (Hainan) Company Limited. (海南新創建資產管理股份有限公司) (“**Hainan NWSAMC**”), a company primarily engaged in the acquisition and disposal of distressed assets, since January 2020, and she is currently a chief financial officer of Hainan NWSAMC. Prior to that, Ms. Chen served as a vice-president of New World Strategic Investment Limited (新世界策略投資有限公司) from January 2010 and worked at the Beijing Office of Hong Kong New World China Industrial Projects Co., Ltd. (香港新世界中國實業項目有限公司) as a project manager and the chief representative of the Beijing Representative Office, responsible for project investment and post-investment management. She served as a manager of the financial department in Shenyang Sunshine Pharmaceutical Co., Ltd. (瀋陽三生製藥有限責任公司) from November 1998 to July 2000. She worked at Zhongbao Futures Brokerage Co., Ltd. (中包國際期貨經紀有限公司) from October 1995 to November 1998 and was an auditor at Beijing Certified Public Accountants (北京會計師事務所) from April 1994 to September 1995.

Ms. Chen received a bachelor’s degree in economics from Central University of Finance and Economics (中央財經大學) in Beijing, the PRC in June 1991, and a master’s degree in economics from Central University of Finance and Economics in Beijing, the PRC in April 1994. She is a non-practicing member of the Chinese Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Mr. GE Ke (葛珂), aged 51, was appointed as our independent non-executive Director with effect from the [REDACTED]. He is responsible for supervising and providing independent advice and judgment to our Board.

Mr. Ge has been an independent non-executive director in Beisen Holding Limited (北森控股有限公司), a human resources management company listed on the Hong Kong Stock Exchange (stock code: 09669.HK) since March 2023. Mr. Ge also serves as a director of Beijing Kingsoft Office Software, Inc. (北京金山辦公軟件股份有限公司), a China-based leading office software and service provider listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688111).

Prior to that, Mr. Ge was the chairman of the board of directors and the general manager of Beijing Kingsoft Office Software, Inc. and the executive director and manager of Zhuhai Kingsoft Office Software Co., Ltd. (珠海金山辦公軟件有限公司) from 2009 to March 2021. He held several positions in Kingsoft Corporation Limited (金山軟件有限公司), a leading software and internet service company listed on the Hong Kong Stock Exchange (stock code: 3888.HK), from 1999 to March 2021, with his last position serving as a senior vice president. From 1999 to 2001, he served as the assistant general manager, overseeing OEM and key account sales; from 2001 to 2003, he served as the vice president, general manager of the WPS Division, chief financial officer and company secretary; from 2003 to 2006, he was the vice president and general manager of the OAG Office Software and E-Government Business Unit; and from 2007 to 2008, he held the role of senior vice president and general manager of the Software Business Division. Mr. Ge served as a department manager at Founder Information System Co., Ltd. (方正信息系統工程有限公司), a company principally engaged in IT services and computer software from 1995 to 1999 and was mainly responsible for software development and project management.

Mr. Ge received a bachelor’s degree in engineering from Nanjing University (南京大學) in Jiangsu Province, PRC in July 1995.

Mr. YEUNG Kwok On (楊國安), aged 63, was appointed as our independent non-executive Director with effect from the [REDACTED]. He is responsible for supervising and providing independent advice and judgment to our Board.

Mr. Yeung has been the senior management advisor of Tencent Holdings Limited (騰訊科技控股公司), a public company listed on the Hong Kong Stock Exchange (stock code: 0700.HK), since August 2008. Mr. Yeung was a Chair Professor of Human Resources Management at the China Europe International Business School in Shanghai from September 2004 to December 2013. He was the Adjunct Professor of Business Administration in The University of Michigan from July 2002 to August 2004, and was the Adjunct Associate Professor from September 1995 to December 1998.

Mr. Yeung received his bachelor’s degree in social sciences from The University of Hong Kong in November 1984 and a Ph.D. of business administration from University of Michigan in December 1990.

DIRECTORS AND SENIOR MANAGEMENT

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

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 February 2025, and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that, except as disclosed in this document, he or she had no past or present financial or other interest in the business of the Company or its subsidiaries or 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 or her independence at the time of his or her appointment. Each of our independent non-executive Directors will inform us and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his or her independence.

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The table below sets out certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of joining the Group</u>	<u>Date of appointment as senior management</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Directors or senior management</u>
Mr. HUANG Xiaohuang (黃曉煌) . . .	40	Co-founder, chairman of the Board and executive Director	November 2011	November 2011	Responsible for the overall strategic planning and business direction and development of our Group	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining the Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors or senior management
Mr. CHEN Hang (陳航)	38	Co-founder, executive Director and Chief Executive Officer	November 2011	July 2013	Responsible for strategic planning, business operations and operational management of our Group	N/A
Mr. ZHU Hao (朱皓)	39	Co-founder, executive Director and Chief Technology Officer	April 2012	July 2013	Responsible for strategic planning and management of technological research and development of our Group	N/A
Mr. SHEN Bei (沈倍)	45	Executive Director and Chief Financial Officer	September 2019	September 2019	Responsible for planning and management of investment and financing of our Group	N/A

For biographical details of Mr. HUANG Xiaohuang (黃曉煌), Mr. CHEN Hang (陳航), Mr. ZHU Hao (朱皓) and Mr. SHEN Bei (沈倍), see “— Executive Directors” above.

DIRECTORS’ AND SENIOR MANAGEMENT’S INTERESTS

Save as disclosed above, none of our Directors or senior management members has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the Shares held by Mr. Huang, Mr. Chen, Mr. Zhu and Mr. SHEN Bei, our executive Directors, and by Mr. Yeung Kwok On, our independent non-executive Director, which are disclosed in “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders” in Appendix IV to this document, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

As of the Latest Practicable Date, none of our Directors or senior management are related to other Directors or senior management of our Company.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. PUN Ka Ying (盤嘉盈) was appointed as the company secretary in February 2025. Ms. Pun is a Senior Manager of Company Secretarial Services of Tricor Services Limited. She has more than 16 years of experience in the company secretary profession. She has been providing corporate secretarial and compliance services to Hong Kong-[REDACTED] companies as well as multinational, private and offshore companies. Ms. Pun is the member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She possesses the academic and professional qualifications of a company secretary recognized by the Hong Kong Stock Exchange.

Ms. Pun obtained her bachelor’s degree of Social Science from The Chinese University of Hong Kong in December 1999. She obtained her master’s degree of Corporate Governance from The Open University of Hong Kong in November 2010.

BOARD COMMITTEES

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Ms. CHEN Lianqing (陳連青), Mr. GE Ke (葛珂) and Mr. TAN Zhiqian (譚之謙). The chairperson of the Audit Committee is Ms. CHEN Lianqing (陳連青). Ms. CHEN Lianqing (陳連青) has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. YEUNG Kwok On (楊國安), Mr. GE Ke (葛珂) and Mr. FOO Ji-xun (符績勛). The chairperson of the Remuneration Committee is Mr. YEUNG Kwok On (楊國安).

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

Nomination Committee

We have established a nomination committee in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of one executive Director and two independent non-executive Directors, namely Mr. HUANG, Ms. CHEN Lianqing (陳連青) and Mr. YEUNG Kwok On (楊國安). The chairperson of the Nomination Committee is Mr. HUANG.

The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

CORPORATE GOVERNANCE CODE

We have adopted certain corporate governance measures in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules in all materials aspects after the [REDACTED].

BOARD DIVERSITY POLICY

Our board diversity policy (the “**Board Diversity Policy**”) sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including accounting, corporate and financial management in addition to industry experience in the software and engineering industry. They obtained degrees in various majors including but not limited to computer science, engineering, finance, mathematics and economics. Furthermore, the Board possesses members spanning a wide range of ages, from 33 years old to 63 years old as at the Latest Practicable Date. Our Company has reviewed the membership, structure and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operation.

DIRECTORS AND SENIOR MANAGEMENT

Besides, we recognize the particular importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Currently, we have one female Director, namely Ms. CHEN Lianqing (陳蓮青). Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments to help achieve greater gender diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies the Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. 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 an annual basis.

REMUNERATION OF DIRECTORS AND MANAGEMENT

Our Directors and members of our senior management receive remuneration from our Company in the form of salaries, allowances and benefits in kind, bonuses, discretionary bonuses, retirement scheme contributions and share-based payments.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) paid to the Directors for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 was RMB9.8 million, RMB9.4 million and RMB6.5 million, respectively.

The aggregate amount of remuneration (including salaries and other emoluments, discretionary bonuses, retirement scheme contributions and share-based payments) paid to the five highest paid individuals of our Group for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 was RMB20.7 million, RMB20.0 million and RMB14.2 million, respectively. In 2022, 2023 and the nine months ended September 30, 2024, there was one, one and one Director among the five highest paid individuals, respectively.

The remuneration of our Directors and members of our senior management is determined with reference to factors including the responsibility, risk and commitment of our Directors, the completion rate of our corporate profit, the assessment result of our target responsibility system, the performance evaluation structure of each of our corporate departments and the salaries paid by comparable companies.

Save as disclosed above and in “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document, no other payments have been paid or are payable in respect of the Track Record Period to the Directors by the Group.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no amount was paid to, or receivable by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office in connection with the management positions of any member of the Group. None of the Directors waived any emoluments during the Track Record Period.

For more details on remuneration of our Directors and the highest paid individuals, see Notes 8 and 9 to the Accountants’ Report in Appendix I to this document.

PRE-[REDACTED] EQUITY INCENTIVE PLANS

Our Company adopted the Pre-[REDACTED] Equity Incentive Plans, which included (i) 2014 Pre-[REDACTED] Equity Incentive Plan initially adopted on August 28, 2014, as amended on June 30, 2017 and October 28, 2021 and (ii) 2024 Pre-[REDACTED] Equity Incentive Plan adopted on December 17, 2024. See “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document for details.

COMPLIANCE ADVISOR

Our Company has appointed Rainbow Capital (HK) Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Advisor will advise the Company in certain circumstances and/or matters including:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual [REDACTED] movement and [REDACTED] volume or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of appointment of the Compliance Advisor shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans), the following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares of our Company which (i) would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (ii) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest/ Capacity	As of the Latest Practicable Date		Immediately following completion of the [REDACTED]	
		Number of Shares held	Approximate percentage of interest in our Company ⁽¹⁾ (%)	Number of Shares held	Approximate percentage of interests in our Company ⁽²⁾ (%)
Mr. Huang ⁽³⁾	Interest in controlled corporation	238,000,000	15.46	[REDACTED]	[REDACTED]
Wintermatch International Limited ⁽³⁾	Beneficial owner	238,000,000	15.46	[REDACTED]	[REDACTED]
Mr. Chen ⁽⁴⁾	Interest in controlled corporation	170,000,000	11.04	[REDACTED]	[REDACTED]
Ineffable International Limited ⁽⁴⁾	Beneficial owner	170,000,000	11.04	[REDACTED]	[REDACTED]
IDG Technology Venture Investment IV, L.P. ⁽⁵⁾	Beneficial owner	120,000,000	7.79	[REDACTED]	[REDACTED]
IDG Technology Venture Investment IV, LLC ⁽⁵⁾	Interest in controlled corporation	120,000,000	7.79	[REDACTED]	[REDACTED]
IDG Technology Venture Investment V, L.P. ⁽⁵⁾	Beneficial owner	78,589,226	5.10	[REDACTED]	[REDACTED]
IDG Technology Venture Investment V, LLC ⁽⁵⁾	Interest in controlled corporation	78,589,226	5.10	[REDACTED]	[REDACTED]
Ho Chi Sing ⁽⁵⁾	Interest in controlled corporation	198,589,226	12.90	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest/ Capacity	As of the Latest Practicable Date		Immediately following completion of the [REDACTED]	
		Number of Shares held	Approximate percentage of interest in our Company ⁽¹⁾ (%)	Number of Shares held	Approximate percentage of interests in our Company ⁽²⁾ (%)
Zhou Quan ⁽⁵⁾	Interest in controlled corporation	198,589,226	12.90	[REDACTED]	[REDACTED]
HH SUM-I Holdings Limited ⁽⁶⁾	Beneficial owner	193,925,726	12.60	[REDACTED]	[REDACTED]
HH SPR-XIV Holdings L.P. ⁽⁶⁾	Interest in controlled corporation	193,925,726	12.60	[REDACTED]	[REDACTED]
Hillhouse Fund IV, L.P. ⁽⁶⁾	Interest in controlled corporation	193,925,726	12.60	[REDACTED]	[REDACTED]
Hillhouse Investment Management, Ltd. ⁽⁶⁾	Interest in controlled corporation	193,925,726	12.60	[REDACTED]	[REDACTED]
GGV Capital V L.P. ⁽⁷⁾	Beneficial owner	170,989,568	11.11	[REDACTED]	[REDACTED]
GGV Capital V L.L.C. ⁽⁷⁾	Interest in controlled corporation	177,264,909	11.51	[REDACTED]	[REDACTED]
Shunwei Growth III Limited ⁽⁸⁾	Beneficial owner	133,307,402	8.66	[REDACTED]	[REDACTED]
Shunwei China Internet Opportunity Fund II, LP ⁽⁸⁾	Interest in controlled corporation	133,307,402	8.66	[REDACTED]	[REDACTED]
Shunwei Capital Partners III GP, L.P. ⁽⁸⁾	Interest in controlled corporation	133,307,402	8.66	[REDACTED]	[REDACTED]
Shunwei Capital Partners III GP Limited ⁽⁸⁾	Interest in controlled corporation	133,307,402	8.66	[REDACTED]	[REDACTED]
Silver Unicorn Ventures Limited ⁽⁸⁾	Interest in controlled corporation	150,048,202	9.75	[REDACTED]	[REDACTED]
Koh Tuck Lye ⁽⁸⁾	Interest in controlled corporation	150,048,202	9.75	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest/ Capacity	As of the Latest Practicable Date		Immediately following completion of the [REDACTED]	
		Number of Shares held	Approximate percentage of interest in our Company ⁽¹⁾ (%)	Number of Shares held	Approximate percentage of interests in our Company ⁽²⁾ (%)
Coatue PE Asia 36 LLC ⁽⁹⁾	Beneficial owner	53,678,200	3.49	[REDACTED]	[REDACTED]
Coatue PE Asia 73 LLC ⁽⁹⁾	Beneficial owner	50,222,401	3.26	[REDACTED]	[REDACTED]
Coatue Management, L.L.C. ⁽⁹⁾	Interest in controlled corporation	103,900,601	6.75	[REDACTED]	[REDACTED]
Coatue Management Partners L.P. ⁽⁹⁾	Interest in controlled corporation	103,900,601	6.75	[REDACTED]	[REDACTED]
Coatue Management Partners GP LLC ⁽⁹⁾	Interest in controlled corporation	103,900,601	6.75	[REDACTED]	[REDACTED]
Philippe Laffont ⁽⁹⁾	Interest in controlled corporation	103,900,601	6.75	[REDACTED]	[REDACTED]

Notes:

- (1) Assuming that all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios.
- (2) Assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans.
- (3) Wintermatch International Limited (“**Wintermatch**”) is wholly owned by Mr. Huang. Accordingly, Mr. Huang is deemed to be interested in the Shares held by Wintermatch under the SFO.
- (4) Ineffable International Limited is wholly owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the Shares held by Ineffable International Limited under the SFO.
- (5) As of the Latest Practicable Date, IDG Technology Venture Investment IV, L.P. (“**IDG Venture IV**”) and IDG Technology Venture Investment V, L.P. (“**IDG Venture V**”) are limited partnerships established under the laws of the state of Delaware, the United States. The sole general partner of IDG Venture IV is IDG Technology Venture Investment IV, LLC (“**IDG IV LLC**”), while IDG Technology Venture Investment V, LLC (“**IDG V LLC**”) serves as the general partner of IDG Venture V. Both IDG IV LLC and IDG V LLC are controlled by their two managing members, namely, Ho Chi Sing and Zhou Quan. Accordingly, under the SFO, (i) IDG IV LLC is deemed to be interested in the Shares held by IDG Venture IV; (ii) IDG V LLC is deemed to be interested in the Shares held by IDG Venture V; and (iii) each of Ho Chi Shing and Zhou Quan is deemed to be interested in the Shares held by IDG Venture IV and IDG Venture V.

SUBSTANTIAL SHAREHOLDERS

- (6) As of the Latest Practicable Date, HH SUM-I Holdings Limited is an exempted limited liability company established in Cayman Islands and is wholly owned by HH SPR-XIV Holdings L.P. (“**HH SPR-XIV**”). The sole limited partner of HH SPR-XIV is Hillhouse Fund IV, L.P. The sole investment manager of Hillhouse Fund IV, L.P. is Hillhouse Investment Management, Ltd. Accordingly, under the SFO, each of Hillhouse Fund IV, L.P. and Hillhouse Investment Management, Ltd. is deemed to be interested in the Shares held by HH SUM-I Holdings Limited.
- (7) As of the Latest Practicable Date, in addition to the Shares held by GGV Capital V L.P., GGV Capital V Entrepreneurs Fund L.P. also directly held 6,275,341 Shares in our Company, representing approximately 0.41% of the total issued Shares of our Company immediately prior to the completion of the [REDACTED] (assuming that all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios). GGV Capital V L.P. and GGV Capital V Entrepreneurs Fund L.P. are limited partnerships organized under the laws of the state of Delaware, the United States, which are controlled by GGV Capital V L.L.C. as the general partner. Accordingly, under the SFO, GGV Capital V L.L.C. is deemed to be interested in the Shares held by GGV Capital V L.P. and GGV Capital V Entrepreneurs Fund L.P.
- (8) As of the Latest Practicable Date, in addition to the Shares held by Shunwei Growth III Limited, Astrend Opportunity III Alpha Limited also directly held 16,740,800 Shares in our Company, representing approximately 1.09% of the total issued Shares of our Company immediately prior to the completion of the [REDACTED] (assuming that all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios). Shunwei Growth III Limited is a company incorporated under the laws of the British Virgin Islands, which is wholly owned by Shunwei China Internet Opportunity Fund II, L.P. The general partner of Shunwei China Internet Opportunity Fund II, L.P. is Shunwei Capital Partners III GP, L.P., and the general partner of Shunwei Capital Partners III GP, L.P. is Shunwei Capital Partners III GP Limited. Astrend Opportunity III Alpha Limited is a company incorporated under the laws of the British Virgin Islands, which is wholly owned by Shunwei China Internet Opportunity Fund III, L.P. The general partner of Shunwei China Internet Opportunity Fund III, L.P. is Shunwei Capital Partners IV GP, L.P., and the general partner of Shunwei Capital Partners IV GP, L.P. is Shunwei Capital Partners IV GP Limited. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares in both Shunwei Capital Partners III GP Limited and Shunwei Capital Partners IV GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Accordingly, under the SFO, each of Silver Unicorn Ventures Limited and Mr. Koh Tuck Lye is deemed to be interested in the Shares held by Shunwei Growth III Limited and Astrend Opportunity III Alpha Limited.
- (9) As of the Latest Practicable Date, Coatue PE Asia 36 LLC (“**Coatue 36**”) and Coatue PE Asia 73 LLC (“**Coatue 73**”) are limited liability companies incorporated under the laws of the state of Delaware, the United States. Both Coatue 36 and Coatue 73 are managed by Coatue Management, L.L.C. as the investment manager. The sole owner of Coatue Management, L.L.C. is Coatue Management Partners L.P., for which Coatue Management Partners GP LLC serves as general partner. Philippe Laffont serves as managing member of Coatue Management Partners GP LLC. Accordingly, under the SFO, each of Coatue Management, L.L.C., Coatue Management Partners L.P., Coatue Management Partners GP LLC and Philippe Laffont is deemed to be interested in the Shares held by Coatue 36 and Coatue 73.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all the Preferred Shares are converted into Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans), have any interest and/or short position (as applicable) in the Shares or underlying shares of our Company which (i) would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (ii) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and following the completion of the [REDACTED]:

Share Capital as of the Latest Practicable Date

(i) *Authorized share capital*

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)
Ordinary Shares	3,180,163,823	79,504.10
Series A Preferred Shares	120,000,000	3,000.00
Series A-1 Preferred Shares	51,063,840	1,276.60
Series B-1 Preferred Shares	195,153,492	4,878.84
Series B-2 Preferred Shares	7,822,240	195.56
Series C Preferred Shares	57,581,200	1,439.53
Series D-1 Preferred Shares	11,081,143	277.03
Series D-2 Preferred Shares	166,955,859	4,173.90
Series D+1 Preferred Shares	39,546,136	988.65
Series D+2 Preferred Shares	23,749,153	593.73
Series E Preferred Shares	78,390,625	1,959.77
Series E+ Preferred Shares	68,492,489	1,712.31
Total	<u>4,000,000,000</u>	<u>100,000</u>

(ii) *Issued, fully paid or credited to be fully paid*

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)
Ordinary Shares	549,226,363	13,730.66
Series A Preferred Shares ⁽¹⁾	120,000,000	3,000.00
Series A-1 Preferred Shares ⁽¹⁾	51,063,840	1,276.60
Series B-1 Preferred Shares ⁽¹⁾	195,153,492	4,878.84
Series B-2 Preferred Shares ⁽¹⁾	7,822,240	195.56
Series C Preferred Shares ⁽¹⁾	57,581,200	1,439.53
Series D-1 Preferred Shares ⁽¹⁾	11,081,143	277.03
Series D-2 Preferred Shares ⁽¹⁾	166,955,859	4,173.90
Series D+1 Preferred Shares ⁽¹⁾	39,546,136	988.65
Series D+2 Preferred Shares ⁽¹⁾	23,749,153	593.73
Series E Preferred Shares ⁽¹⁾	78,390,625	1,959.77
Series E+ Preferred Shares ⁽¹⁾	68,492,489	1,626.70
Total	<u>1,369,062,540</u>	<u>34,226.56</u>

SHARE CAPITAL

Note:

- (1) Pursuant to the articles of association of the Company effective as of the Latest Practicable Date, the Preferred Shares will be automatically converted into Ordinary Shares according to their respective conversion ratios upon the completion of the [REDACTED]. For details of the conversion ratios, see “History, Reorganization and Corporate Structure — Share Conversion.”

Share Capital Immediately Following the Completion of the [REDACTED]

(i) Authorized share capital

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)
Authorized share capital	<u>4,000,000,000</u>	<u>100,000</u>

(ii) Issued and to be issued, fully paid or credited to be fully paid (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans)

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)
Shares in issue (including the Shares on conversion of the Preferred Shares)	1,539,487,840	38,487.20
Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

(iii) Issued and to be issued, fully paid or credited to be fully paid (assuming the [REDACTED] is exercised in full, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans)

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)
Shares in issue (including the Shares on conversion of the Preferred Shares)	1,539,487,840	38,487.20
Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Ordinary Shares to be issued pursuant to the exercise of the [REDACTED] in full	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon completion of the [REDACTED], our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its share capital into shares of larger amount, (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken or agreed to be taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by the Shareholders passing a special resolution. See “Summary of the Constitution of the Company and Cayman Companies Act — Summary of the Constitution of the Company — 2. Articles of Association — 2.5 Alteration of capital” in Appendix III to this document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (including the power to sell or transfer any treasury Shares), and for further details, see “Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries and Consolidated Affiliated Entity — 5. Resolutions of the Shareholders of Our Company” in Appendix IV to this document.

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 our own securities, and for particulars of which, see “Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries and Consolidated Affiliated Entity — 5. Resolutions of the Shareholders of Our Company” in Appendix IV to this document.

PRE-[REDACTED] EQUITY INCENTIVE PLANS

We have adopted the Pre-[REDACTED] Equity Incentive Plans. See “Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plans” in Appendix IV to this document for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report” to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this document, including “Risk Factors” and “Business” in this document.

For the purpose of this section, unless the context otherwise requires, references to 2022 and 2023 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Manycore is a fast-growing, disruptive design and visualization platform powered by artificial intelligence (AI) technologies and purpose-built graphics processing unit (GPU) clusters. Our platform empowers businesses of all sizes to create captivating designs and bring them to life through immediate and immersive visuals. Designs crafted on our platform can be translated into production-ready drawings, enabling an automated and accurate manufacturing process. The open architecture of our platform allows for seamless data interoperability, continuous platform upgrades and scalability, offering great potential for broad application in various vertical industries.

Our journey started with a focus on spatial design and visualization. We are the world’s largest spatial design platform, as measured by the number of average monthly active users (MAUs) in 2023, and also the largest software provider in China’s spatial design industry as measured by revenue in 2023, according to Frost & Sullivan. Over the years, we have broadened our offerings to include a wide array of design and visualization solutions, catering to both real-world spaces, such as residences, office buildings, retail stores, and commercial projects, as well as virtual environments, including embodied AI training and e-commerce

FINANCIAL INFORMATION

product staging. As we have evolved into a central hub within an ecosystem that connects millions of designers, retailers, manufacturers, and end consumers, we now offer a comprehensive, end-to-end experience that encompasses design, visualization, implementation, and value chain collaboration. Among our product matrix, our key offerings include Kujiale (酷家樂), Coohom, and SpatialVerse. For details, see “Business — Our Products.”

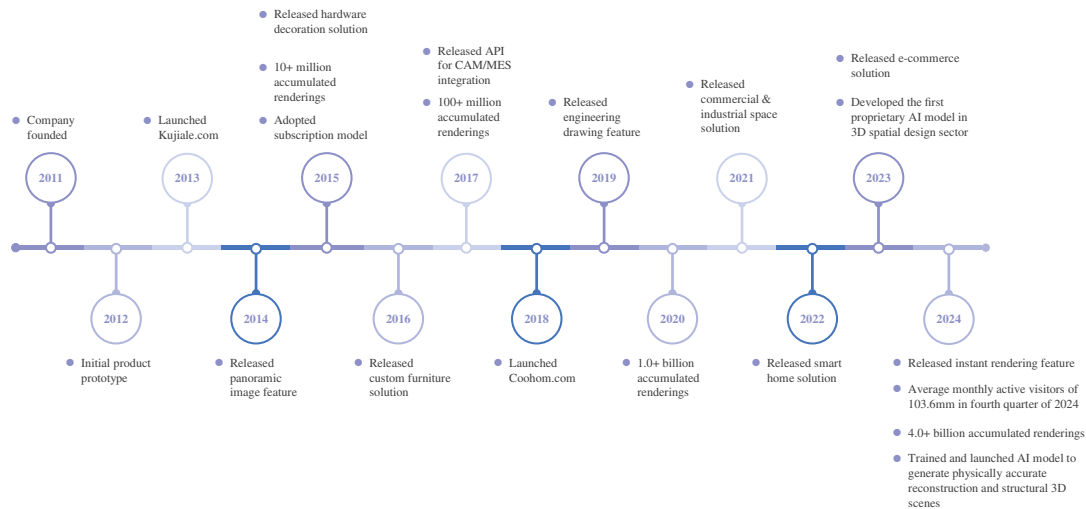
We have adopted a freemium go-to-market approach and a product-led growth (PLG) strategy since our inception. We offer free versions of our products, creating low-friction entry points and fostering a dynamic, expansive user community. Our offerings have gained popularity within the designer community. In 2024, our platform amassed average monthly active visitors of 86.3 million, and our average MAUs reached 2.7 million. Every day, our platform processes millions of renderings and billions of application programming interface (API) calls. As user engagement with our products grows, many opt to upgrade to paid, premium subscriptions, becoming our paying customers. As of December 31, 2022 and 2023 and September 30, 2024, we had served over 311,107, 390,585, and 413,872 individual customers, respectively. Beyond the growing popularity among individual customers, our solutions have also gained traction within the broader design and visualization value chain, benefitting from our unique end-to-end design-to-production coverage. This integration has enhanced our brand recognition and attracted an increasing number of enterprises, including their downstream manufacturers, to become our subscribers. Our enterprise customer base enlarged by 24.2% from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023, and further increased to 45,548 as of September 30, 2024.

We operate primarily under a subscription model and have experienced continued growth in recent years. Our revenue increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, and increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the same period in 2024. Our gross profit margin amounted to 72.7%, 76.8%, and 80.4% in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our loss for the year/period decreased by 8.2% from RMB703.7 million in 2022 to RMB646.1 million in 2023, and decreased by 13.8% from RMB489.5 million for the nine months ended September 30, 2023 to RMB422.1 million for the same period in 2024. Our adjusted net loss (non-IFRS measure) decreased by 28.3% from RMB337.5 million in 2022 to RMB241.9 million in 2023, and decreased by 52.8% from RMB198.5 million for the nine months ended September 30, 2023 to RMB93.6 million for the same period in 2024.

FINANCIAL INFORMATION

The graph below illustrates the key milestones in our development:

Key Milestones



BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss (“**FVPL**”), which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Judgments made by management in the application of IFRS Accounting Standards that have significant effects on the historical financial information and major sources of estimation uncertainty are disclosed in Note 3 to the Accountants’ Report included in Appendix I to this document.

FINANCIAL INFORMATION

KEY OPERATING METRICS

We adopt a growth strategy with a focus on increasing the lifetime value of our enterprise customers, particularly our key accounts, while expanding our market share. To evaluate our implementation of such strategy and assess our business performance, we regularly review a number of key operating metrics that are presented in the following table for the periods or as of the dates indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands for subscription revenues, RMB for per customer subscription revenue)</i>			
			<i>(unaudited)</i>	<i>(unaudited)</i>
Enterprise customers⁽¹⁾:				
Subscription revenues	490,121	562,825	413,963	464,337
Per customer subscription revenue ⁽²⁾	14,826	13,704	13,956	13,593
Key accounts⁽³⁾:				
Subscription revenues	203,538	257,432	184,061	225,926
Per customer subscription revenue ⁽²⁾	644,107	729,270	726,078	818,574
Individual customers⁽⁴⁾:				
Subscription revenues	53,814	84,264	60,709	79,186
Per customer subscription revenue ⁽²⁾	173	216	210	255
			As of	As of
			December 31,	September 30,
	2022	2023	2024	2024
Enterprise customers⁽¹⁾:				
Number	33,058	41,070	45,548	
NRR rate ⁽⁵⁾ (%)	112.3	106.0	104.2	
Key accounts⁽³⁾:				
Number	316	353	368	
NRR rate ⁽⁵⁾ (%)	127.6	115.5	114.1	
Individual customers⁽⁴⁾:				
Number	311,107	390,585	413,872	
NRR rate ⁽⁵⁾ (%)	81.1	106.5	96.0	

FINANCIAL INFORMATION

Notes:

- (1) “Enterprise customers” as of a given date refer to entities that were subscribers to our paid versions within 12 months prior to such date. Different entities affiliated with one enterprise customer that subscribe to our products and solutions are deemed as one enterprise customer for purposes of this calculation.
- (2) “Per customer subscription revenue” refers to the annualized average revenue generated from subscriptions paid by each customer within a specified year or period.
- (3) “Key accounts” refer to enterprise customers whose annual revenue contributions reach RMB200,000.
- (4) “Individual customers” as of a given date refer to individual subscribers to our paid versions within 12 months prior to such date.
- (5) “NRR rate” or “net revenue retention rate” is a percentage as of a given date, known as the benchmark date, calculated by using (i) the total subscription revenues from a given group of customers for a 12-month period immediately prior to the same date last year as the denominator, and (ii) the total subscription revenues from the same group of customers for a 12-month period immediately prior to the benchmark date as the numerator. For instance, we calculate the NRR rate for our individual customers as of September 30, 2024 by using (i) the total subscription revenues from our individual customers for the 12-month period immediately prior to September 30, 2023 as the denominator, and (ii) the total subscription revenues from this same group of customers for the 12-month period immediately prior to September 30, 2024 as the numerator.

In 2022, 2023 and the nine months ended September 30, 2024, our enterprise customers contributed the majority of our subscription revenues. The number of our enterprise customers reached 33,058, 41,070, and 45,548 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these enterprise customers were RMB490.1 million, RMB562.8 million, and RMB464.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 90.1%, 87.0%, and 85.4% of our total subscription revenues for the respective periods. In particular, our key accounts contributed RMB203.5 million, RMB257.4 million, and RMB225.9 million of our total subscription revenues in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 37.4%, 39.8%, and 41.6%, respectively, of our total subscription revenues for the same periods.

We have been witnessing a parallel growth in the individual customer segment. The number of our individual customers reached 311,107, 390,585, and 413,872 as of December 31, 2022 and 2023 and September 30, 2024, respectively. Subscription revenues from these individual customers were RMB53.8 million, RMB84.3 million, and RMB79.2 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 9.9%, 13.0%, and 14.6% of our total subscription revenues for the respective periods.

We assess our performance in terms of customer retention using a metric that we refer to as net revenue retention rate, or NRR rate. We believe that the NRR rate provides meaningful insights into the revenue contribution from our existing customers over time, indicating our ability to drive their lifetime value on our platform. Customer churn, whether resulting from business closures, discontinuation of subscription or otherwise, could adversely impact the NRR rate. Also, the NRR rate is affected by customers’ purchase cycles, which could fluctuate

FINANCIAL INFORMATION

from time to time within a year, as well as a number of other factors, such as introductions of new features, promotional activities, and the variable timing and amount of customer purchases. As a result, the NRR rate for any specific period is inherently volatile. The calculation of these key metrics and other measures disclosed elsewhere in this document may differ from other similarly titled metrics used by other companies, securities analysts or investors. As of December 31, 2022 and 2023 and September 30, 2024, our NRR rate for enterprise customers was 112.3%, 106.0%, and 104.2%, respectively; and for key accounts, the NRR rate was 127.6%, 115.5%, and 114.1%, respectively. For the same periods, our NRR rate for individual customers was 81.1%, 106.5%, and 96.0%, respectively.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business and results of operations are affected by the overall economic conditions in China and globally, especially the development of the spatial design software industry, as well as factors unique to our company:

Trends in Economic Conditions and Development of Spatial Design Software in China and Globally

The demand for our products and solutions is driven by a number of external factors affecting the spatial design software industry in China and other geographies in which we operate. These factors include, among other things:

- economic growth in China and globally;
- the digitalization progress and cloud adoption in the spatial design software industry;
- business growth and spending strategies of industry participants amid digital transformation;
- the adoption of design software solutions;
- technological advancements and innovation; and
- governmental policies, initiatives and incentives affecting the spatial design software industry.

Our Ability to Acquire New Customers

We have a history of successfully growing our customer base. We offer a free version of our products to facilitate quick user onboarding and upsell them with premium add-on features and support. This freemium model promotes our products and brands to a broader audience at a lower entry cost. By allowing free experience of our products, we nurture user habits and seamlessly convert them into paying customers. This approach aligns with our PLG principle — using the product itself as the primary driver for our customer acquisition, conversion, expansion, and retention. By prioritizing user needs, understanding their pain points, and making continuous improvements to address those issues, we deliver exceptional user experiences and maximize their lifetime value.

FINANCIAL INFORMATION

During the Track Record Period, our platform has experienced a significant surge in traffic and successful user conversions. Average MAUs attracted on our platform reached 2.7 million in 2024. Our individual customers increased by 25.5% from 311,107 as of December 31, 2022 to 390,585 as of December 31, 2023, and further increased to 413,872 as of September 30, 2024. Our enterprise customer base enlarged by 24.2% from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023, and further increased to 45,548 as of September 30, 2024.

Our tiered marketing approach has further driven widespread adoption of our solutions across industry verticals. We design our marketing team and strategies for businesses of different sizes, which allows us to efficiently utilize our marketing resources. For small to medium-sized enterprises, our salesforce engages with prospective customers online with AI assistance, enabling a broad coverage with superior efficiency. For key accounts, we have a dedicated sales team with industry expertise to provide customized services to meet customers’ unique needs. Recently, we have expanded our reach into new segments like office buildings, retail chain stores, and lighting systems, while also applying our products to new use cases such as embodied AI training and e-commerce product staging.

We have established a market leading position in the spatial design software industry in China. While we further solidify our leadership in this industry, we strive to continue our expansion into different verticals and business scenarios. To this end, we intend to continue building our sales and marketing team and work with channel partners to reach customers inside and outside China.

Our Ability to Improve Customer Retention and Expand Customer Lifetime Value

We are committed to providing superior product capabilities and best-in-class customer success support to foster strong customer loyalty. We believe that our ability to retain and expand subscriptions from our existing customers strengthens the stability and predictability of our revenue and is reflective of the value we deliver to our existing customers.

We assess our performance in this regard using a metric that we refer to as the NRR rate. Customer churn, whether resulting from business closures, discontinuation of subscription, or otherwise, could adversely impact the NRR rate. As of December 31, 2022 and 2023 and September 30, 2024, our NRR rate for enterprise customers was 112.3%, 106.0%, and 104.2%, respectively, and such rate for key accounts was 127.6%, 115.5%, and 114.1%, respectively. For the same periods, our NRR rate for individual customers was 81.1%, 106.5%, and 96.0%, respectively.

Our ability to maintain and improve the NRR rate depends on our ability to retain existing customers, and more importantly, our ability to successfully upsell our products and solutions to customers. To this end, we intend to continue building our customer success support network to enhance customer satisfaction and lifetime value.

FINANCIAL INFORMATION

Our Ability to Enhance Technology and Product Development Capabilities

To capitalize on the enormous market opportunities from the evolving spatial design industry, we believe it is critical to consistently foster innovation, harness the latest technologies and enhance our product offerings. We are committed to continuously advancing our product capabilities by developing industry-specific solutions and integrating new features into our existing solutions. By investing in the expansion of our product lines to address new use cases, we aim to meet the changing needs of businesses and help customers navigate complex work environments.

During the Track Record Period, we have launched an add-on feature KuSpace (酷空間) with enhanced building information modeling (BIM) capabilities, which has gained traction in the design of office and retail chain store spaces. Our e-commerce solutions enable customers to set up a virtual studio where they can present their merchandise on websites and through live streaming, a virtual but vivid environment. Since the launch of our e-commerce solution in April 2023, we generated RMB2.8 million in revenue from this sector within the same year and achieved significant revenue growth of 122.0% from RMB2.1 million for the nine months ended September 30, 2023 to RMB4.6 million for the same period in 2024. Beyond design, we will continue to upgrade SpatialVerse to establish ourselves in research areas for sophisticated model training, such as AIGC, embodied AI, AR/VR and robotics, utilizing our vast amounts of synthetic virtual datasets and private computing centers. We will leverage our technological engines and modular architecture to develop and improve products customized for the growing demands in these and other new verticals with high growth potential.

We intend to continue investing in our research and development capabilities to lay a solid foundation for our product development. We plan to enhance the efficiency of our purpose-built GPU infrastructure, further develop our AI technologies, and continue to upgrade our products.

Our Ability to Manage Operating Expenses and Improve Operational Efficiency

We operate primarily under a subscription model, which features significant upfront investments in product development and customer acquisition that generate recurring revenue as existing customers maintain their subscriptions to our products. We believe our early investments in research and development capabilities to address customers’ growing demand and in selling and marketing to acquire new customers propel a long-term benefit to the overall development of our business.

FINANCIAL INFORMATION

In our pursuit of long-term profitability, we are committed to enhancing operational efficiency through ongoing initiatives. To enhance research and development efficiency, we are optimizing project selection to ensure efficiency and focus on impactful developments. We regularly review ongoing projects and assess their alignment with our strategic objectives to ensure efficient resource allocation. To improve selling and marketing efficiency, we intend to have dedicated sales representatives to review, validate, and follow up on marketing-generated leads, fostering synergies and alignment between selling and marketing efforts. We will also continue to refine our training programs for sales and marketing functions to minimize the learning curve for new employees and enhance overall team performance.

Our research and development costs amounted to RMB437.7 million and RMB390.8 million in 2022 and 2023, respectively, and RMB294.2 million and RMB263.4 million for the nine months ended September 30, 2023 and 2024, respectively, accounting for 72.9%, 58.9%, 60.5%, and 47.6% of our total revenue for the respective periods. Our selling and marketing expenses were RMB320.5 million and RMB356.4 million in 2022 and 2023, respectively, and RMB259.4 million and RMB248.2 million for the nine months ended September 30, 2023 and 2024, respectively, accounting for 53.4%, 53.7%, 53.4%, and 44.9% of our total revenue for the respective periods.

Going forward, we expect our operating expenses as percentages of our total revenue to decrease as we benefit from the improved economies of scale and operational efficiency, which will have a long-term positive impact on our profitability.

International Expansion

We aim to replicate our success in China globally. In 2018, we launched Coohom, the international version of Kujiale, mainly targeting the United States, South Korean, Japanese, and Southeast Asian markets. Our international business has witnessed rapid growth in recent years. While growing fast, our international business contributes a relatively small portion of our total revenue. In 2022, 2023 and the nine months ended September 30, 2024, the revenue from markets outside China accounted for 11.3%, 6.0%, and 7.4% of our total revenue, respectively. We see substantial growth opportunities in international markets and will continue expanding our global go-to-market efforts in the near future. As we roll out our software solutions to more international markets, our global sales efforts and launch of additional private computing clusters in destination countries will add complexity and cost to our business operations. Despite this, with better unit pricing and relatively stable cost in our international business, we expect that international expansion will gradually improve our overall profit margin.

Seasonality

Historically, we have observed a relatively lower volume of subscriptions from new and existing customers in the first quarter of each year. We believe that it results from reduced business activities during the Chinese New Year holiday. As this seasonal effect impacts the overall business activities in China, we expect it to persist in the future.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating 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 results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between 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 in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most material estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in the Accountants’ Report in Appendix I to this document.

Revenue Recognition

We recognize revenue when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Our revenues are primarily derived from subscription services, which are fees earned from customers accessing our cloud-based design platform. The platform provides design functions and solution tools such as the rendering feature which can generate panoramic viewings of a designed space, electrical and plumbing design tools, implementation tools that bridge design and production and digital asset management solutions. Our revenues are also derived from professional service revenues which mainly include modeling services, technical deployment services, and customer trainings.

Subscription Revenues

We generate subscription revenues primarily through the sale of subscriptions to our software products and solutions. Our subscription revenues include (i) subscription fees from customers who access our software products and solutions over a specified period of time, and (ii) fees from customers based on volume of usage. The subscription fees are recognized as revenue over the service period, corresponding to the contract term. The fees based on volume of usage are recognized upon consumption by the customers.

FINANCIAL INFORMATION

Professional Service Revenues

The professional services contracts are negotiated on a case-by-case basis, typically structured as project-based agreements. We earn and recognize revenues from professional services upon the service delivery and acceptance by the customers.

Property, Plant and Equipment

We state the following items of property, plant and equipment at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses:

- right-of-use assets arising from leases over freehold or leasehold properties where we are not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

We recognize any gain or loss on disposal of an item of property, plant and equipment in profit or loss. We transfer any related revaluation surplus from the revaluation reserve to retained profits and do not reclassify such revaluation surplus to profit or loss.

We calculate depreciation to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives. We generally recognize such depreciation in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

<u>Category</u>	<u>Estimated useful lives</u>
Server and network equipment	3 years
Computer and office equipment	3 years
Vehicles	5-10 years
Leasehold improvement	Shorter of useful lives or lease term
Right-of-use assets	Over the lease term

We review depreciation methods, useful lives and residual values at each reporting date and adjusted if appropriate.

FINANCIAL INFORMATION

Control Assessment Through Contractual Arrangements

We have a number of involvements with the other entity through contractual or other arrangements. In particular, as disclosed in Note 1 to the Accountants’ Report included in Appendix I to this document, we accounted certain entity as a subsidiary through contractual arrangements.

We consider that we control the entity through contractual arrangements, notwithstanding the fact that we do not hold any direct interest in the entity, as we have power over the financial and operating policies of the entity and receive substantially all the benefits from the business activities of the entity through contractual arrangements.

Accordingly, we have accounted the entity as a subsidiary during the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024. However, it remains uncertain that we could enforce these contractual arrangements. We involve significant judgment in determining whether we can exercise control over the entity.

Nevertheless, our Directors, based on opinion from our PRC Legal Advisor, considered that these arrangements are not in violation of the applicable relevant PRC laws and regulations and are legal and valid, further subject to the disclosure stipulated in “Contractual Arrangements — Legality of the Contractual Arrangements.”

Impairment of Non-financial Assets

At each reporting date, we review the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. We estimate the recoverable amount of the asset if any such indication exists.

For impairment testing, we group assets together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU(s)”). We allocate goodwill arising from a business combination to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

We recognize an impairment loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

We recognize impairment losses in profit or loss. We allocate such impairment losses first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

FINANCIAL INFORMATION

We do not reverse any impairment loss in respect of goodwill. For other assets, we reverse an impairment loss only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Equity-settled Share-based Payments

We use the binomial option pricing model to measure the grant-date fair value of equity-settled share-based payments granted to the management personnel, employees and the external consultants, excluding the impact of the vesting conditions (i.e. service condition and non-market condition, if any). We recognize the grant-date fair value of equity-settled share-based payments deducting any consideration paid by the grantees as an expense over the vesting period of the awards with a corresponding increase in equity. We adjust the amount recognized as an expense to reflect the number of awards for which the related vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related vesting conditions at the vesting date. We recognize the consideration received from the grantees, which is refundable when the awards are forfeited, as a deposit liability until the share-based payments vest at which point in time the deposit liability is reclassified to equity.

Redemption Liabilities

Preferred shares give rise to financial liabilities if they are redeemable at the option of the preferred shareholders upon occurrence of events that are beyond the control of both our Company and the preferred shareholders. We measure such financial liabilities at initial recognition at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome and may change from time to time. We recognize changes in the carrying amount of the financial liabilities in profit or loss. When the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to equity with no gain or loss.

Fair Value Measurement of Financial Instruments measured at FVPL

Financial instruments measured at FVPL are not traded in an active market and the respective fair values are determined by using valuation techniques. We used the Market Approach-Comparable Company Method as of December 31, 2022 and 2023 and September 30, 2024 to determine the respective fair values. Key assumptions, such as discount rate for lack of marketability are disclosed in Note 30 (e) to the Accountants’ Report included in Appendix I to this document. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss, both in absolute amounts and as a percentage of our total revenue, for the periods indicated. This information should be read together with our consolidated financial statements and related notes included in Appendix I to this document. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>				<i>(unaudited)</i>		<i>(unaudited)</i>	
Revenue	600,616	100.0	663,540	100.0	486,004	100.0	552,941	100.0
Cost of revenues	<u>(164,112)</u>	<u>(27.3)</u>	<u>(154,233)</u>	<u>(23.2)</u>	<u>(114,288)</u>	<u>(23.5)</u>	<u>(108,346)</u>	<u>(19.6)</u>
Gross profit	436,504	72.7	509,307	76.8	371,716	76.5	444,595	80.4
Other income	30,747	5.1	35,656	5.4	19,246	4.0	13,663	2.5
Other net gains	333	0.1	4,211	0.6	1,541	0.3	1,633	0.3
Selling and marketing expenses	(320,509)	(53.4)	(356,435)	(53.7)	(259,447)	(53.4)	(248,191)	(44.9)
Administrative expenses	(111,494)	(18.6)	(95,928)	(14.5)	(69,655)	(14.3)	(76,681)	(13.9)
Research and development costs	<u>(437,698)</u>	<u>(72.9)</u>	<u>(390,805)</u>	<u>(58.9)</u>	<u>(294,222)</u>	<u>(60.5)</u>	<u>(263,377)</u>	<u>(47.6)</u>
Loss from operations	(402,117)	(67.0)	(293,994)	(44.3)	(230,821)	(47.5)	(128,358)	(23.2)
Finance costs	(1,475)	(0.2)	(1,088)	(0.2)	(700)	(0.1)	(1,007)	(0.2)
Changes in the carrying amount of redemption liabilities	(299,975)	(49.9)	(350,813)	(52.9)	(257,842)	(53.1)	(292,669)	(52.9)
Share of losses of an associate	<u>(169)</u>	<u>(0.0)</u>	<u>(202)</u>	<u>(0.0)</u>	<u>(110)</u>	<u>(0.0)</u>	<u>(58)</u>	<u>(0.0)</u>
Loss before taxation	(703,736)	(117.2)	(646,097)	(97.4)	(489,473)	(100.7)	(422,092)	(76.3)
Income tax	—	—	—	—	—	—	—	—
Loss for the year/period	<u>(703,736)</u>	<u>(117.2)</u>	<u>(646,097)</u>	<u>(97.4)</u>	<u>(489,473)</u>	<u>(100.7)</u>	<u>(422,092)</u>	<u>(76.3)</u>

NON-IFRS MEASURE

To supplement our consolidated financial statements presented under IFRS, we use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impact of items that our management considers not indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

FINANCIAL INFORMATION

Adjusted Net Loss

We define our adjusted net loss (non-IFRS measure) as loss for the year or period adjusted by adding back (i) share-based compensation expenses, (ii) changes in the carrying amount of redemption liabilities, and (iii) [REDACTED] expenses.

Share-based compensation expenses represent expenses incurred in connection with our equity incentive plan, which are non-cash expenses. Changes in the carrying amount of redemption liabilities represent the carrying amount changes of the convertible redeemable preferred shares issued by our Company. This item is non-cash in nature, as all the preferred shares of the Company will be automatically converted into ordinary shares upon the completion of the [REDACTED]. Therefore, we do not expect to record any further changes in the carrying amount of redemption liabilities after the [REDACTED]. [REDACTED] expenses represent the expenses related to this [REDACTED].

The table below sets forth a reconciliation of our adjusted net loss (non-IFRS measure) to the nearest measures prepared in accordance with IFRS, for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the year/period	(703,736)	(646,097)	(489,473)	(422,092)
Add:				
Share-based compensation expenses	66,215	53,355	33,171	27,243
Changes in the carrying amount of redemption liabilities	299,975	350,813	257,842	292,669
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss (non-IFRS measure)	(337,546)	(241,929)	(198,460)	(93,611)

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Revenue by Service Type

During the Track Record Period, we generated revenue from (i) subscriptions to our software products and solutions by our enterprise and individual customers, and (ii) the provision of professional services to our enterprise customers.

The following table sets forth a breakdown of our revenue by offering type and customer type, in absolute amounts and as a percentage of our total revenue, for the periods presented.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>			
					<i>(unaudited)</i>			
Subscription revenues	543,935	90.6	647,089	97.5	474,672	97.7	543,523	98.3
Enterprise customers	490,121	81.6	562,825	84.8	413,963	85.2	464,337	84.0
Individual customers	53,814	9.0	84,264	12.7	60,709	12.5	79,186	14.3
Professional service revenues . .	56,681	9.4	16,451	2.5	11,332	2.3	9,418	1.7
Total	<u>600,616</u>	<u>100.0</u>	<u>663,540</u>	<u>100.0</u>	<u>486,004</u>	<u>100.0</u>	<u>552,941</u>	<u>100.0</u>

Subscription Revenues

We generate subscription revenues primarily through the sale of subscriptions to our software products and solutions. Our subscription revenues include (i) subscription fees from customers who access our software products and solutions over a specified period of time, and (ii) fees from customers based on volume of usage.

The subscription fees are recognized as revenue over the service period, corresponding to the contract term. The fees based on volume of usage are recognized upon consumption by the customers. We typically bill our customers and collect subscription fees at the beginning of our services. As a result, we record deferred revenue, and a portion of the revenue reported each period comes from the recognition of deferred revenue from subscriptions initiated in previous periods. As of September 30, 2024, we had RMB572.1 million of deferred revenue.

FINANCIAL INFORMATION

During the Track Record Period, over 80% of our total revenue was contributed by enterprise customers. Subscription revenues from enterprise customers, as a percentage of our total revenue, increased from 81.6% in 2022 to 84.8% in 2023, as subscription revenues from enterprise customers outpaced total revenue growth. This percentage remained relatively stable at 84.0% for the nine months ended September 30, 2024, compared to 85.2% for the nine months ended September 30, 2023.

Professional Service Revenues

We generate professional service revenues from the sale of professional services, which primarily consist of modeling services, technical deployment services, and customer trainings that aim to maximize the value propositions of our software solutions. Our professional services contracts are negotiated on a case-by-case basis, typically structured as project-based agreements, and we recognize this revenue upon delivery of the service and acceptance by our customers. During the Track Record Period, all professional services were provided to enterprise customers.

Revenue by Geographical Market

During the Track Record Period, the majority of our revenue was generated from mainland China market, with overseas revenue contributing a relatively smaller portion. The geographical location of our customers is determined by their physical location or the address of their registered office.

The table below sets forth a breakdown of our revenue by geographical market, both in absolute amounts and as a percentage of our total revenue, for the periods presented:

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Mainland China	532,930	88.7	623,599	94.0	458,252	94.3	511,759	92.6
Outside mainland China ⁽¹⁾	67,686	11.3	39,941	6.0	27,752	5.7	41,182	7.4
Total	600,616	100.0	663,540	100.0	486,004	100.0	552,941	100.0

Note:

(1) Mainly includes the United States, South Korea, and Southeast Asia.

FINANCIAL INFORMATION

Cost of Revenues

Our cost of revenues consists of (i) server cost and internet data center expenses, representing expenses incurred for the set-up, operation, and maintenance of our GPU clusters and the rent of third-party cloud services; (ii) employee benefit expenses related to our staff responsible for the implementation and delivery of our products and solutions; and (iii) other costs, mainly including outsourcing costs in relation to professional services, as well as amortization of intangible assets.

The following table sets forth a breakdown of our cost of revenues by nature, both in absolute amounts and as a percentage of our total revenue, for the periods presented.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>				<i>(unaudited)</i>		<i>(unaudited)</i>	
Server cost and internet data center expenses	68,680	11.4	69,546	10.5	51,651	10.6	53,813	9.7
Employee benefits expenses . . .	51,183	8.5	47,390	7.1	35,948	7.4	32,656	5.9
Others	44,249	7.4	37,297	5.6	26,689	5.5	21,877	4.0
Total	<u>164,112</u>	<u>27.3</u>	<u>154,233</u>	<u>23.2</u>	<u>114,288</u>	<u>23.5</u>	<u>108,346</u>	<u>19.6</u>

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of revenues. Our gross profit margin represents our gross profit as a percentage of our revenue. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our gross profit amounted to RMB436.5 million, RMB509.3 million, RMB371.7 million, and RMB444.6 million, respectively, while our gross profit margin amounted to 72.7%, 76.8%, 76.5%, and 80.4% in the same periods, respectively. The overall increase in gross margin was primarily driven by technological advancements that allowed us to utilize our infrastructure more efficiently.

Selling and Marketing Expenses

Selling and marketing expenses consist of (i) employee benefits expenses related to our sales and marketing staff; (ii) marketing expenses incurred for online and offline marketing activities; and (iii) other expenses, mainly including travelling and office expenses incurred by our sales and marketing staff and commissions paid to our third-party agents.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our selling and marketing expenses, both in absolute amounts and as a percentage of our total revenue, for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>			
					<i>(unaudited)</i>			
Employee benefits expenses . . .	257,863	42.9	270,225	40.7	199,845	41.1	189,960	34.4
Marketing expenses	20,028	3.3	32,318	4.9	19,453	4.0	22,622	4.1
Others	42,618	7.2	53,892	8.1	40,149	8.3	35,609	6.4
Total	<u>320,509</u>	<u>53.4</u>	<u>356,435</u>	<u>53.7</u>	<u>259,447</u>	<u>53.4</u>	<u>248,191</u>	<u>44.9</u>

Administrative Expenses

Administrative expenses consist of (i) employee benefit expenses related to our management and administrative staff; (ii) fees for professional and technical services related to our administrative activities; (iii) [REDACTED] expenses; and (iv) other expenses, mainly including travelling and office expenses incurred by our management and administrative staff.

The following table sets forth a breakdown of our administrative expenses, both in absolute amounts and as a percentage of our total revenue, for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>			
					<i>(unaudited)</i>			
Employee benefits expenses . . .	83,980	14.0	77,519	11.7	56,099	11.5	55,079	10.0
Professional and technical services fee	13,936	2.3	2,852	0.4	2,122	0.4	1,512	0.3
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	13,578	2.3	15,557	2.4	11,434	2.4	11,521	2.1
Total	<u>111,494</u>	<u>18.6</u>	<u>95,928</u>	<u>14.5</u>	<u>69,655</u>	<u>14.3</u>	<u>76,681</u>	<u>13.9</u>

FINANCIAL INFORMATION

Research and Development Costs

Research and development costs consist of (i) employee benefit expenses related to our research and development staff responsible for the development of our software products and solutions; and (ii) others, which mainly include depreciation of right-of-use assets and depreciation of other property, plant, and equipment allocated to our research and development activities, professional and technical services fees related to our research and development activities, as well as travelling and office expenses incurred by our research and development staff.

The following table sets forth a breakdown of our research and development costs, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Employee benefits expenses . . .	407,463	67.8	365,013	55.0	275,056	56.6	250,465	45.3
Others	30,235	5.1	25,792	3.9	19,166	3.9	12,912	2.3
Total	<u>437,698</u>	<u>72.9</u>	<u>390,805</u>	<u>58.9</u>	<u>294,222</u>	<u>60.5</u>	<u>263,377</u>	<u>47.6</u>

Other Income

Other income consists of interest income from bank deposits, government grants, rental income, and additional deductible input value-added tax (VAT). Interest income from bank deposits represents interest earned from demand deposits and time deposits. Government grants primarily comprise unconditional funds received from various local government authorities in mainland China, as rewards for our contributions to technology innovation and regional economic development. Rental income represents our gains from subleasing partial space of our office building on a straight-line basis over the term of the lease. Additional deductible input VAT represents additional VAT deduction allowed under the PRC tax law for subscription sales of our software products and solutions. For further details, see Note 5(a) to the Accountants’ Report included in Appendix I to this document.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our other income, in absolute amounts and as a percentage of our total revenue, for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>			
	<i>(unaudited)</i>							
Interest income	17,865	3.0	18,401	2.8	13,229	2.7	11,984	2.2
Government grants	10,314	1.7	15,327	2.3	4,570	0.9	1,652	0.3
Rental income	1,221	0.2	1,194	0.2	913	0.2	27	0.0
Additional deductible input VAT	<u>1,347</u>	<u>0.2</u>	<u>734</u>	<u>0.1</u>	<u>534</u>	<u>0.2</u>	<u>–</u>	<u>–</u>
Total	<u>30,747</u>	<u>5.1</u>	<u>35,656</u>	<u>5.4</u>	<u>19,246</u>	<u>4.0</u>	<u>13,663</u>	<u>2.5</u>

Other Net Gains

Our other net gains consist of (i) fair value changes of unlisted equity securities measured at FVPL; (ii) net realized and unrealized gains on wealth management products and structured deposits measured at FVPL; (iii) net gains on disposal of property, plant and equipment and right-of-use assets; (iv) net foreign exchange gains or losses; and (v) others.

The following table sets forth a breakdown of our other net gains, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(RMB in thousands, except percentage)</i>							
					<i>(unaudited)</i>			
	<i>(unaudited)</i>							
Fair value changes of unlisted equity securities measured at FVPL	(1,939)	(0.3)	2,472	0.4	(42)	(0.0)	1,518	0.3
Net realized and unrealized gains on wealth management products and structured deposits measured at FVPL . .	1,902	0.3	2,295	0.3	1,806	0.4	1,111	0.2
Net gains on disposal of property, plant and equipment and right-of-use assets	1,194	0.2	228	0.0	149	0.0	231	0.0
Net foreign exchange (losses)/gains	(213)	(0.0)	89	0.0	161	0.0	(443)	(0.1)
Others	<u>(611)</u>	<u>(0.1)</u>	<u>(873)</u>	<u>(0.1)</u>	<u>(533)</u>	<u>(0.1)</u>	<u>(784)</u>	<u>(0.1)</u>
Total	<u>333</u>	<u>0.1</u>	<u>4,211</u>	<u>0.6</u>	<u>1,541</u>	<u>0.3</u>	<u>1,633</u>	<u>0.3</u>

FINANCIAL INFORMATION

Finance Costs

Our finance costs represent the interest on lease liabilities. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the interest on lease liabilities amounted to RMB1.5 million, RMB1.1 million, RMB0.7 million, and RMB1.0 million, respectively, representing 0.2%, 0.2%, 0.1%, and 0.2% of our total revenue for the respective periods.

Changes in the Carrying Amount of Redemption Liabilities

Changes in the carrying amount of redemption liabilities relate to our obligation to redeem preferred shares issued under certain share purchase agreements with several independent investors during the Track Record Period. The holders of preferred shares have the right to require us to redeem some or all of the preferred shares held by them upon certain redemption events that are not entirely within our control. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortized cost. Any changes in the carrying amount of the financial liabilities are recognized in profit or loss. These convertible redeemable preferred shares will be re-designated from liabilities to equity upon automatic conversion into ordinary shares at the time of the [REDACTED]. For more details, see Note 26 to the Accountants’ Report included in Appendix I to this document.

Taxation

We incurred nil income tax expenses during the Track Record Period. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

We are subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which we and our subsidiaries are domiciled and operate. Below is a summary of key factors affecting our applicable tax rates in the Cayman Islands, mainland China, Hong Kong and the United States.

Cayman Islands

Our Company is currently not subject to income tax pursuant to the rules and regulations of the Cayman Islands.

FINANCIAL INFORMATION

Mainland China

Pursuant to the PRC Enterprise Income Tax Law, our subsidiaries in mainland China are subject to the PRC Enterprise Income Tax Law at a rate of 25% unless otherwise specified. Under the PRC Enterprise Income Tax Law and its relevant regulations, entities qualified as a high and new technology enterprise (the “HNTTE”) are entitled to a preferential income tax rate of 15%, subject to a requirement that they re-apply for the HNTTE status every three years. Our PRC subsidiary, Hangzhou QunHe Information Technology Co., Ltd. (杭州群核信息技術有限公司) (“**Hangzhou Qunhe**”), obtained the certificate of HNTTE on November 30, 2018, which was renewed on December 16, 2021 and December 6, 2024, with a validity period of three years. Hangzhou Qunhe is therefore entitled to a preferential income tax rate of 15% during the Track Record Period.

Hong Kong

The provision for Hong Kong profits tax for the Track Record Period is calculated at 16.5% of the estimated assessable profits for the year, except for two subsidiaries of our Company that benefit from the two-tiered profits tax rate regime, namely, the first HK\$2.0 million of assessable profits are taxed at a reduced rate of 8.25% while the remaining assessable profits are taxed at the standard rate of 16.5%.

United States

Our subsidiaries in California and Delaware are subject to U.S. federal corporate tax, as well as California and Delaware state income taxes, based on their taxable income as reported in its statutory financial statements adjusted in accordance with relevant U.S. tax laws. During the Track Record Period, the applicable U.S. federal corporate tax rate is 21%, the California state income tax rate is 8.84%, and the Delaware state income tax rate is 8.7%.

Loss for the Year/Period

We had a loss of RMB703.7 million, RMB646.1 million, RMB489.5 million, and RMB422.1 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended September 30, 2024 Compared to Nine months ended September 30, 2023

Revenue

Our revenues increased by 13.8% from RMB486.0 million for the nine months ended September 30, 2023 to RMB552.9 million for the nine months ended September 30, 2024, primarily due to an increase in subscription revenues.

FINANCIAL INFORMATION

Subscription Revenues

Our subscription revenues increased by 14.5% from RMB474.7 million for the nine months ended September 30, 2023 to RMB543.5 million for the same period in 2024, driven by increases in subscription revenue contributed by both enterprise and individual customers. Subscription revenue from enterprise customers increased by 12.2% from RMB414.0 million for the nine months ended September 30, 2023 to RMB464.3 million for the same period in 2024, primarily attributable to the increase in subscription revenue from key accounts, which grew from RMB184.1 million for the nine months ended September 30, 2023 to RMB225.9 million for the same period in 2024. The number of our enterprise customers grew from 41,070 as of December 31, 2023 to 45,548 as of September 30, 2024. Subscription revenue from individual customers increased by 30.4% from RMB60.7 million for the nine months ended September 30, 2023 to RMB79.2 million for the same period in 2024, primarily driven by the increased procurement from individual customers as evidenced by the increase in per customer subscription revenue from RMB210 for the nine months ended September 30, 2023 to RMB255 for the same period in 2024. To a lesser extent, the increase in subscription revenue from individual customers was attributable to an increase in the number of individual customers. The number of our individual customers grew from 390,585 as of December 31, 2023 to 413,872 as of September 30, 2024.

Professional Service Revenues

Our professional service revenues decreased by 16.9% from RMB11.3 million for the nine months ended September 30, 2023 to RMB9.4 million for the same period in 2024. This decline was mainly attributed to fluctuations in demand, as these services are project-based and can vary significantly depending on client orders and timing.

Cost of Revenues

Our cost of revenues decreased by 5.2% from RMB114.3 million for the nine months ended September 30, 2023 to RMB108.3 million for the same period in 2024, primarily due to (i) a decrease of RMB4.8 million in other costs from RMB26.7 million for the nine months ended September 30, 2023 to RMB21.9 million for the same period in 2024, primarily driven by reduced amortization costs of intangible assets, and (ii) a decrease of RMB3.3 million in employee benefits expenses from RMB35.9 million for the nine months ended September 30, 2023 to RMB32.7 million for the same period in 2024 as a result of lower customer service and training costs achieved through more efficient methods.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 19.6% from RMB371.7 million for the nine months ended September 30, 2023 to RMB444.6 million for the same period in 2024. Our gross profit margin increased from 76.5% for the nine months ended September 30, 2023 to 80.4% for the same period in 2024.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 4.3% from RMB259.4 million for the nine months ended September 30, 2023 to RMB248.2 million for the same period in 2024, primarily due to a decrease of RMB9.9 million in employee benefits expenses from RMB199.8 million for the nine months ended September 30, 2023 to RMB190.0 million for the same period in 2024, primarily due to our strategic efforts to optimize marketing operations and enhance operational efficiency.

Administrative Expenses

Our administrative expenses increased by 10.1% from RMB69.7 million for the nine months ended September 30, 2023 to RMB76.7 million for the same period in 2024, primarily due to an increase of RMB[REDACTED] in [REDACTED] expenses from [REDACTED] for the nine months ended September 30, 2023 to RMB[REDACTED] for the same period in 2024.

Research and Development Costs

Our research and development costs decreased by 10.5% from RMB294.2 million for the nine months ended September 30, 2023 to RMB263.4 million for the same period in 2024, primarily due to a decrease of RMB24.6 million in employee benefits expenses from RMB275.1 million for the nine months ended September 30, 2023 to RMB250.5 million for the same period in 2024, primarily driven by enhanced research and development efficiency resulting from technological advancements and the optimization of our research and development team structure.

Other Income

Our other income decreased by 29.0% from RMB19.2 million for the nine months ended September 30, 2023 to RMB13.7 million for the same period in 2024, primarily due to a decrease of RMB2.9 million in government grants from RMB4.6 million for the nine months ended September 30, 2023 to RMB1.7 million for the same period in 2024.

Other Net Gains

Our other net gains remained stable at RMB1.6 million for the nine months ended September 30, 2024, compared to RMB1.5 million for the same period in 2023.

Loss from Operations

As a result of the foregoing, we had a loss from operations of RMB230.8 million and RMB128.4 million for the nine months ended September 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by 43.9% from RMB0.7 million for the nine months ended September 30, 2023 to RMB1.0 million for the same period in 2024, due to an increase of RMB0.3 million in the interest on lease liabilities from RMB0.7 million for the nine months ended September 30, 2023 to RMB1.0 million for the same period in 2024.

Changes in the Carrying Amount of Redemption Liabilities

Our changes in the carrying amount of redemption liabilities increased by 13.5% from the RMB257.8 million for the nine months ended September 30, 2023 to RMB292.7 million for the same period in 2024. For details regarding these changes, see Note 26 to the Accountants’ Report included in Appendix I to this document.

Share of Losses of an Associate

We recorded a share of losses of an associate of RMB0.1 million and RMB58.0 thousand for the nine months ended September 30, 2023 and 2024, respectively.

Income Tax

We incurred nil income tax for the nine months ended September 30, 2023 and 2024 due to our operating losses during these periods.

Loss for the Year/Period

As a result of the foregoing, we had a loss of RMB489.5 million and RMB422.1 million for the nine months ended September 30, 2023 and 2024, respectively, and our adjusted net loss (non-IFRS measure) was RMB198.5 million and RMB93.6 million, respectively, for the same periods.

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

Revenue

Our revenues increased by 10.5% from RMB600.6 million in 2022 to RMB663.5 million in 2023, primarily due to an increase in subscription revenues.

Subscription Revenues

Our subscription revenues increased by 19.0% from RMB543.9 million in 2022 to RMB647.1 million in 2023, driven by increases in subscription revenue contributed by both enterprise and individual customers. Subscription revenue from enterprise customers increased by 14.8% from RMB490.1 million in 2022 to RMB562.8 million in 2023, primarily attributable to an increase in subscription revenue from key accounts, which grew from RMB203.5 million in 2022 to RMB257.4 million in 2023. The number of our enterprise customers grew from 33,058 as of December 31, 2022 to 41,070 as of December 31, 2023. Subscription revenue from individual customers increased by 56.6% from RMB53.8 million in 2022 to RMB84.3 million

FINANCIAL INFORMATION

in 2023, primarily driven by the growth of number of individual customers from 311,107 as of December 31, 2022 to 390,585 as of December 31, 2023, as well as the increased procurement from individual customers as evidenced by the increase in per customer subscription revenue from RMB173 in 2022 to RMB216 in 2023.

Professional Service Revenues

Our professional service revenues decreased by 71.0% from RMB56.7 million in 2022 to RMB16.5 million in 2023, primarily as we had a one-off service contract entered with a customer in 2022, pursuant to which we generated and licensed our 3D virtual synthetic virtual datasets to such customer.

Cost of Revenues

Our cost of revenues decreased by 6.0% from RMB164.1 million in 2022 to RMB154.2 million in 2023, primarily due to a decrease of RMB7.0 million in other costs from RMB44.2 million in 2022 to RMB37.3 million in 2023. This decrease was mainly driven by reduced outsourcing costs related to our professional services, as well as lower customer service and training costs achieved through more efficient methods.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 16.7% from RMB436.5 million in 2022 to RMB509.3 million in 2023. Our gross profit margin increased from 72.7% in 2022 to 76.8% in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 11.2% from RMB320.5 million in 2022 to RMB356.4 million in 2023, primarily driven by (i) an increase of RMB12.4 million in employee benefits expenses from RMB257.9 million in 2022 to RMB270.2 million in 2023, primarily due to increased commissions paid to our sales staff, attributed to their improved sales performance in 2023, and (ii) an increase of RMB12.3 million in marketing expenses from RMB20.0 million in 2022 to RMB32.3 million in 2023, primarily due to more offline marketing events, as well as increased online marketing efforts for international expansion.

Administrative Expenses

Our administrative expenses decreased by 14.0% from RMB111.5 million in 2022 to RMB95.9 million in 2023, primarily driven by (i) a decrease of RMB11.1 million in professional and technical services fee from RMB13.9 million in 2022 to RMB2.9 million in 2023, primarily due to reduced costs related to our previously proposed initial public offering, and (ii) a decrease of RMB6.5 million in employee benefits expenses from RMB84.0 million in 2022 to RMB77.5 million in 2023, primarily due to our strategic efforts to streamline administrative processes and enhance operational efficiency.

FINANCIAL INFORMATION

Research and Development Costs

Our research and development costs decreased by 10.7% from RMB437.7 million in 2022 to RMB390.8 million in 2023, primarily due to a decrease of RMB42.5 million in employee benefits expenses from RMB407.5 million in 2022 to RMB365.0 million in 2023, primarily driven by enhanced research and development efficiency resulting from technological advancements and strategic restructuring within our research and development team.

Other Income

Our other income increased by 16.0% from RMB30.7 million in 2022 to RMB35.7 million in 2023, primarily due to an increase of RMB5.0 million in government grants from RMB10.3 million in 2022 to RMB15.3 million in 2023, as a result of additional grants received in 2023 for new projects.

Other Net Gains

Our other net gains increased from RMB0.3 million in 2022 to RMB4.2 million in 2023, primarily due to an increase of RMB4.4 million in fair value changes of unlisted equity securities measured at FVPL from a loss of RMB1.9 million to a gain of RMB2.5 million in 2023.

Loss from Operations

As a result of the foregoing, we had a loss from operations of RMB402.1 million and RMB294.0 million in 2022 and 2023, respectively.

Finance Costs

Our finance costs decreased by 26.2% from RMB1.5 million in 2022 to RMB1.1 million in 2023, due to a decrease of RMB0.4 million in the interest on lease liabilities from RMB1.5 million in 2022 to RMB1.1 million in 2023.

Changes in the Carrying Amount of Redemption Liabilities

Our changes in the carrying amount of redemption liabilities increased by 16.9% from the RMB300.0 million in 2022 to RMB350.8 million in 2023. For details regarding these changes, see Note 26 to the Accountants’ Report included in Appendix I to this document.

Share of Losses of an Associate

We recorded a share of losses of an associate of RMB0.2 million and RMB0.2 million in 2022 and 2023, respectively.

FINANCIAL INFORMATION

Income Tax

We incurred nil income tax in 2022 and 2023 due to our operating losses during these periods.

Loss for the Year/Period

As a result of the foregoing, we had a net loss of RMB703.7 million and RMB646.1 million in 2022 and 2023, respectively, and our adjusted net loss (non-IFRS measure) was RMB337.5 million and RMB241.9 million in 2022 and 2023, respectively.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants’ Report included in Appendix I to this document:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Total non-current assets	140,334	153,190	123,472
Total current assets	739,960	612,894	440,955
Total assets	880,294	766,084	564,427
Total non-current liabilities	129,225	194,481	123,383
Total current liabilities	3,443,096	3,899,619	4,131,836
Total liabilities	3,572,321	4,094,100	4,255,219
Total deficits	(2,692,027)	(3,328,016)	(3,690,792)
Total deficits and liabilities	880,294	766,084	564,427

FINANCIAL INFORMATION

Current Assets and Liabilities

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

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
Current assets:				
Cash and cash equivalents	576,575	365,823	200,289	363,898
Time deposits	25,296	158,027	185,015	44,356
Financial assets measured at FVPL	91,098	73,046	36,122	2
Prepayments, deposits and other assets	17,705	15,573	19,109	22,798
Trade receivables	28,729	–	–	–
Restricted cash	557	425	420	430
Total current assets	<u>739,960</u>	<u>612,894</u>	<u>440,955</u>	<u>431,484</u>
Current liabilities:				
Redemption liabilities	2,885,661	3,286,745	3,540,280	3,762,120
Deferred revenue	386,022	441,316	456,300	438,637
Trade and other payables	151,967	154,943	121,673	64,963
Lease liabilities	19,446	16,615	13,583	14,753
Total current liabilities	<u>3,443,096</u>	<u>3,899,619</u>	<u>4,131,836</u>	<u>4,280,473</u>
Net current liabilities	<u>(2,703,136)</u>	<u>(3,286,725)</u>	<u>(3,690,881)</u>	<u>(3,848,989)</u>

Our net current liabilities increased from RMB2,703.1 million as of December 31, 2022 to RMB3,286.7 million as of December 31, 2023, primarily due to (i) an increase of RMB401.1 million in redemption liabilities, (ii) a decrease of RMB210.8 million in cash and cash equivalents, (iii) an increase of RMB55.3 million in deferred revenue, and (iv) a decrease of RMB18.1 million in financial assets measured at FVPL, which was partially offset by an increase of RMB132.7 million in time deposits.

Our net current liabilities increased from RMB3,286.7 million as of December 31, 2023 to RMB3,690.9 million as of September 30, 2024, primarily due to (i) an increase of RMB253.5 million in redemption liabilities, (ii) a decrease of RMB165.5 million in cash and cash equivalents, (iii) a decrease of RMB36.9 million in financial assets measured at FVPL, and (iv) an increase of RMB15.0 million in deferred revenue, which was partially offset by (i) a decrease of RMB33.3 million in trade and other payables, and (ii) an increase of RMB27.0 million in time deposits.

FINANCIAL INFORMATION

Our net current liabilities increased from RMB3,690.9 million as of September 30, 2024 to RMB3,849.0 million as of January 31, 2025, primarily due to (i) an increase of RMB221.8 million in redemption liabilities, (ii) a decrease of RMB140.7 million in time deposits, and (iii) a decrease of RMB36.1 million in financial assets measured at FVPL. The increase in our net current liabilities was partially offset by (i) an increase of RMB163.6 million in cash and cash equivalents, (ii) a decrease of RMB17.7 million in current deferred revenue, primarily attributable to our strategic shift towards promoting shorter-term subscriptions instead of long-term ones, which not only enhances customer flexibility but also enables us to respond more rapidly to market dynamics, and (iii) an increase of RMB3.7 million in prepayments, deposits and other assets.

Assets

Property, Plant and Equipment

Our property, plant and equipment primarily consist of server and network equipment, leasehold improvement, computer and office equipment, and vehicles.

The following table sets forth our property and equipment as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Property, Plant and Equipment:			
Server and network equipment	105,392	122,139	138,116
Leasehold improvement	18,594	19,264	19,264
Computer and office equipment	11,139	9,660	9,032
Vehicles	1,673	1,673	1,673
Gross book value of property, plant and equipment	136,798	152,736	168,085
Less: accumulated depreciation	(106,341)	(123,461)	(131,273)
Net book value of property, plant and equipment	30,457	29,275	36,812

The gross book value of our property, plant and equipment increased from RMB136.8 million as of December 31, 2022 to RMB152.7 million as of December 31, 2023, and further to RMB168.1 million as of September 30, 2024, primarily due to our purchase of server and network equipment.

Accumulated depreciation increased from RMB106.3 million as of December 31, 2022 to RMB123.5 million as of December 31, 2023 and further increased to RMB131.3 million as of September 30, 2024, which was in line with the increases in the gross book value of our property, plant and equipment.

FINANCIAL INFORMATION

As a result, the net book value of our property, plant and equipment remained relatively stable at RMB30.5 million as of December 31, 2022 and RMB29.3 million as of December 31, 2023, and increased to RMB36.8 million as of September 30, 2024.

Right-of-use Assets

Our right-of-use assets mainly represent our right to use leased office buildings.

Our right-of-use assets increased from RMB27.4 million as of December 31, 2022 to RMB36.3 million as of December 31, 2023, primarily due to lease renewals, and then decreased to RMB24.5 million as of September 30, 2024, primarily due to depreciation of our right-of-use assets.

Intangible Assets

Our intangible assets included items such as certain software platform, brand, and design models, all of which were acquired from third parties.

Our intangible assets decreased from RMB27.2 million as of December 31, 2022 to RMB18.4 million as of December 31, 2023 and further decreased to RMB13.9 million as of September 30, 2024, primarily due to the amortization over time of our existing intangible assets.

Financial Assets Measured at FVPL

Our financial assets measured at FVPL, including current and non-current, primarily consist of (i) unlisted equity securities acquired through our investment in a private company operating a cloud-based package-design platform in China in January 2021, and (ii) wealth management products and structured deposits, for which the principal and returns are not guaranteed, issued by reputable financial institutions in China.

We primarily invest in wealth management products and structured deposits with relatively low risks, ensuring that proposed investments do not interfere with our daily operations and business prospects. Our goal is to enhance the return on idle cash and bank balances by investing in high-liquidity, low-risk wealth management products and structured deposits, thereby maintaining control over investment risk. Our investment policy involves continuously monitoring the level of idle cash and bank balances and, based on the working capital requirements at any given time, using this idle cash to maximize returns. To effectively monitor and control the risks associated with our portfolio of low-risk wealth management products and structured deposits, we have implemented a comprehensive set of internal policies and guidelines for managing our investments. Our finance department is responsible for managing these investments.

FINANCIAL INFORMATION

Our investment strategy for such products focuses on minimizing financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to wealth management products and structured deposits after thoroughly considering various factors, including, but not limited to, the macro-economic environment, general market conditions, risk control and creditworthiness of the issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Upon the [REDACTED], we intend to continue our investment in wealth management products and structured deposits strictly in compliance with internal policies and guidelines, the Articles of Association, and the requirements under Chapter 14 of the Listing Rules. For details of the valuation of our financial assets, see Note 30(e) to the Accountants’ Report included in Appendix I to this document.

The following table sets forth our financial assets measured at FVPL as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		
	<i>(unaudited)</i>		
Financial Assets Measured at FVPL:			
Non-current:			
Investments not held for trading			
– Unlisted equity securities	<u>2,060</u>	<u>4,567</u>	<u>6,018</u>
Current:			
Wealth management products and structured deposits	<u>91,098</u>	<u>73,046</u>	<u>36,122</u>
Total	<u>93,158</u>	<u>77,613</u>	<u>42,140</u>

Our financial assets measured at FVPL decreased from RMB93.2 million as of December 31, 2022 to RMB77.6 million as of December 31, 2023, primarily due to a decrease of RMB18.1 million in wealth management products and structured deposits, as we redeemed a portion of wealth management products and structured deposits in 2023.

Our financial assets measured at FVPL further decreased from RMB77.6 million as of December 31, 2023 to RMB42.1 million as of September 30, 2024, primarily due to a decrease of RMB36.9 million in wealth management products and structured deposits, as we redeemed additional amount of the wealth management products and structured deposits in 2024.

FINANCIAL INFORMATION

Prepayments, Deposits and Other Assets

Our prepayments, deposits and other assets, including current and non-current, primarily represent (i) deposits for rental and others, (ii) prepayments for property plant and equipment, (iii) prepayments for suppliers, (iv) prepayments for marketing expenses, (v) prepayments for [REDACTED] expenses, (vi) other prepayments, and (vii) other receivables.

The following table sets forth our prepayments, deposits and other assets as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Prepayments, Deposits and			
Other Assets:			
Non-current:			
Deposits for rental and others	3,491	4,202	4,118
Prepayments for property plant and equipment	2,550	2,852	61
Less: allowance for impairment	–	–	–
	6,041	7,054	4,179
Current:			
Prepayments for suppliers	3,445	1,504	3,383
Prepayments for marketing expenses . . .	902	1,421	2,370
Prepayments for [REDACTED] expenses .	[REDACTED]	[REDACTED]	[REDACTED]
Other prepayments	2,422	3,051	2,819
Other receivables	10,936	9,897	9,384
Less: allowance for impairment	–	(300)	(300)
	17,705	15,573	19,109
Total	23,746	22,627	23,288

Our prepayments, deposits and other assets decreased from RMB23.7 million as of December 31, 2022 to RMB22.6 million as of December 31, 2023, primarily due to a decrease of RMB1.9 million in the prepayments for suppliers.

Our prepayments, deposits and other assets increased from RMB22.6 million as of December 31, 2023 to RMB23.3 million as of September 30, 2024, primarily due to (i) an increase of RMB1.9 million in the prepayments for suppliers, (ii) an increase of RMB [REDACTED] in prepayments for [REDACTED] expenses, and (iii) an increase of RMB0.9 million in prepayments for marketing expenses, which was partially offset by a decrease of RMB2.8 million in prepayments for property plant and equipment.

FINANCIAL INFORMATION

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of (i) cash at banks, (ii) cash held at payment platforms, and (iii) time deposits and highly liquid investments with initial terms within three months, excluding our restricted cash. As of December 31, 2022 and 2023 and September 30, 2024, our cash and cash equivalents amounted to RMB576.6 million, RMB365.8 million, and RMB200.3 million, respectively.

Time Deposits

Our time deposits represent our bank deposits that have a fixed term, including current time deposits with maturity over three months but within one year, and non-current time deposits with maturity over one year.

The following table sets forth our time deposits as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Time Deposits:			
Non-current	40,638	51,283	31,830
Current	<u>25,296</u>	<u>158,027</u>	<u>185,015</u>
Total	<u>65,934</u>	<u>209,310</u>	<u>216,845</u>

Our time deposits increased from RMB65.9 million as of December 31, 2022 to RMB209.3 million as of December 31, 2023, and further increased to RMB216.8 million as of September 30, 2024, primarily because we invested more idle cash in time deposits over time.

Restricted Cash

Our restricted cash mainly represents secured deposits held in designated bank accounts to secure for corporate credit card charges as of December 31, 2022 and 2023 and September 30, 2024. We had restricted cash of RMB0.6 million, RMB0.4 million, and RMB0.4 million as of December 31, 2022 and 2023 and September 30, 2024, respectively.

FINANCIAL INFORMATION

Liabilities

Trade and Other Payables

Our trade and other payables primarily consist of (i) payroll payables, (ii) tax payables, (iii) professional service fees in relation to our previously proposed initial public offering, (iv) prepayments from employees, (v) trade payables in relation to cloud service fees and professional services outsourcing, (vi) [REDACTED] expense payables, and (vii) others.

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Trade and Other Payables:			
Payroll payables	109,164	110,059	86,321
Tax payables	17,214	21,878	10,007
Professional service fees	8,399	7,791	–
Prepayments from employees	6,301	3,059	4,066
Trade payables	3,492	5,483	4,580
[REDACTED] expense payables	[REDACTED]	[REDACTED]	[REDACTED]
Others	7,397	6,673	8,653
Total	151,967	154,943	121,673

Our trade and other payables increased from RMB152.0 million as of December 31, 2022 to RMB154.9 million as of December 31, 2023, primarily due to an increase of RMB4.7 million in tax payables related to value-added taxes.

Our trade and other payables decreased from RMB154.9 million as of December 31, 2023 to RMB121.7 million as of September 30, 2024, primarily due to (i) a decrease of RMB23.7 million in payroll payables and (ii) a decrease of RMB11.9 million in tax payables, both of which were related to the timing difference of accrued compensation and related individual income tax.

The credit terms of trade payables granted to us are usually 30 days. As of December 31, 2022 and 2023 and September 30, 2024, our trade payables were all denominated in RMB and substantially all of the aging of trade payables were less than one year. As of January 31, 2025, RMB4.1 million, or 89.7%, of our trade payables as of September 30, 2024, had been subsequently settled.

FINANCIAL INFORMATION

Deferred Revenue

Our deferred revenue, including current and non-current, primarily consists of advance payments received from our customers for subscriptions that are to be delivered or performed in the future.

The following table sets forth our deferred revenue as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>
Deferred Revenue:			
Non-current			
Subscription revenues	<u>120,790</u>	<u>175,741</u>	<u>115,807</u>
Current			
Subscription revenues	375,738	428,278	440,560
Professional service revenues	<u>10,284</u>	<u>13,038</u>	<u>15,740</u>
Total	<u>506,812</u>	<u>617,057</u>	<u>572,107</u>

Our deferred revenue increased from RMB506.8 million as of December 31, 2022 to RMB617.1 million as of December 31, 2023, primarily due to an increase of RMB107.5 million in deferred subscription revenues, again attributable to our business growth and expanding customer base.

Our deferred revenue decreased from RMB617.1 million as of December 31, 2023 to RMB572.1 million as of September 30, 2024, primarily attributable to a decrease of RMB47.7 million in current and non-current deferred subscription revenues, resulting from our strategic shift towards promoting shorter-term subscriptions instead of long-term subscriptions. This adjustment not only enhances customer flexibility but also enables us to respond more rapidly to market dynamics.

FINANCIAL INFORMATION

Lease Liabilities

Our lease liabilities, including current and non-current, relate to our obligations from office building leases.

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
Lease Liabilities:				
Non-current	7,105	18,159	7,467	8,670
Current	<u>19,446</u>	<u>16,615</u>	<u>13,583</u>	<u>14,753</u>
Total	<u>26,551</u>	<u>34,774</u>	<u>21,050</u>	<u>23,423</u>

Our lease liabilities increased from RMB26.6 million as of December 31, 2022 to RMB34.8 million as of December 31, 2023, primarily due to the commencement of new lease agreements. It then decreased to RMB21.1 million as of September 30, 2024, primarily as a result of fulfilling lease payment obligations.

Our lease liabilities increased from RMB21.1 million as of September 30, 2024 to RMB23.4 million as of January 31, 2025, primarily because we signed a new lease.

Redemption Liabilities

Our redemption liabilities represent our obligation to redeem all or part of the convertible preferred shares issued to investors, upon their request, when a specific triggering event occurs.

At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortized cost. Any changes in the carrying amount of the financial liabilities are recognized in profit or loss. These convertible redeemable preferred shares will be re-designated from liabilities to equity upon automatic conversion into ordinary shares at the time of the [REDACTED]. Our redemption liabilities increased from RMB2,885.7 million as of December 31, 2022 to RMB3,286.7 million as of December 31, 2023, and further increased to RMB3,540.3 million as of September 30, 2024, primarily due to the continuous increase in the carrying amount from the existing series of financing recognized. For more details, see Note 26 to the Accountants’ Report included in Appendix I to this document.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2022	2023	2024
Total revenue growth (%)	N/A	10.5	13.8
Gross profit margin ⁽¹⁾ (%)	72.7	76.8	80.4
Adjusted net loss margin ⁽²⁾ (%)	(56.2)	(36.5)	(16.9)

Notes:

- (1) Gross profit margin is calculated by dividing gross profit by our total revenue for the applicable period.
- (2) Adjusted net loss margin is calculated by dividing adjusted net loss (non-IFRS measure) by our total revenue for the applicable period. See “— Non-IFRS Measure” for details of our adjusted net loss (non-IFRS measure).

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally through cash generated from operational activities and from the issuance of convertible redeemable preferred shares. As of December 31, 2022 and 2023 and September 30, 2024, we had cash and cash equivalents of RMB576.6 million, RMB365.8 million, and RMB200.3 million, respectively, and time deposits of RMB25.3 million, RMB158.0 million, and RMB185.0 million, respectively. 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. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

FINANCIAL INFORMATION

Cash Flows

The following table shows a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,		For the Nine months ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			
			<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash used in operating activities	(302,434)	(62,568)	(130,981)	(164,866)
Net cash (used in)/generated from investing activities . . .	(83,283)	(134,776)	14,367	13,682
Net cash used in financing activities	(26,465)	(16,724)	(13,786)	(13,224)
Net decrease in cash and cash equivalents	(412,182)	(214,068)	(130,400)	(164,408)
Cash and cash equivalents at the beginning of the year . .	971,063	576,575	576,575	365,823
Effects of foreign exchange rate changes	17,694	3,316	6,855	(1,126)
Cash and cash equivalents at end of year/period	<u>576,575</u>	<u>365,823</u>	<u>453,030</u>	<u>200,289</u>

Net Cash Used in Operating Activities

Net cash used in operating activities primarily comprises our loss before taxation for the period adjusted by: (i) non-cash and non-operating items and (ii) changes in working capital. We had negative cash flows from our operating activities during the Track Record Period.

Our net cash used in operating activities was RMB164.9 million for the nine months ended September 30, 2024, which was primarily attributable to our loss before taxation of RMB422.1 million, adjusted by non-cash items, primarily including (i) changes in the carrying amount of redemption liabilities of RMB292.7 million, (ii) equity settled share-based payments of RMB27.2 million, and (iii) depreciation of property, plant and equipment of RMB16.4 million. This amount was partially offset by changes in working capital, primarily including (i) a decrease of RMB45.0 million in deferred revenue, resulting from our strategic shift towards promoting shorter-term subscriptions instead of long-term subscriptions, which not only enhances customer flexibility but also enables us to respond more rapidly to market dynamics, and (ii) a decrease of RMB36.4 million in trade and other payables.

FINANCIAL INFORMATION

Our net cash used in operating activities was RMB62.6 million in 2023, which was primarily attributable to our loss before taxation of RMB646.1 million, adjusted by non-cash items, primarily including (i) changes in the carrying amount of redemption liabilities of RMB350.8 million, (ii) equity settled share-based payments of RMB53.4 million, (iii) depreciation of property, plant and equipment of RMB24.8 million, (iv) depreciation of right-of-use assets of RMB21.9 million, and (v) amortization of intangible assets of RMB10.8 million, partially offset by interest income of RMB18.4 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase of RMB110.2 million in deferred revenue, and (ii) decrease in trade receivables of RMB28.7 million.

Our net cash used in operating activities was RMB302.4 million in 2022, which was primarily attributable to our loss before taxation of RMB703.7 million, adjusted by non-cash items, including (i) changes in the carrying amount of redemption liabilities of RMB300.0 million, (ii) equity settled share-based payments of RMB66.2 million, (iii) depreciation of property, plant and equipment of RMB29.3 million, (iv) depreciation of right-of-use assets of RMB25.0 million, and (v) amortization of intangible assets of RMB12.9 million, partially offset by interest income of RMB17.9 million. The amount was further adjusted by changes in working capital, primarily including an increase of RMB36.4 million in deferred revenue, partially offset by (i) a decrease of RMB29.9 million in trade and other payables, and (ii) an increase of RMB28.7 million in trade receivables.

Net Cash Generated from/(Used in) Investing Activities

Our net cash generated from investing activities for the nine months ended September 30, 2024 was RMB13.7 million, which was primarily attributable to (i) proceeds from disposal of time deposits of RMB115.3 million, and (ii) proceeds from disposal of wealth management products of RMB76.9 million, partially offset by (i) payment for purchase of time deposits of RMB112.0 million, (ii) payment for purchase of wealth management products of RMB39.4 million, and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB27.4 million.

Our net cash used in investing activities in 2023 was RMB134.8 million, which was primarily attributable to (i) payment for purchase of wealth management products of RMB301.3 million, (ii) payment for purchase of time deposits of RMB266.6 million, and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB31.1 million, partially offset by (i) proceeds from disposal of wealth management products of RMB321.6 million, and (ii) proceeds from disposal of time deposits of RMB142.3 million.

Our net cash used in investing activities in 2022 was RMB83.3 million, which was primarily attributable to (i) payment for purchase of wealth management products of RMB266.3 million, (ii) payment for purchase of time deposits of RMB52.5 million, and (iii) payment for purchase of property, plant and equipment and intangible assets of RMB21.9 million, partially offset by (i) proceeds from disposal of wealth management products of RMB223.8 million, and (ii) proceeds from disposal of time deposits of RMB36.8 million.

FINANCIAL INFORMATION

Net Cash Used in Financing Activities

Our net cash used in financing activities for the nine months ended September 30, 2024 was RMB13.2 million, which was primarily attributable to payment of capital element of lease liabilities of RMB15.0 million, partially offset by considerations received for share options of RMB3.0 million.

Our net cash used in financing activities in 2023 was RMB16.7 million, which was primarily attributable to payment of capital element of lease liabilities of RMB22.5 million, partially offset by considerations received for share options of RMB6.8 million.

Our net cash used in financing activities in 2022 was RMB26.5 million, which was primarily attributable to payment of capital element of lease liabilities of RMB25.0 million.

INDEBTEDNESS

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

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
			<i>(unaudited)</i>	<i>(unaudited)</i>
Lease liabilities	26,551	34,774	21,050	23,423
Non-current	7,105	18,159	7,467	8,670
Current	19,446	16,615	13,583	14,753
Redemption liabilities	2,885,661	3,286,745	3,540,280	3,762,120
Total	<u>2,912,212</u>	<u>3,321,519</u>	<u>3,561,330</u>	<u>3,785,543</u>

As of January 31, 2025, we had banking facilities of RMB250.0 million, which remained unutilized.

Lease Liabilities

As of December 31, 2022 and 2023, September 30, 2024, and January 31, 2025, we recorded lease liabilities, including current and non-current, of RMB26.6 million, RMB34.8 million, RMB21.1 million, and RMB23.4 million, respectively. For more details, see Note 24 to the Accountants’ Report included in Appendix I to this document.

FINANCIAL INFORMATION

Redemption Liabilities

As of December 31, 2022 and 2023, September 30, 2024, and January 31, 2025, we recorded redemption liabilities of RMB2,885.7 million, RMB3,286.7 million, RMB3,540.3 million and RMB3,762.1 million, respectively. For more details, please refer to Note 26 to the Accountants’ Report included in Appendix I to this document.

No Other Outstanding Indebtedness

Save as disclosed in this “— Indebtedness” above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenants and undertakings in connection therewith as of January 31, 2025, being the indebtedness statement date.

CONTINGENT LIABILITIES

As of December 31, 2022 and 2023 and September 30, 2024, we did not have any material contingent liabilities. We confirmed that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures are incurred primarily in connection with the purchase of property, plant and equipment and intangible assets. Our total capital expenditures in 2022, 2023 and the nine months ended September 30, 2023 and 2024 amounted to RMB21.9 million, RMB31.1 million, RMB22.1 million, and RMB27.4 million, respectively.

The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
			<i>(RMB in thousands)</i>	
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Purchase of property, plant and equipment and intangible assets	(21,898)	(31,145)	(22,111)	(27,407)
Total	<u>(21,898)</u>	<u>(31,145)</u>	<u>(22,111)</u>	<u>(27,407)</u>

FINANCIAL INFORMATION

Our capital expenditures were primarily funded by our cash and cash equivalents and cash flows from our operating activities, investing activities, and financing activities, including the issuance of convertible preferred shares. We plan to fund our planned capital expenditures with (i) our existing cash and cash equivalents, (ii) cash flow generated from our operating activities, (iii) [REDACTED] from the [REDACTED], and (iv) other sources of external financings. For more details, see “Business — Our Strategies” and “Future Plans and Use of [REDACTED].” We will continue to make capital expenditures to support the growth of our business. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Commitments

As of December 31, 2022 and 2023, and September 30, 2024, we had commitments of RMB3.1 million, RMB3.4 million, and RMB1.6 million, respectively, contracted for but not yet recognized, arising from unfulfilled long-term asset procurement contracts and outstanding portions of short-term leases.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 32 to the Accountants’ Report included in Appendix I to this document was conducted on an arm’s-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become nonreflective of our future performance. For a detailed discussion of related party transactions during the Track Record Period, see Note 32 to the Accountants’ Report included in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL RISKS DISCLOSURE

We are exposed to various types of financial risks, including credit risk, liquidity risk, interest risk, and currency risk.

Credit Risk

We are primarily exposed to credit risk related to trade and other receivables. Since our business model requires customers to make advance payments for subscriptions and professional services, the credit risk associated with trade receivables is immaterial.

FINANCIAL INFORMATION

We are also exposed to credit risk in relation to cash and cash equivalents and wealth management products. The exposure is limited as our counterparties are banks and financial institutions with high-credit-quality, for which we consider having low credit risk.

When determining the expected credit loss (ECL) for other receivables, such as deposits and advances, we look at our past experiences with defaults and consider future risks. We have assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant. Thus, the expected credit loss rate is insignificant and close to zero. We do not provide any guarantees which would expose us to credit risk.

Liquidity Risk

We regularly monitor our liquidity requirements and ensure compliance with lending covenants. We aim to maintain sufficient cash reserves and adequate committed lines of funding from major financial institutions to meet our liquidity needs both in the short term and long term.

See Note 30(b) to the Accountants' Report included in Appendix I to this document for the liquidity risk to which we are exposed.

Interest Risk

Our bank balances, other than short-term and long-term time deposits, are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. We consider our exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

Currency Risk

We are not exposed to significant foreign currency risk, as the financial assets and liabilities denominated in currencies other than our functional currencies are not significant.

DIVIDEND POLICY

As advised by our Cayman Islands legal advisor, under Cayman Islands law, the financial position of accumulated losses does not necessarily prohibit us from declaring and paying dividends to our Shareholders, as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working

FINANCIAL INFORMATION

capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. Throughout the Track Record Period, we did not pay or declare any dividend. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view that taking into account our available resources including cash and cash equivalents on hand and the net estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of September 30, 2024, our Company did not have any distributable reserves.

[REDACTED] EXPENSES

Our [REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED], accounting for approximately [REDACTED]% of our [REDACTED]. The estimated total [REDACTED] expenses consist of (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED], and other fees and expenses of approximately RMB[REDACTED]. During the Track Record Period, RMB[REDACTED] of the incurred [REDACTED] expenses were charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] of the incurred expenses were recognized to our consolidated statements of financial position. After the Track Record Period, we expect to incur [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] is expected to be deducted from equity. This calculation is subject to adjustment based on the actual amount incurred or to be incurred.

FINANCIAL INFORMATION

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of our latest unaudited financial statements, and there has been no event since September 30, 2024 that would materially affect the information shown in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future business plans and strategies.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting estimated [REDACTED], fees and expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised.

We currently intend to apply the [REDACTED] from the [REDACTED] for the following purposes:

- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to implement our international expansion strategy with a focus on the United States, South Korea, Japan, and Southeast Asia. For Coohom and other products targeting overseas markets, we plan to enhance customer support across different geographic locations and time zones. To explore business opportunities and drive new growth on a global scale, we will open new regional offices and pursue partnerships with leading players in the design and visualization industry.
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to enhance our product offerings and expand their applications into new verticals and business scenarios, catering to both real-world spaces and virtual environments.
 - Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to enhance the key functionalities of our products to provide an enhanced end-to-end experience that encompasses design, visualization, implementation, and value chain collaboration; and
 - Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to expand our products into new verticals and business scenarios. We plan to enhance our presence in virtual environments by improving SpatialVerse and our e-commerce solutions, positioning ourselves to capitalize on the rapidly growing demands in these markets.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to expand our sales team and promote our brand visibility.
 - Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to expand our sales team. We will continue to tailor our sales team for businesses of different sizes to ensure efficient resource utilization. For small to medium-sized enterprises, our salesforce will engage with prospective customers online with AI assistance, enabling a broad coverage with superior efficiency. For key accounts, we will deploy a dedicated sales team with industry expertise to provide customized services to meet customers’ unique needs. We also plan to expand our overseas and marketing team in the near future; and
 - Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to continuously promote our brand across different channels, including search engines, live stream platforms, social media apps, and influencer collaborations. Additionally, we intend to enhance our visibility among potential customers in our target industries by hosting and sponsoring industry-specific summits and seminars.
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to invest in our core technologies and infrastructure and consistently improve our research and development capabilities.
 - Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to upgrade our technology infrastructure by continuously investing in our proprietary, purpose-built GPU clusters to support a higher volume of concurrent computation tasks, ensuring optimal performance and reliability; and
 - Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to invest in research and development to explore new AI-based use cases, such as applying AI tools in architecture, media, and robotics, among others.
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED], will be used to be used for working capital and general corporate purposes.

If the [REDACTED] from the [REDACTED] exceed the above funding requirements and, to the extent permitted by applicable laws and regulations, we will use the surplus funds for working capital. If we urgently need the funds for the above purposes, but cannot immediately obtain the [REDACTED] from the [REDACTED], we will use self-raised funds to meet the relevant funding requirements and replace these self-raised funds with the [REDACTED] from the [REDACTED] when the [REDACTED] become available to us. If the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes,

FUTURE PLANS AND USE OF [REDACTED]

we will only deposit those [REDACTED] into short-term interest-bearing bank accounts at licensed commercial banks or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in the PRC or relevant jurisdictions).

If the [REDACTED] is set at HK\$[REDACTED] per Share, being the high end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will increase to approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share, being the low end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will decrease to approximately HK\$[REDACTED]. The above allocation of the [REDACTED] from 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-point of the indicative [REDACTED] range stated in this document.

[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]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE 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]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-[1] to I-[63], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MANYCORE TECH INC., J.P. MORGAN SECURITIES (FAR EAST) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Manycore Tech Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-[63], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 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-[63] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ 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 (the “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.

APPENDIX I

ACCOUNTANTS’ REPORT

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 accountants’ judgment, 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 accountants consider 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 preparation and presentation set out in Note 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 purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2022 and 2023, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of unaudited interim financial information

We have reviewed the unaudited interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2024 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended September 30, 2023 and 2024 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 29(b) to the Historical Financial Information which states that no dividends have been paid by the Company 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 incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Hangzhou Branch (畢馬威華振會計師事務所(特殊普通合夥)杭州分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Years ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue	4	600,616	663,540	486,004	552,941
Cost of revenues		(164,112)	(154,233)	(114,288)	(108,346)
Gross profit		436,504	509,307	371,716	444,595
Other income	5(a)	30,747	35,656	19,246	13,663
Other net gains	5(b)	333	4,211	1,541	1,633
Selling and marketing expenses		(320,509)	(356,435)	(259,447)	(248,191)
Administrative expenses		(111,494)	(95,928)	(69,655)	(76,681)
Research and development costs		(437,698)	(390,805)	(294,222)	(263,377)
Loss from operations		(402,117)	(293,994)	(230,821)	(128,358)
Finance costs	6(a)	(1,475)	(1,088)	(700)	(1,007)
Changes in the carrying amount of redemption liabilities	26	(299,975)	(350,813)	(257,842)	(292,669)
Share of losses of associate	16	(169)	(202)	(110)	(58)
Loss before taxation		(703,736)	(646,097)	(489,473)	(422,092)
Income tax	7	—	—	—	—
Loss for the year/period		(703,736)	(646,097)	(489,473)	(422,092)
Attributable to:					
Equity shareholders of the Company		(703,736)	(646,097)	(489,473)	(422,092)
Loss per share					
Basic and diluted (RMB)	10	(1.59)	(1.44)	(1.09)	(0.93)
Loss for the year/period		(703,736)	(646,097)	(489,473)	(422,092)
Other comprehensive income for the year/period					
<i>Items that will be reclassified to profit or loss:</i>					
Exchange differences on translation of financial statements of foreign subsidiaries		(145,289)	(28,982)	(52,860)	18,293
<i>Items that will not be reclassified to profit or loss:</i>					
Exchange differences on translation of financial statements of the Company		(62,526)	(17,354)	(35,156)	18,426
Other comprehensive income for the year/period		(207,815)	(46,336)	(88,016)	36,719
Total comprehensive income for the year/period		(911,551)	(692,433)	(577,489)	(385,373)
Attributable to:					
Equity shareholders of the Company		(911,551)	(692,433)	(577,489)	(385,373)
Total comprehensive income for the year/period		(911,551)	(692,433)	(577,489)	(385,373)

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at December 31,		As at
		2022	2023	September 30,
		<i>RMB'000</i>	<i>RMB'000</i>	2024 <i>RMB'000</i> <i>(unaudited)</i>
Non-current assets				
Property, plant and equipment	11	30,457	29,275	36,812
Right-of-use assets	12	27,407	36,300	24,469
Intangible assets	13	27,209	18,391	13,902
Goodwill	14	2,691	2,691	2,691
Interests in associate	16	3,831	3,629	3,571
Financial assets measured at fair value through profit and loss (“FVPL”)	17	2,060	4,567	6,018
Time deposits	18	40,638	51,283	31,830
Prepayments, deposits and other assets	20	6,041	7,054	4,179
		140,334	153,190	123,472
Current assets				
Trade receivables	19	28,729	–	–
Prepayments, deposits and other assets	20	17,705	15,573	19,109
Financial assets measured at FVPL	17	91,098	73,046	36,122
Time deposits	18	25,296	158,027	185,015
Restricted cash	21	557	425	420
Cash and cash equivalents	21	576,575	365,823	200,289
		739,960	612,894	440,955
Current liabilities				
Trade and other payables	22	151,967	154,943	121,673
Deferred revenue	23	386,022	441,316	456,300
Lease liabilities	24	19,446	16,615	13,583
Redemption liabilities	26	2,885,661	3,286,745	3,540,280
		3,443,096	3,899,619	4,131,836
Net current liabilities		(2,703,136)	(3,286,725)	(3,690,881)
Total assets less current liabilities		(2,562,802)	(3,133,535)	(3,567,409)
Non-current liabilities				
Deferred revenue	23	120,790	175,741	115,807
Lease liabilities	24	7,105	18,159	7,467
Other non-current liabilities	25	1,330	581	109
		129,225	194,481	123,383
NET LIABILITIES		(2,692,027)	(3,328,016)	(3,690,792)
CAPITAL AND RESERVES				
Share capital	29	90	90	90
Reserves		(2,692,117)	(3,328,106)	(3,690,882)
TOTAL DEFICIT		(2,692,027)	(3,328,016)	(3,690,792)

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at December 31,		As at
		2022	2023	September 30,
		<i>RMB’000</i>	<i>RMB’000</i>	2024
				<i>RMB’000</i> (<i>unaudited</i>)
Non-current assets				
Investment in subsidiaries	15	2,179,638	2,276,618	2,272,861
		2,179,638	2,276,618	2,272,861
Current assets				
Prepayments, deposits and other assets . .		92	94	1,538
Cash and cash equivalents	21	2,788	2,486	4,741
		2,880	2,580	6,279
Current liabilities				
Other payables	22	18,178	23,322	33,578
Redemption liabilities	26	2,885,661	3,286,745	3,540,280
		2,903,839	3,310,067	3,573,858
Net current liabilities		(2,900,959)	(3,307,487)	(3,567,579)
Total assets less current liabilities		(721,321)	(1,030,869)	(1,294,718)
NET LIABILITIES		(721,321)	(1,030,869)	(1,294,718)
CAPITAL AND RESERVES 29				
Share capital		90	90	90
Reserves		(721,411)	(1,030,959)	(1,294,808)
TOTAL DEFICIT		(721,321)	(1,030,869)	(1,294,718)

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company						Total equity
	Share capital	Share premium	Treasury shares	Share-based payment reserve	Exchange reserve	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2022	90	3,173	(22)	129,963	82,973	(2,071,002)	(1,854,825)
Changes in equity for 2022							
Loss for the year	-	-	-	-	-	(703,736)	(703,736)
Other comprehensive income	-	-	-	-	(207,815)	-	(207,815)
Total comprehensive income	-	-	-	-	(207,815)	(703,736)	(911,551)
Vesting of restricted shares	-	44	3	(47)	-	-	-
Equity settled share-based payments	-	-	-	74,349	-	-	74,349
Balance at December 31, 2022 and January 1, 2023	90	3,217	(19)	204,265	(124,842)	(2,774,738)	(2,692,027)
Changes in equity for 2023							
Loss for the year	-	-	-	-	-	(646,097)	(646,097)
Other comprehensive income	-	-	-	-	(46,336)	-	(46,336)
Total comprehensive income	-	-	-	-	(46,336)	(646,097)	(692,433)
Vesting of restricted shares	-	38	3	(41)	-	-	-
Equity settled share-based payments	-	-	-	56,444	-	-	56,444
Balance at December 31, 2023 (Unaudited)	90	3,255	(16)	260,668	(171,178)	(3,420,835)	(3,328,016)
Balance at January 1, 2024	90	3,255	(16)	260,668	(171,178)	(3,420,835)	(3,328,016)
Changes in equity for the nine months ended September 30, 2024:							
Loss for the period	-	-	-	-	-	(422,092)	(422,092)
Other comprehensive income	-	-	-	-	36,719	-	36,719
Total comprehensive income	-	-	-	-	36,719	(422,092)	(385,373)
Equity settled share-based payments	-	-	-	22,597	-	-	22,597
Balance at September 30, 2024	90	3,255	(16)	283,265	(134,459)	(3,842,927)	(3,690,792)

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to equity shareholders of the Company						Total equity
	Share capital	Share premium	Treasury shares	Share-based payment reserve	Exchange reserve	Accumulated losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)							
Balance at January 1, 2023	90	3,217	(19)	204,265	(124,842)	(2,774,738)	(2,692,027)
Changes in equity for the nine months ended September 30, 2023:							
Loss for the period	-	-	-	-	-	(489,473)	(489,473)
Other comprehensive income	-	-	-	-	(88,016)	-	(88,016)
Total comprehensive income	-	-	-	-	(88,016)	(489,473)	(577,489)
Vesting of restricted shares	-	34	3	(37)	-	-	-
Equity settled share-based payments	-	-	-	36,079	-	-	36,079
	<u>90</u>	<u>3,251</u>	<u>(16)</u>	<u>240,307</u>	<u>(212,858)</u>	<u>(3,264,211)</u>	<u>(3,233,437)</u>
Balance at September 30, 2023	<u>90</u>	<u>3,251</u>	<u>(16)</u>	<u>240,307</u>	<u>(212,858)</u>	<u>(3,264,211)</u>	<u>(3,233,437)</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Operating activities					
Cash used in operations	21(b)	(302,434)	(62,568)	(130,981)	(164,866)
Net cash used in operating activities		(302,434)	(62,568)	(130,981)	(164,866)
Investing activities					
Payment for purchase of property, plant and equipment and intangible assets		(21,898)	(31,145)	(22,111)	(27,407)
Proceeds from disposal of property, plant and equipment		864	324	208	270
Payment of investments in an associate		(4,000)	–	–	–
Payment for purchase of wealth management products		(266,314)	(301,284)	(221,375)	(39,407)
Proceeds from disposal of wealth management products		223,805	321,631	232,224	76,920
Payment for purchase of time deposits		(52,532)	(266,613)	(116,330)	(111,959)
Proceeds from disposal of time deposits		36,792	142,311	141,751	115,265
Net cash (used in)/generated from investing activities		(83,283)	(134,776)	14,367	13,682
Financing activities					
Proceeds from bank loans		–	10,000	10,000	–
Repayment of bank loans		–	(10,000)	(10,000)	–
Considerations received for share options		–	6,815	6,815	3,000
Payment of capital element of lease liabilities		(24,990)	(22,451)	(19,901)	(14,960)
Payment of interest element of lease liabilities		(1,475)	(1,088)	(700)	(1,007)
Payment of [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash used in financing activities		(26,465)	(16,724)	(13,786)	(13,224)
Net decrease in cash and cash equivalents		(412,182)	(214,068)	(130,400)	(164,408)
Cash and cash equivalents at January 1		971,063	576,575	576,575	365,823
Effect of foreign exchange rate changes		17,694	3,316	6,855	(1,126)
Cash and cash equivalents at December 31/September 30		576,575	365,823	453,030	200,289

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Manycore Tech Inc. (the “Company”), previously named as Exacloud Limited, was incorporated in the Cayman Islands in July 2013 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 Company and its subsidiaries (together, the “Group”) are principally engaged in the development and operation of a software platform which offers users with computer-aided design and modelling capabilities and provision of other professional services (the “Business”) in the People’s Republic of China (“PRC”) and other countries and regions. As at the date of this report, no audited statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The functional currency of the Company is United States Dollar (“USD”). The consolidated financial statements are presented in Renminbi (“RMB”) as the majority of the Group’s operations are conducted by the Company’s subsidiaries established in the PRC and the functional currency of which is RMB.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid in capital	Held by the Company	Held by the Group	Principal activities
<i>Directly held</i>					
Exacloud (Hong Kong) Limited (ii)	Hong Kong/ August 13, 2013	Hong Kong Dollar (“HKD”) 1/ nil	100%	100%	Investment holding
<i>Indirectly held</i>					
Coohom Inc. (ii)	United States of America (“U.S.”)/ May 14, 2019	-	-	100%	Provision of services
Modelo Inc. (ii)(iv)	U.S./ April 23, 2014	-	-	100%	Provision of services
Coohom (Hong Kong) Limited (ii)	Hong Kong/ October 29, 2019	HKD1/ nil	-	100%	Provision of services
Manycore Tech (Singapore) PTE.LTD. (ii)	Singapore/ August 1, 2022	Singapore Dollar (“SGD”) 10,000/ nil	-	100%	Provision of services
Hangzhou Yun Jia Zhuang Network Technology Co., Ltd. (杭州雲家裝網絡科技有限公司, “Yunjia Zhuang”, the “WFOE”) (i)(iii)	The PRC/ November 29, 2013	USD246,000,000/ USD246,000,000	-	100%	Investment holding
Hangzhou QunHe Information Technology Co., Ltd. (杭州群核信息技術有限公司, “Hangzhou Qunhe”) (i)(iii)(Note 1)	The PRC/ November 09, 2011	RMB1,461,250,000/ RMB1,461,000,000	-	100%	Provision of services
Hangzhou Meijian Technology Co., Ltd. (杭州美間科技有限公司, “Hangzhou Meijian”) (i)(iii)(v)(Note 1)	The PRC/ February 18, 2016	RMB4,704,741/ RMB4,104,741	-	100%	Provision of services
Shanghai Mengdai Network Technology Co., Ltd. (上海蒙袋網絡科技有限公司) (i)(iii)(iv)	The PRC/ October 25, 2016	RMB1,000,000/ RMB660,000	-	100%	Provision of services

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) These companies are limited liability companies established in the PRC. The English translation of the names is for reference only. The official names of these entities are in Chinese.
- (ii) As of the date of this report, no audited financial statements were prepared for these entities during the Track Record Period.
- (iii) The statutory financial statements of these companies for the years ended December 31, 2022 and 2023 were audited by Zhejiang Zhengxin United Certified Public Accountants (浙江正信永浩聯合會計師事務所).
- (iv) Modelo Inc. and Shanghai Mengdai Network Technology Co., Ltd. (上海蒙袋網絡科技有限公司) were acquired by the Group in 2020.
- (v) Hangzhou Meijian was acquired by the Group in January 2021 and controls through contractual arrangements since February 2022 as described below in Note 1.

Prior to the incorporation of the Company and the completion of the reorganization as described below, the business of the Group has been operated under Hangzhou Qunhe which are controlled by co-founders of the Company.

To facilitate offshore financing, the Group underwent a reorganization (the “Reorganization”), as detailed in the section headed “History, Reorganization and Corporate Structure” of the Document. Upon completion of the Reorganization, the Company became the ultimate holding company of the Group.

As part of the Reorganization, the WFOE, Hangzhou Qunhe and the nominee shareholders of Hangzhou Qunhe entered into a series of contractual arrangements (the “Hangzhou Qunhe Contractual Arrangements”) in December 2013 to comply with PRC laws and regulations on internet business, pursuant to which the Group had effective control over the financial and operational matters of Hangzhou Qunhe and was entitled to all the economic benefits derived from Hangzhou Qunhe, and accordingly Hangzhou Qunhe, together with its subsidiaries Hangzhou Meijian and Shanghai Modai, were consolidated into the Group as variable interest entities during the Track Record Period.

Furthermore, to ensure that the contractual arrangements through which the Company can exercise the effective control of the variable interest entities are narrowly tailored in accordance with the requirements of the Stock Exchange of Hong Kong Limited, subsidiaries carrying operations which are not subject to any foreign investment restrictions or prohibition were transferred to and controlled by the Company directly or indirectly through voting power. In February 2022, the WFOE, Hangzhou Qunhe and Hangzhou Qunhe’s nominee shareholders signed a share subscription agreement, upon which Hangzhou Qunhe’s nominee shareholders transferred all of their equity interests in Hangzhou Qunhe to the WFOE of the Group. The Hangzhou Qunhe Contractual Arrangements were terminated accordingly while the WFOE entered into a new series of contractual arrangements with Hangzhou Meijian and the nominee shareholders of Hangzhou Meijian (the “Hangzhou Meijian Contractual Arrangements”), which enable the WFOE to have effective control over Hangzhou Meijian and obtain all the economic benefits derived from Hangzhou Meijian. Accordingly, Hangzhou Meijian was continuing consolidated into the Group as variable interest entity.

As at December 31, 2022 and 2023 and September 30, 2024, the Group had net current liabilities of RMB2,703,136,000, RMB3,286,725,000 and RMB3,690,881,000 (unaudited), respectively, which is primarily due to the classification of the redemption liabilities (see Note 26) as current liabilities. The Historical Financial Information has been prepared on a going concern basis based on the following:

- the directors of the Company do not expect that cash payment for the redemption liabilities would occur within the next twelve months from financial reporting period end date as the redemption date of the preferred shares has been extended to October 28, 2028 (see Note 34(a));
- the redemption obligation will be automatically terminated upon the first submission of [REDACTED] (the “[REDACTED]”) of the Company (see Note 34(a));
- upon the completion of the [REDACTED], the preferred shares will be automatically converted into ordinary shares and the financial liabilities will be reclassified to equity; and
- based on a detailed review of the Group’s cash flow projections, which cover a period of at least twelve months from financial reporting period end date and considering the unutilized banking facilities of [RMB250,000,000] as at September 30, 2024, which can be utilized by the Group to fulfil its liquidity requirements when necessary, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from financial reporting period end date.

All companies now comprising the Group have adopted 31 December as their financial year end date.

APPENDIX I

ACCOUNTANTS’ REPORT

The Historical Financial Information have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on January 1, 2024 are set out in Note 33.

The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Interim Financial Information are presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets and financial liabilities are stated at their fair value as explained in the accounting policies set out below:

- Financial assets measured at fair value through profit and loss (see Note 2(f))

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

APPENDIX I

ACCOUNTANTS' REPORT

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 2(k)(i)).

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see Note 2(k)(ii), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(k)(ii)).

(f) Other investments in debt and equity securities

The Group's policies for investments in securities, other than investments in subsidiaries and associates, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(t)(ii)(b)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(ii)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(j)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Server and network equipment	3 years
– Computer and office equipment	3 years
– Vehicles	5-10 years
– Leasehold improvements	Shorter of useful lives or lease term
– Right-of-use assets	Over the lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

APPENDIX I

ACCOUNTANTS' REPORT

(h) Intangible assets (other than goodwill)

Intangible assets, including those which are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(k)(ii)).

Expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

- Design models	3 years
- Software	3 years
- Software platform	5 years
- Brand	10 years
- Domain name	10 years

The estimates and associated assumptions of useful life determined by the Group are based on technical and commercial obsolescence, legal or contractual limits on the use of the asset and other relevant factors.

The design models, software and software platform useful lives are determined to be the shorter of the period of contractual rights or estimated period during which such software can bring economic benefits to the Group considering the different purposes, usage of the software and technological obsolescence.

The brand and domain name useful lives are determined based on the period of validity of patent protected by the relevant laws after considering the period of the economic benefits to the Group and estimates of useful lives of similar assets.

Both the period and method of amortization are reviewed annually.

(i) Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

APPENDIX I

ACCOUNTANTS’ REPORT

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(k)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see notes 2(f)(i), 2(t)(ii)(b) and 2(k)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(t)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

APPENDIX I

ACCOUNTANTS’ REPORT

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (“ECL”)s on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables, other receivables and time deposits).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade receivables and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

APPENDIX I

ACCOUNTANTS’ REPORT

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or significant financial difficulties of the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 90 days past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) *Impairment of other non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU”s). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

APPENDIX I

ACCOUNTANTS’ REPORT

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(l) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see Note 2(t)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(k)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(m)).

A contract liability (described as “deferred revenue”) is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(t)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such latter cases, a corresponding receivable is also recognized (see Note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(t)(ii)(b)).

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see Note 2(k)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitors that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(k)(i)).

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Redemption liabilities

Preferred shares give rise to financial liabilities if they are redeemable at the option of the preferred shareholders upon occurrence of events that are beyond the control of both the Company and the preferred shareholders. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are recognized in profit or loss. When the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to equity with no gain or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

(q) Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) *Equity-settled share-based payments*

The grant-date fair value of equity-settled share-based payments granted to the management personnel, employees and the external consultants is measured using the binomial option pricing model, excluding the impact of the vesting conditions (i.e. service condition and non-market condition, if any). The grant-date fair value of equity-settled share-based payments deducting any consideration paid by the grantees is recognized as an expense over the vesting period of the awards with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the number of awards for which the related vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related vesting conditions at the vesting date. The consideration received from the grantees, which is refundable when the awards are forfeited, is recognised as a deposit liability until the share-based payments vests at which point in time the deposit liability is reclassified to equity.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

APPENDIX I

ACCOUNTANTS' REPORT

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract (see Note 2(k)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

The Group primarily derives its revenues from subscription services, which are fees earned from customers accessing the Group's cloud-based design platform. The platform provides design functions and solution tools such as the rendering feature which can generate panoramic viewings of a designed space, electrical and plumbing design tools, implementation tools that bridge design and production and digital asset management solutions. The Group also derives its revenue from professional service revenues which mainly includes modelling services, technical development services, and customer trains.

(a) Subscription revenues

Subscription services include (a) subscription fees from customers accessing the Group's design platform over a specified period of time and (b) fees from customers based on volume of usage. Subscription services are recognized as revenue over the service period corresponding to the contract term. The fees based on volume of usage are recognized upon the consumption by the customers.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) *Professional services*

The professional services contracts are negotiated on a case-by-case basis, typically structured as project-based agreements and revenue is earned and recognized upon the service delivery and acceptance by the customers.

(ii) **Revenue from other sources and other income**

(a) *Rental income from operating leases*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(b) *Interest income*

Interest income is recognized as it accrues using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) *Government grants*

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) **Translation of foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the

APPENDIX I

ACCOUNTANTS' REPORT

NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

APPENDIX I

ACCOUNTANTS’ REPORT

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Key Sources of estimation uncertainty

Notes 14, 28 and 30(e) contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of equity settled share-based transactions and financial instruments. Other key sources of estimation uncertainty are as follows:

Control assessment through contractual arrangements

The Group has a number of involvements with the other entity through contractual or other arrangements. In particular, as disclosed in Note 1, the Group accounted certain entity as a subsidiary through contractual arrangements.

The Group considers that it controls the entity through contractual arrangements, notwithstanding the fact that it does not hold any direct interest in the entity, as it has power over the financial and operating policies of the entity and receive substantially all of the benefits from the business activities of the entity through contractual arrangements.

Accordingly, the entity has been accounted as a subsidiary during the years ended December 31, 2022 and 2023 and nine months ended September 30, 2024. However, uncertainties in the present legal system in the PRC could limit the Group’s ability to enforce the PRC contractual arrangements. Significant judgment is involved in determining whether the Group can exercise control over the entity.

Nevertheless, the directors of the Company, based on opinion from its legal advisor, considered that these arrangements are in compliance with the applicable laws and regulations and are legal and valid.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group derives revenues from subscription and professional services.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15				
– Subscription revenues	543,935	647,089	474,672	543,523
– Professional service revenues	56,681	16,451	11,332	9,418
Total	<u>600,616</u>	<u>663,540</u>	<u>486,004</u>	<u>552,941</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Disaggregated by timing of revenue recognition				
Revenue over time	542,505	645,530	472,604	542,465
Revenue at a point in time	58,111	18,010	13,400	10,476
	<u>600,616</u>	<u>663,540</u>	<u>486,004</u>	<u>552,941</u>

No revenue from individual customer contributed over 10% of total revenue of the Group for each of the reporting period.

(ii) *Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date*

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024 (unaudited)
Transaction price allocated to remaining performance obligations of long-term contracts	330,572	334,742	305,029
To be recognized as revenue within 1 year	<u>(143,419)</u>	<u>(182,188)</u>	<u>(164,504)</u>
To be recognized as revenue over 1 year	<u>187,153</u>	<u>152,554</u>	<u>140,525</u>

* The Group expects the remaining performance obligations will be mainly satisfied in 1 to 2 years.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sale contracts such that the above information has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations under the contracts that had an original expected duration of one year or less.

(b) Segment reporting

(i) *Segment information*

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group’s chief operating decision maker is the co-founders of the Group who reviews the Group’s consolidated results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Geographic information

The following table sets out information about the geographical location of the Group’s revenue from external customers. The geographical location of customers is based on the location of customers where they registered or located.

Revenues from external customers

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Mainland China	532,930	623,599	458,252	511,759
Outside mainland China	67,686	39,941	27,752	41,182
	<u>600,616</u>	<u>663,540</u>	<u>486,004</u>	<u>552,941</u>

The non-current assets located overseas are immaterial.

5 OTHER INCOME AND OTHER NET GAINS

(a) Other income

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Government grants (i)	10,314	15,327	4,570	1,652
Additional deductible input VAT (ii).	1,347	734	534	–
Interest income.	17,865	18,401	13,229	11,984
Rental income	1,221	1,194	913	27
	<u>30,747</u>	<u>35,656</u>	<u>19,246</u>	<u>13,663</u>

(i) The Group received unconditional government grants from various local government authorities in the Chinese Mainland, as rewards of the Group’s contribution to technology innovation and regional economic development.

(ii) Amount represents additional VAT deduction allowed under the PRC tax law, generated from software business. There are no unfulfilled condition or contingencies relating to these grants. The relevant PRC tax law for 2024 has not yet been announced by the government.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Other net gains

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Fair value changes of unlisted equity securities measured at FVPL	(1,939)	2,472	(42)	1,518
Net realized and unrealized gains on wealth management products and structured deposits measured at FVPL	1,902	2,295	1,806	1,111
Net gains on disposal of property, plant and equipment and right-of-use assets.	1,194	228	149	231
Net foreign exchange (losses)/gains	(213)	89	161	(443)
Others	(611)	(873)	(533)	(784)
	<u>333</u>	<u>4,211</u>	<u>1,541</u>	<u>1,633</u>

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Interest on lease liabilities.	<u>1,475</u>	<u>1,088</u>	<u>700</u>	<u>1,007</u>

(b) Staff costs

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Salaries, wages and other benefits	695,239	671,840	507,229	476,657
Contributions to defined contribution retirement plan (i)	39,035	34,952	26,548	24,260
Equity settled share-based payment expenses	<u>66,215</u>	<u>53,355</u>	<u>33,171</u>	<u>27,243</u>
	<u>800,489</u>	<u>760,147</u>	<u>566,948</u>	<u>528,160</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees’ salaries as agreed by the local municipal governments.

Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age. The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Depreciation charge				
– property, plant and equipment . . .	29,329	24,828	18,989	16,363
– right-of-use assets.	24,959	21,857	17,123	13,067
Amortisation cost of intangible assets	12,926	10,781	8,361	6,477
Impairment losses on other receivables	–	368	–	–
Research and development costs (excluding amortisation, depreciation and staff costs)	16,768	14,423	10,266	6,698
Cost of revenues (excluding amortisation, depreciation and staff costs)	76,056	75,737	54,456	54,365
[REDACTED] expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

7 INCOME TAX

- (a) Taxation in the consolidated statement of profit or loss represents:

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(i) The Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Company is currently not subject to income tax.

(ii) Chinese Mainland

Pursuant to the Corporate Income Tax Law of Chinese Mainland (the “CIT”), the Company’s Chinese Mainland subsidiaries are subject to the CIT at a rate of 25% unless otherwise specified.

Pursuant to the PRC Corporate Income Tax Law and its relevant regulations, entities that qualified as a high technology enterprise (“HNTE”) are entitled to a preferential income tax rate of 15%. The Company’s subsidiary Hangzhou Qunhe obtained its certificate of HNTE on November 30, 2018 and renewed on December 16, 2021 and December 6, 2024, with a validity period of three years. Hangzhou Qunhe is entitled to a preferential income tax rate of 15% during each of the reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Hong Kong

The provision for Hong Kong Profits Tax for each of the reporting period is calculated at 16.5% of the estimated assessable profits for the year, except for two subsidiaries of the Group which are under the two-tiered profits tax rate regime, i.e. the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(iv) The USA

The Company’s subsidiaries in California and Delaware, United States are subject to U.S. federal corporate tax and California and Delaware state income tax on its taxable income as reported in its statutory financial statements adjusted in accordance with relevant U.S. tax laws. The applicable U.S. federal corporate tax rate is 21%, the California state income tax rate is 8.84% and the Delaware state income tax rate is 8.7% for each of the reporting period.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Loss before taxation	(703,736)	(646,097)	(489,473)	(422,092)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the entities concerned	(97,836)	(73,662)	(57,205)	(32,009)
Tax effect of preferential tax rate . .	31,737	23,503	18,866	10,784
Tax effect of non-deductible expenses	9,393	6,270	4,271	3,360
Tax effect of temporary differences and unused tax losses not recognised	96,906	90,586	73,334	52,888
Tax effect of super deduction for research and development (i). . . .	(40,200)	(46,697)	(39,266)	(35,023)
Actual tax expense	—	—	—	—

(i) According to the tax incentive policies promulgated by the State Tax Bureau of the PRC, which were effective from 1 January 2018 to 30 September 2022, an additional 75% of qualified research and development expenses incurred would be allowed to be deducted from the taxable income.

According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2022, an additional 100% of qualified expenses incurred from 1 October 2022 to 31 December 2022 is allowed to be deducted from the taxable income.

According to Announcement [2023] No. 7 of the Ministry of Finance and the State Taxation Administration, the enterprises entitled to the current additional tax deduction ratio of 100% for research and development expenses during the period from 1 January 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

8 DIRECTORS’ EMOLUMENTS

(a) Directors’ emoluments as recorded in the Historical Financial Information are as follows:

For the year ended December 31, 2022

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub total	Share-based payments	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>
Chairman							
Xiaohuang Huang	–	735	317	31	1,083	–	1,083
Executive directors							
Hang Chen	–	732	317	31	1,080	–	1,080
Hao Zhu	–	746	317	38	1,101	–	1,101
Bei Shen (appointed on June 21, 2021)	–	309	190	40	539	6,012	6,551
Non-executive directors							
Liming Huang (appointed on October 28, 2021)	–	–	–	–	–	–	–
Kuiguang Niu	–	–	–	–	–	–	–
Tian Cheng (resigned on March 17, 2021) (appointed on October 28, 2021)	–	–	–	–	–	–	–
Ji-xun Foo (appointed on March 17, 2021)	–	–	–	–	–	–	–
Total	<u>–</u>	<u>2,522</u>	<u>1,141</u>	<u>140</u>	<u>3,803</u>	<u>6,012</u>	<u>9,815</u>

For the year ended December 31, 2023

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub total	Share-based payments	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>
Chairman							
Xiaohuang Huang	–	766	300	39	1,105	–	1,105
Executive directors							
Hang Chen	–	766	793	39	1,598	–	1,598
Hao Zhu	–	765	850	39	1,654	–	1,654
Bei Shen	–	322	567	66	955	4,063	5,018
Non-executive directors							
Liming Huang	–	–	–	–	–	–	–
Kuiguang Niu	–	–	–	–	–	–	–
Tian Cheng	–	–	–	–	–	–	–
Ji-xun Foo	–	–	–	–	–	–	–
Total	<u>–</u>	<u>2,619</u>	<u>2,510</u>	<u>183</u>	<u>5,312</u>	<u>4,063</u>	<u>9,375</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the nine months ended September 30, 2023 (unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Note i)	RMB’000
Chairman							
Xiaohuang Huang	–	556	245	29	830	–	830
Executive directors							
Hang Chen	–	556	245	29	830	–	830
Hao Zhu	–	556	245	29	830	–	830
Bei Shen	–	240	147	56	443	3,168	3,611
Non-executive directors							
Liming Huang	–	–	–	–	–	–	–
Kuiguang Niu	–	–	–	–	–	–	–
Tian Cheng	–	–	–	–	–	–	–
Ji-xun Foo	–	–	–	–	–	–	–
Total	–	<u>1,908</u>	<u>882</u>	<u>143</u>	<u>2,933</u>	<u>3,168</u>	<u>6,101</u>

For the nine months ended September 30, 2024 (unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Note i)	RMB’000
Chairman							
Xiaohuang Huang	–	588	647	30	1,265	–	1,265
Executive directors							
Hang Chen	–	588	603	30	1,221	–	1,221
Hao Zhu	–	587	647	30	1,264	–	1,264
Bei Shen	–	214	425	30	669	2,090	2,759
Non-executive directors							
Liming Huang (resigned on December 16, 2024)	–	–	–	–	–	–	–
Kuiguang Niu (resigned on December 16, 2024)	–	–	–	–	–	–	–
Tian Cheng (resigned on December 16, 2024)	–	–	–	–	–	–	–
Ji-xun Foo	–	–	–	–	–	–	–
Total	–	<u>1,977</u>	<u>2,322</u>	<u>120</u>	<u>4,419</u>	<u>2,090</u>	<u>6,509</u>

Notes:

- (i) These represent the estimated value of share options granted to the directors under the Company’s share option scheme. The value of these share options is measured according to the Group’s accounting policies for share-based payment transactions as set out in Note 2(q) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of share-based payments, including the principal terms and number of options granted, are disclosed in Note 28.
- (ii) During the Track Record Period, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, one, one (unaudited) and one (unaudited) are directors whose emoluments are disclosed in Note 8 during the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. The aggregate of the emoluments in respect of the paid amount to remaining individuals are as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Salaries and other emoluments	3,842	3,408	3,091	3,922
Discretionary bonuses	1,037	1,569	990	1,076
Retirement scheme contributions	157	156	134	145
Share-based payments	9,155	9,816	6,695	6,253
	<u>14,191</u>	<u>14,949</u>	<u>10,910</u>	<u>11,396</u>

The emoluments of the four, four, four (unaudited) and four (unaudited) individuals with the highest emoluments are within the following bands:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i> <i>(unaudited)</i>	<i>Number of individuals</i> <i>(unaudited)</i>
HKD2,000,001 – HKD3,000,000	1	–	2	2
HKD3,000,001 – HKD4,000,000	1	2	2	2
HKD4,000,001 – HKD5,000,000	1	1	–	–
HKD5,000,001 – HKD6,000,000	1	1	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue and outstanding during each of the reporting period, calculated as follows:

Weighted average number of issued and outstanding ordinary shares

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
			<i>(unaudited)</i>	<i>(unaudited)</i>
Issued and outstanding ordinary shares at the beginning of the year/period	441,082,416	447,281,193	447,281,193	452,446,840
Effect of restricted shares vested	2,841,106	2,798,059	2,711,965	–
Weighted average number of issued and outstanding ordinary share at the end of the year/period	<u>443,923,522</u>	<u>450,079,252</u>	<u>449,993,158</u>	<u>452,446,840</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Diluted loss per share

The convertible redeemable preferred shares (see Note 26), restricted shares to co-founders (see Note 28) and share options granted under the share-based payment arrangements (see Note 28) were not included in the calculation of diluted loss per share as their inclusion would have been anti-dilutive. Accordingly, diluted loss per are the same as basic loss per share of the respective years/periods.

11 PROPERTY, PLANT AND EQUIPMENT

	Server and network equipment	Computer and office equipment	Vehicles	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:					
At January 1, 2022	102,497	13,765	1,538	18,594	136,394
Additions	9,956	127	340	–	10,423
Disposals	(7,061)	(2,753)	(205)	–	(10,019)
At December 31, 2022 and January 1, 2023	105,392	11,139	1,673	18,594	136,798
Additions	22,464	574	–	670	23,708
Disposals	(5,717)	(2,053)	–	–	(7,770)
At December 31, 2023 and January 1, 2024	122,139	9,660	1,673	19,264	152,736
Additions	23,720	188	–	–	23,908
Disposals	(7,743)	(816)	–	–	(8,559)
At September 30, 2024 (unaudited)	138,116	9,032	1,673	19,264	168,085
Accumulated depreciation:					
At January 1, 2022	(70,290)	(6,884)	(714)	(9,087)	(86,975)
Charge for the year	(21,126)	(3,342)	(225)	(4,636)	(29,329)
Written back on disposals	7,029	2,739	195	–	9,963
At December 31, 2022 and January 1, 2023	(84,387)	(7,487)	(744)	(13,723)	(106,341)
Charge for the year	(17,801)	(2,816)	(265)	(3,946)	(24,828)
Written back on disposals	5,683	2,025	–	–	7,708
At December 31, 2023 and January 1, 2024	(96,505)	(8,278)	(1,009)	(17,669)	(123,461)
Charge for the period	(14,036)	(1,028)	(150)	(1,149)	(16,363)
Written back on disposals	7,737	814	–	–	8,551
At September 30, 2024 (unaudited)	(102,804)	(8,492)	(1,159)	(18,818)	(131,273)
Net book value:					
At December 31, 2022	21,005	3,652	929	4,871	30,457
At December 31, 2023	25,634	1,382	664	1,595	29,275
At September 30, 2024 (unaudited)	35,312	540	514	446	36,812

APPENDIX I

ACCOUNTANTS’ REPORT

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000
			(unaudited)
Cost:			
At January 1,	74,155	65,851	61,508
Additions	10,618	30,750	1,236
Disposals	(14,920)	(35,093)	(20,858)
Early termination	(4,002)	—	—
At December 31./September 30,	65,851	61,508	41,886
Accumulated depreciation:			
At January 1,	(28,949)	(38,444)	(25,208)
Charge for the year/period.	(24,959)	(21,857)	(13,067)
Disposals	14,920	35,093	20,858
Early termination	544	—	—
At December 31./September 30,	(38,444)	(25,208)	(17,417)
Net book value:			
At December 31./September 30,	27,407	36,300	24,469

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	(unaudited)
Depreciation charge				
of right-of-use assets				
by class of underlying asset:				
– Office buildings (i)	24,959	21,857	17,123	13,067
Interest on lease liabilities (Note 6(a)).	1,475	1,088	700	1,007
Expense relating to short-term leases .	9,850	8,951	6,364	7,541
COVID-19-Related rent concessions				
received	(420)	(76)	(76)	—

Note:

- (i) The Group has leased office buildings through tenancy agreements. The leases typically run for an initial period of three years. None of the leases includes variable lease payments.

The total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 21(d) and Note 24, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

13 INTANGIBLE ASSETS

	Design models	Software	Software platform	Brand	Domain name	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>
Cost:						
At January 1, 2022	23,209	4,303	13,000	8,300	578	49,390
Additions	<u>7,974</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,974</u>
At December 31, 2022 and						
January 1, 2023	31,183	4,303	13,000	8,300	578	57,364
Additions	<u>1,963</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,963</u>
At December 31, 2023 and						
January 1, 2024	33,146	4,303	13,000	8,300	578	59,327
Additions	<u>1,988</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,988</u>
At September 30, 2024						
(unaudited)	35,134	4,303	13,000	8,300	578	61,315
Accumulated depreciation:						
At January 1, 2022	(12,320)	(1,755)	(2,383)	(761)	(10)	(17,229)
Charge for the year	<u>(8,004)</u>	<u>(1,434)</u>	<u>(2,600)</u>	<u>(830)</u>	<u>(58)</u>	<u>(12,926)</u>
At December 31, 2022 and						
January 1, 2023	(20,324)	(3,189)	(4,983)	(1,591)	(68)	(30,155)
Charge for the year	<u>(6,637)</u>	<u>(656)</u>	<u>(2,600)</u>	<u>(830)</u>	<u>(58)</u>	<u>(10,781)</u>
At December 31, 2023 and						
January 1, 2024	(26,961)	(3,845)	(7,583)	(2,421)	(126)	(40,936)
Charge for the period	<u>(3,486)</u>	<u>(375)</u>	<u>(1,950)</u>	<u>(623)</u>	<u>(43)</u>	<u>(6,477)</u>
At September 30, 2024						
(unaudited)	(30,447)	(4,220)	(9,533)	(3,044)	(169)	(47,413)
Net book value:						
At December 31, 2022.	<u>10,859</u>	<u>1,114</u>	<u>8,017</u>	<u>6,709</u>	<u>510</u>	<u>27,209</u>
At December 31, 2023.	<u>6,185</u>	<u>458</u>	<u>5,417</u>	<u>5,879</u>	<u>452</u>	<u>18,391</u>
At September 30, 2024						
(unaudited)	4,687	83	3,467	5,256	409	13,902

All of the intangible assets were acquired from third parties.

APPENDIX I

ACCOUNTANTS’ REPORT

14 GOODWILL

The movement of goodwill is set out as below:

	<i>RMB’000</i>
Cost:	
At January 1, 2022, December 31, 2022, December 31, 2023 and September 30, 2024 (unaudited)	2,691
Accumulated impairment losses:	
At January 1, 2022, December 31, 2022, December 31, 2023 and September 30, 2024 (unaudited)	<u>—</u>
Carrying amount:	
At January 1, 2022, December 31, 2022, December 31, 2023 and September 30, 2024 (unaudited)	<u>2,691</u>

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in the acquisition. The goodwill is not deductible for tax purposes.

Impairment tests for cash-generating units containing goodwill

The goodwill arose from the acquisitions of Hangzhou Meijian on January 25, 2021 amounting to RMB2,691,000.

The Group carries out its annual impairment test on goodwill according to IAS 36 “Impairment of assets” by comparing the recoverable amounts of CGU to the carrying amounts. For the purposes of impairment test, the recoverable amount of a CGU allocated with goodwill was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

Management reviews the business performance based on type of business and monitors the goodwill at the operating segment level. Goodwill arising from the acquisition was monitored separately and assessed as separate CGUs for the purpose of impairment testing.

Impairment review on the goodwill of the Group has been conducted by the management as 31 December 31, 2022 and 2023. The key assumptions used in the value-in-use calculations for the CGU allocated with goodwill are as follows:

	As at December 31,	
	2022	2023
Average revenue growth rate (%)	25.2%	22.9%
Terminal revenue growth rate (%)	2.0%	2.0%
Pre-tax discount rate (%)	19.7%	19.7%

The expected average revenue growth rate and terminal revenue growth rate are following the business plan approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

APPENDIX I

ACCOUNTANTS’ REPORT

The headroom of the CGU is shown as below:

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Headroom	2,168	2,097

The Group performs the sensitivity analysis based on the assumption that revenue amount or the discount rate has been changed. Had the estimated key assumption during the forecast period been changed as below the headroom would be decreased to as below:

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Average revenue growth rate decreased by 3%	1,347	1,629
Discount rate increased by 1%	1,909	1,915

15 INVESTMENT IN SUBSIDIARIES

The Company

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000
			(unaudited)
Amounts due from subsidiaries	1,946,215	1,985,981	1,964,867
Deemed investments arising from share-based payments	233,423	290,637	307,994
	<u>2,179,638</u>	<u>2,276,618</u>	<u>2,272,861</u>

As at December 31, 2022 and 2023 and September 30, 2024, the amounts due from subsidiaries were interest-free and had no fixed payment terms.

16 INTERESTS IN AN ASSOCIATE

The following list contains an associate of the Group, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Place of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Xiamen Zhibenjia Technology Co., Ltd. (“Xiamen Zhibenjia”) (廈門知本家科技有限公司)	The PRC	RMB20,632,222	2.68%	Not applicable	2.68%	Provision of software services

* The English translation of the associate’s name is for reference only. The official name of the company is in Chinese.

APPENDIX I

ACCOUNTANTS’ REPORT

In January 2022, the Group invested 2.68% of the equity interest in Xiamen Zhibenjia with a consideration of RMB4,000,000. The Group accounts for Xiamen Zhibenjia as an investment in an associate using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards, as the Group has the right to appoint a director in the board of directors of Xiamen Zhibenjia.

Aggregate information of the associate that is not individually material:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Aggregate amounts of the Group’s share of the associate	3,831	3,629	3,721	3,571
Loss for the year/period	(6,857)	(7,542)	(4,105)	(2,166)
Total comprehensive income	(6,857)	(7,542)	(4,105)	(2,166)

17 FINANCIAL ASSETS MEASURE AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024 (unaudited) RMB'000
Non-current			
Investments not held for trading			
– Unlisted equity securities	<u>2,060</u>	<u>4,567</u>	<u>6,018</u>
Current			
Wealth management products and structured deposits	<u>91,098</u>	<u>73,046</u>	<u>36,122</u>

Investments in unlisted equity securities are mainly comprised of an investment of 5% equity interest in a private company, which is incorporated in the Cayman Islands and principally engaged in the cloud-based package-design platform in China. The investment was classified as financial assets measured at FVPL.

Wealth management products and structured deposits, of which principal and returns are not guaranteed, are issued by reputable financial institutions in the PRC during each of the reporting period. Changes in fair value of these financial assets had been recognized in “Other net gains” in the consolidated statements of comprehensive loss.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 30(e).

APPENDIX I

ACCOUNTANTS’ REPORT

18 TIME DEPOSITS

The Group

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current			
Time deposits	25,296	158,027	185,015
Non-current			
Time deposits	40,638	51,283	31,830

The time deposits with maturity over three months but within one year are presented in the current portion, while the time deposits with maturity over one year are presented in the non-current portion.

19 TRADE RECEIVABLES

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Gross amount of trade receivables	28,729	—	—
Less: loss allowance	—	—	—
Trade receivables, net	28,729	—	—

All of the trade receivables are expected to be recovered within one year.

Aging analysis

As at the end of each reporting period, the aging analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 90 days	26,117	—	—
90-360 days	2,612	—	—
	28,729	—	—

Trade receivables are generally due within 90 days from the invoice date. Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 30(a).

APPENDIX I

ACCOUNTANTS’ REPORT

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at December 31,		As at
	2022	2023	September 30,
	RMB’000	RMB’000	2024
			RMB’000 (unaudited)
Non-current			
Deposits for rental and others	3,491	4,202	4,118
Prepayments for property plant and equipment . .	2,550	2,852	61
Less: allowance for impairment	–	–	–
	<u>6,041</u>	<u>7,054</u>	<u>4,179</u>
Current			
Prepayments			
– Prepayments for suppliers	3,445	1,504	3,383
– Prepayments for marketing expenses	902	1,421	2,370
– Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
– Others	2,422	3,051	2,819
Other receivable			
– Advances to employees (i)	6,071	5,875	5,842
– Deposits for rental and others	4,271	3,755	3,130
– Receivable for shareholders	86	87	86
– Others	508	180	326
Less: allowance for impairment	–	(300)	(300)
	<u>17,705</u>	<u>15,573</u>	<u>19,109</u>

(i) In 2021, the Company made advances to certain employees to settle the individual income tax of the share options held by these employees, among which RMB2.2 million was granted to the directors of the Company. Refer to Note 32 for further details.

Movement in the loss allowance account in respect of prepayments, deposits and other receivables during the year/period is as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Balance at January 1,	–	–	–	300
Impairment losses recognized during the year/period	–	368	–	–
Amounts written off	–	(68)	–	–
	–	<u>300</u>	–	<u>300</u>
	–	<u>–</u>	–	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash at banks	414,402	264,841	121,077
Cash held at third party payment platforms	1,315	2,054	2,551
Time deposits and highly liquid investments with initial terms within three months	161,415	99,353	77,081
Total	<u>577,132</u>	<u>366,248</u>	<u>200,709</u>
Less: Restricted cash (i)	<u>(557)</u>	<u>(425)</u>	<u>(420)</u>
Cash and cash equivalents	<u><u>576,575</u></u>	<u><u>365,823</u></u>	<u><u>200,289</u></u>

The Company

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash at banks	2,788	2,486	4,741
Less: Restricted cash (i)	<u>–</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents	<u><u>2,788</u></u>	<u><u>2,486</u></u>	<u><u>4,741</u></u>

- (i) The Group’s restricted cash mainly represents secured deposits held in designated bank accounts to secure for corporate credit card charges as of December 31, 2022 and 2023 and September 30, 2024.
- (ii) As of the end of each reporting period, the conversion of the RMB denominated balances amounting to RMB375,957,000, RMB224,475,000 and RMB112,191,000 (unaudited) maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Reconciliation of loss before taxation to cash used in operations:

	Note	Years ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Loss before taxation		(703,736)	(646,097)	(489,473)	(422,092)
Adjustments for:					
Depreciation of property, plant and equipment	6(c)	29,329	24,828	18,989	16,363
Amortisation of intangible assets	6(c)	12,926	10,781	8,361	6,477
Depreciation of right-of-use assets	6(c)	24,959	21,857	17,123	13,067
Equity settled share-based payments	28(a)	66,215	53,355	33,171	27,243
Finance costs	6(a)	1,475	1,088	700	1,007
Interest income	5(a)	(17,865)	(18,401)	(13,229)	(11,984)
Net foreign exchange losses/(gains)		213	(89)	(161)	443
Changes in the carrying amount of redemption liabilities	26	299,975	350,813	257,842	292,669
Fair value changes of unlisted equity securities measured at FVPL		1,939	(2,472)	42	(1,518)
Net realized and unrealized gains on investments in financial assets measured at FVPL		(1,902)	(2,295)	(1,806)	(1,111)
Share of losses of an associate		169	202	110	58
Net gains on disposal of property, plant and equipment and right-of use assets		(1,194)	(228)	(149)	(231)
Impairment of other receivables		–	368	–	–
Covid-19-related rent concessions received		(420)	(76)	(76)	–
Changes in working capital:					
(Increase)/decrease in trade receivables		(28,729)	28,729	28,729	–
Decrease/(increase) in prepayments, deposits and other assets		7,686	1,056	(3,043)	(3,483)
(Decrease)/increase in trade and other payables		(29,877)	4,385	(22,781)	(36,357)
Increase/(decrease) other non-current liabilities		10	(749)	(748)	(472)
Increase/(decrease) in deferred revenue		36,440	110,245	35,307	(44,950)
(Increase)/decrease in restricted cash		(47)	132	111	5
Cash used in operations		<u>(302,434)</u>	<u>(62,568)</u>	<u>(130,981)</u>	<u>(164,866)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statements as cash flows from financing activities.

	Redemption liabilities	Lease liabilities	Bank loans	[REDACTED] expense payables – capital element (included in trade and other payables)	Total
	RMB’000 (Note 26)	RMB’000 (Note 24)	RMB’000	RMB’000	RMB’000
At January 1, 2022	2,358,626	45,190	–	–	2,403,816
Changes from financing cash flows:					
Payment of capital element of lease liabilities	–	(24,990)	–	–	(24,990)
Payment of interest element of lease liabilities	–	(1,475)	–	–	(1,475)
Total changes from financing cash flows	–	(26,465)	–	–	(26,465)
Exchange adjustments	227,060	–	–	–	227,060
Other changes:					
Changes in the carrying amount of redemption liabilities (Note 26)	299,975	–	–	–	299,975
Interest expenses (Note 6(a))	–	1,475	–	–	1,475
Increase in lease liabilities from entering into new leases during the year	–	10,618	–	–	10,618
Decrease in lease liabilities from ceasing leases contract during the year	–	(3,847)	–	–	(3,847)
Covid-19-related rent concessions received	–	(420)	–	–	(420)
At December 31, 2022	2,885,661	26,551	–	–	2,912,212
Changes from financing cash flows:					
Proceeds from bank loans	–	–	10,000	–	10,000
Repayment of bank loans	–	–	(10,000)	–	(10,000)
Payment of capital element of lease liabilities	–	(22,451)	–	–	(22,451)
Payment of interest element of lease liabilities	–	(1,088)	–	–	(1,088)
Total changes from financing cash flows	–	(23,539)	–	–	(23,539)
Exchange adjustments	50,271	–	–	–	50,271
Other changes:					
Changes in the carrying amount of redemption liabilities (Note 26)	350,813	–	–	–	350,813
Interest expenses (Note 6(a))	–	1,088	–	–	1,088
Increase in lease liabilities from entering into new leases during the year	–	30,750	–	–	30,750
Covid-19-related rent concessions received	–	(76)	–	–	(76)
At December 31, 2023	3,286,745	34,774	–	–	3,321,519

APPENDIX I

ACCOUNTANTS’ REPORT

	Redemption liabilities	Lease liabilities	Bank loans	[REDACTED] expense payables – capital element (included in trade and other payables)	Total
	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i> <i>(Note 24)</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Unaudited)					
At January 1, 2024	3,286,745	34,774	–	–	3,321,519
Changes from financing cash flows:					
Payment of capital element of lease liabilities	–	(14,960)	–	–	(14,960)
Payment of interest element of lease liabilities	–	(1,007)	–	–	(1,007)
Payment of [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total changes from financing cash flows	–	(15,967)	–	(257)	(16,224)
Exchange adjustments	(39,134)	–	–	–	(39,134)
Other changes:					
Additions	–	–	–	1,453	1,453
Changes in the carrying amount of redemption liabilities (<i>Note 26</i>)	292,669	–	–	–	292,669
Interest expenses (<i>Note 6(a)</i>)	–	1,007	–	–	1,007
Increase in lease liabilities from entering into new leases during the year	–	1,236	–	–	1,236
At September 30, 2024	<u>3,540,280</u>	<u>21,050</u>	<u>–</u>	<u>1,196</u>	<u>3,562,526</u>
(Unaudited)					
At January 1, 2023	2,885,661	26,551	–	–	2,912,212
Changes from financing cash flows:					
Proceeds from bank loans	–	–	10,000	–	10,000
Repayment of bank loans	–	–	(10,000)	–	(10,000)
Payment of capital element of lease liabilities	–	(19,901)	–	–	(19,901)
Payment of interest element of lease liabilities	–	(700)	–	–	(700)
Total changes from financing cash flows	–	(20,601)	–	–	(20,601)
Exchange adjustments	95,229	–	–	–	95,229
Other changes:					
Changes in the carrying amount of redemption liabilities (<i>Note 26</i>)	257,842	–	–	–	257,842
Interest expenses (<i>Note 6(a)</i>)	–	700	–	–	700
Increase in lease liabilities from entering into new leases during the year	–	20,878	–	–	20,878
Covid-19-related rent concessions received	–	(76)	–	–	(76)
At September 30, 2023	<u>3,238,732</u>	<u>27,452</u>	<u>–</u>	<u>–</u>	<u>3,266,184</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Total cash outflow for leases

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Within operating cash flows	9,753	9,009	6,491	8,054
Within financing cash flows	26,465	23,539	20,601	15,967
	<u>36,218</u>	<u>32,548</u>	<u>27,092</u>	<u>24,021</u>

22 TRADE AND OTHER PAYABLES

The Group

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024 (unaudited)
Trade payables	3,492	5,483	4,580
Payroll payables	109,164	110,059	86,321
Tax payables	17,214	21,878	10,007
Professional service fees	8,399	7,791	–
[REDACTED] expense payables	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments from employees (i)	6,301	3,059	4,066
Others	7,397	6,673	8,653
	<u>151,967</u>	<u>154,943</u>	<u>121,673</u>

The Company

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024 (unaudited)
Amounts due to subsidiaries	3,905	12,472	21,466
Professional service fees	7,972	7,791	–
[REDACTED] expense payables	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments from employees (i)	6,301	3,059	4,066
	<u>18,178</u>	<u>23,322</u>	<u>33,578</u>

Note:

(i) Prepayments from employees is the considerations received from employees who purchased the share options from the Company and the considerations are refundable if the employees terminate their services before the share options vested. Please refer to Note 28 for more details.

All trade and other payables are to be settled within one year or are repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

As of the end of each reporting period, the ageing analysis of trade payables (which are included in the trade and other payables) based on the invoice date is as follows:

The Group

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year.	3,492	5,483	4,271
After 1 year but within 2 years.	–	–	309
Total	<u>3,492</u>	<u>5,483</u>	<u>4,580</u>

23 DEFERRED REVENUE

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Non-current			
Subscription revenues	<u>120,790</u>	<u>175,741</u>	<u>115,807</u>
Current			
Subscription revenues	375,738	428,278	440,560
Professional service revenues	<u>10,284</u>	<u>13,038</u>	<u>15,740</u>
	<u>386,022</u>	<u>441,316</u>	<u>456,300</u>

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year/period	470,372	506,812	617,057
Decrease in deferred revenue as a result of recognising revenue during the year/period that was included in the deferred revenue at the beginning of the year/period	(333,724)	(386,022)	(406,143)
Net increase in deferred revenue as a result of billing in advance	<u>370,164</u>	<u>496,267</u>	<u>361,193</u>
Receipts in advance from customers.	<u>506,812</u>	<u>617,057</u>	<u>572,107</u>

APPENDIX I

ACCOUNTANTS’ REPORT

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group’s lease liabilities at the end of each of the reporting period.

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
– Within 1 year	19,446	16,615	13,583
– After 1 year but within 2 years	5,464	12,644	4,448
– After 2 years but within 5 years	1,641	5,515	3,019
	<u>7,105</u>	<u>18,159</u>	<u>7,467</u>
	<u>26,551</u>	<u>34,774</u>	<u>21,050</u>

25 OTHER NON-CURRENT LIABILITIES

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
Deposits from sales agents	1,330	581	109

26 REDEMPTION LIABILITIES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares (“Preferred Shares”). The following table sets out the information of each round of Preferred Shares as at September 30, 2024.

	Date of issue	Total number of preferred shares issued	Preferred issue price per share	Total consideration at the date of issue	Equivalent to RMB at the date of issue
			<i>USD</i>	<i>USD’000</i>	<i>RMB’000</i>
Series A Preferred Shares . . .	Dec 13, 2013	171,063,840	0.0105	1,800	11,007
Series B Preferred Shares . . .	Aug 29, 2014	202,975,732	0.0374	7,588	46,776
Series C Preferred Shares . . .	Dec 29, 2016	57,581,200	0.1372	7,900	54,901
Series D Preferred Shares . . .	Jan 26, 2018	178,037,002	0.3342	59,500	377,444
Series D+ Preferred Shares . .	Aug 12, 2019	63,295,289	0.5572	35,269	247,630
Series E Preferred Shares . . .	Sep 25, 2020	78,390,625	1.0460	82,000	558,592
Series E+ Preferred Shares . .	Oct 28, 2021	68,492,489	1.4600	100,000	640,010
Total		<u>819,836,177</u>		<u>294,057</u>	<u>1,936,360</u>

The key terms of the Preferred Shares are summarized as follow:

Redemption Right

Preferred Shareholders have the right to require the Company to redeem all or part of the Preferred Shares at any time upon occurrence of specified triggering events, including a non-completion of a qualified [REDACTED] by a predetermined date; a change of applicable laws that can be reasonably expected to have a material adverse effect on the ownership or business operation of the Company or any subsidiaries in the Group etc.

APPENDIX I

ACCOUNTANTS’ REPORT

The redemption price is an amount equal to the issue price plus all declared but unpaid dividends on such Preferred Shares, and an amount that accrues on the issue price at a rate of 12% per annum, compounding annually.

Liquidation Preference

In the event of a liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors’ claims and claims that may be preferred by law) shall be distributed as follows:

- a. Preferred Shareholders: issue price, plus declared but unpaid dividends in the order of Series E+, Series E, Series D+, Series D, Series C, Series B and Series A;
- b. Remaining assets and funds shall be distributed rateably among all shareholders according to the relative number of ordinary shares held on an as-if-converted basis.

Optional Conversion

Each Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares into ordinary shares based on the then-effective conversion price. The conversion price shall initially be the issue price, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and shall be subject to adjustments from time to time.

Automatic Conversion

Each Preferred Share shall automatically be converted into ordinary shares based on the then-effective conversion price upon the closing of a Qualified [REDACTED]. In addition, prior to the closing of a Qualified [REDACTED], each Preferred Share shall automatically be converted based on the then-effective conversion price upon the written consent of at least 2/3 of such class of Preferred Shareholders.

Presentation and classification

The convertible redeemable preferred shares give rise to financial liabilities which represents the Company’s obligation to redeem the Preferred Shares for cash upon events which are beyond the control of both the Company and the Preferred Shareholders. The financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Changes in the carrying amount of the financial liability arising from remeasurement of the redemption amount are recognized in profit or loss and presented in “Changes in carrying amount of redemption liabilities”.

As at December 31, 2022 and 2023 and September 30, 2024, the Preferred Shares were classified as current liabilities as the Preferred Shares may be converted into ordinary shares at the option of the Preferred Shareholders at any time and the conversion feature does not meet “fixed for fixed” criteria.

The movements of the redemption liabilities during the Track Record Period are set out as below:

The Group and the Company

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
At the beginning of the year/period	2,358,626	2,885,661	3,286,745
Changes in the carrying amount of redemption liabilities	299,975	350,813	292,669
Exchange differences	<u>227,060</u>	<u>50,271</u>	<u>(39,134)</u>
At the end of the year/period	<u>2,885,661</u>	<u>3,286,745</u>	<u>3,540,280</u>

APPENDIX I

ACCOUNTANTS’ REPORT

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognized:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognized in the consolidated statement of financial position and the movements during each of the reporting period:

The Group

	Right-of-use	Intangible assets arising from business combination	Lease Liabilities	Tax losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	(6,781)	(4,539)	6,779	4,541	–
Charged/(credited) to profit or loss	<u>2,670</u>	<u>857</u>	<u>(2,796)</u>	<u>(731)</u>	<u>–</u>
At December 31, 2022 and January 1, 2023	(4,111)	(3,682)	3,983	3,810	–
Charged/(credited) to profit or loss	<u>(1,334)</u>	<u>857</u>	<u>1,233</u>	<u>(756)</u>	<u>–</u>
At December 31, 2023 and January 1, 2024	(5,445)	(2,825)	5,216	3,054	–
Charged/(credited) to profit or loss	<u>1,775</u>	<u>643</u>	<u>(2,059)</u>	<u>(359)</u>	<u>–</u>
At September 30, 2024 (unaudited)	<u>(3,670)</u>	<u>(2,182)</u>	<u>3,157</u>	<u>2,695</u>	<u>–</u>

(ii) Reconciliation to the consolidated statement of financial position

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Net deferred tax assets in the consolidated statement of financial position	(7,793)	(8,270)	(5,852)
Net deferred liability in the consolidated statement of financial position	<u>7,793</u>	<u>8,270</u>	<u>5,852</u>
	<u>–</u>	<u>–</u>	<u>–</u>

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(r), the Group has not recognized deferred tax assets in respect of temporary differences and cumulative tax losses of certain subsidiaries as it is not probable that future taxable profits against which the losses or temporary differences can be utilized will be available in the relevant tax jurisdiction and entity.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table presents the Group’s deductible temporary differences and cumulative tax losses for which deferred tax assets were not recognized at the reporting dates:

	As at December 31,		As at
	2022	2023	September 30,
	RMB’000	RMB’000	2024
			RMB’000 (unaudited)
Cumulative tax losses	2,677,385	3,204,284	3,530,131
Deductible temporary differences	2,042	–	–
At the end of the year/period	<u>2,679,427</u>	<u>3,204,284</u>	<u>3,530,131</u>

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share options

On August 28, 2014, the Company adopted the 2014 Equity Incentive Plan (“the Plan”), of which the scope of the grantees was subsequently expanded, with the objective to provide incentive to the management personnel, employees and consultants of the Group. In accordance with the Plan, the Company may from time to time grant share options to the eligible grantees authorised by the Company. Each share option gives the holder the right to subscribe for one ordinary share of the Company. Each share option is effective until 10th anniversary of the date of the grant. As of September 30, 2024, the maximum number of shares that may be issued under the Plan was 234,551,741.

From time to time, the Company may at its discretion allow certain management personnel and other employees transfer their vested share options to other eligible management personnel and employees authorised by the Company (“Recipients”). The share options received by the Recipients would be subject to new terms and conditions of an equity-settled share-based payment arrangement. Such transfers have been accounted for as two separate transactions:

- (i) Repurchase of vested share options by the Company, for which the repurchase price has been accounted for as a deduction from equity, except to the extent that the amount exceeds the fair value of the vested share options repurchased, measured at the repurchase date; any such excess has been recognised as an expense; and
- (ii) New equity-settled share-based payment transaction with the Recipients.

The Recipients were required to initially pay a consideration which would be refundable when the Recipients forfeited the share options. In general, the consideration paid by the Recipients was the same as the repurchase price paid by the Company and they were settled in the form of adjusting the cash bonus paid by the Group to the two parties involved. Therefore, the repurchase of vested share options and the related new grant did not result in any net cashflow from the perspective of the Group.

(1) The terms and conditions of the grants

During each of the reporting period, the Group had the following equity-settled share-based payment arrangements under the Plan.

Share options granted to the management personnel and employees

The following two types of the share options have been granted to the management personnel and employees.

- Type 1: The grantees did not pay consideration at the date of the grant. The exercise price per share option was generally USD0.025. The required service period for unconditional entitlement of the share options was ended at the occurrence of an [REDACTED] (“[REDACTED]”) or change in control (which may be a merger or consolidation, a dissolution, or a sale) of the Company (“Triggering Event”), subject to the minimum and maximum required service period. The minimum required service period was 1, 2, 3 and 4 years respectively from the date of the

APPENDIX I

ACCOUNTANTS’ REPORT

grant for each 25% of the share options granted and the maximum required service period for each 25% of the share options granted was its respective minimum required service period plus 2 years. Accordingly, the vesting period of the share options is variable depending on the timing of the occurrence of the Triggering Event subject to the minimum and maximum required service period.

The Company has estimated the length of the expected vesting period and accounted for the share options granted based on the most likely outcome of when the Triggering Event would occur. Where the Company has estimated the Triggering Event to occur within the vesting period, the Triggering Event was identified as non-market condition.

During the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the Company respectively granted 10,631,900, 11,426,375 and 5,156,000 (unaudited) type 1 share options to the management personnel and employees.

- Type 2: The grantees paid cash consideration on the date of the grant. The exercise price per share option was USD0.000025. The vesting period of the share options granted was fixed for 2 years from the date of grant. If the share options were forfeited, the grantees were required to sell the share options back to the Company for an amount equal to the original price paid by the grantees.

During the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the Company respectively granted nil, 617,799 and 298,086 (unaudited) type 2 share options to the management personnel and employees.

Share options granted to other qualified grantees

During the Track Record Period, the Company granted 2,000,000 share options in total to two qualified grantees who provided services similar to employees to the Group. The non-refundable purchase price paid by these two qualified grantees at the date of the grant was USD0.75 and USD0.63 per share option respectively. The vesting periods for these qualified grantees are 24 months and 12 months from the date of grant respectively. For all share options granted to these qualified grantees, the exercisable period was from the later of (a) the occurrence of the Triggering Event and (b) the end of the vesting period to the end of the effective period of the share options.

The exercise price per share option granted to the qualified grantees was USD0.00001.

- (2) Movements in the number of share options granted and their related weighted average exercise price under the Plan are as follows:

	As at December 31,				As at September 30,	
	2022		2023		2024	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	USD	'000	USD	'000	USD	'000
					<i>(unaudited)</i>	
Outstanding at the beginning of the year/period	0.0202	210,215	0.0201	206,424	0.0201	207,773
Granted	0.0250	10,632	0.0214	13,378	0.0211	6,121
Repurchased	–	–	0.0076	(1,969)	0.0118	(1,599)
Forfeited	0.0240	(14,423)	0.0248	(10,060)	0.0244	(6,623)
Outstanding at the end of the year/period	0.0201	<u>206,424</u>	0.0201	<u>207,773</u>	0.0201	<u>205,672</u>
Exercisable at the end of the year/period		<u>–</u>		<u>–</u>		<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The weighted-average remaining contractual life for outstanding share options as at December 31, 2022 and 2023 and September 30, 2024 was 3.57 years, 2.67 years and 2.10 years respectively.

All share options granted have not been exercisable as at the end of each of the reporting period because no Triggering Event has occurred.

(3) Fair value of share options and assumptions

The fair value of share options granted under the Plan was determined by the binomial option pricing model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the risk-free rate, the dividend yield and the contractual life of the share option.

The assumptions used to estimate the grant-date fair value of the awards were as follows:

	As at December 31,		As at
	2022	2023	September 30,
			2024
			(unaudited)
Expected volatility	57.08%	55.07%	53.67%
Risk-free interest rate	4.10%	4.05%	4.51%
	0.000025 –	0.00001 –	
Exercise price (USD)	0.025	0.025	0.021
Expected dividend yield	nil	nil	nil
Contractual term	10.00	10.00	10.00
Weighted-average fair value of the ordinary share on the grant date (USD)	0.75	0.52	0.64

The weighted-average fair value of share options granted during the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 was USD0.73, USD0.50 and USD0.62 (unaudited), respectively, per share option.

The expected volatility has been based on the average of historical volatilities of comparable companies that operate in the same or similar industry, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimates.

During each of the reporting period, the expenses recognized for the equity-settled share-based payments were as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	(unaudited)
Cost of revenues	3,423	3,112	1,998	1,544
Selling and marketing expenses	12,214	11,013	7,433	7,636
Administrative expenses	18,763	13,824	8,015	6,657
Research and development costs	31,815	25,406	15,725	11,406
	<u>66,215</u>	<u>53,355</u>	<u>33,171</u>	<u>27,243</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Restricted Shares to Co-founders with service condition

In December 2013, with the issuance of Series A preferred shares, the founders, the Company and the holders of Series A preferred shares entered into a Restricted Share Agreement in accordance with which all previously unrestricted ordinary shares of the Company held by the founders became restricted – the founders are restricted to sell, assign, pledge, hypothecate, donate, dispose or transfer those shares (“Restricted Shares”). In accordance with the Restricted Share Agreement, 25% of the Restricted Shares would become unrestricted (“Unrestricted Shares”) on January 1, 2014 and the restrictions over the remaining 75% would be lifted annually in 3 equal instalments since January 1, 2014. During the restricted period, the founders were entitled to voting right with respect to the Restricted Shares. In the event the founders’ employment relationship terminated upon (i) the voluntary termination by the founders, or (ii) the termination of the founders’ employment by the Company due to the founders’ defaults during the restricted period, the Company had the right to repurchase the Restricted Shares at par value. Upon the release of the restriction, the founders were entitled to dividends, if any, related to the Restricted Shares during the restricted period.

Subsequently, with each successive round of financing, the founders, the Company and all investors (including the incoming investors) entered into restated and amended Restricted Share Agreements such that the restriction period of the Restricted Shares were extended and/or the Unrestricted Shares became restricted, with all other terms and conditions remained the same.

On the date on which the restriction was firstly added, the newly added restriction was accounted for as two transactions:

- (a) The founders firstly contributed shares to the Company, which was accounted for as a shareholder contribution; and
- (b) The Company granted the Restricted Shares to the founders with nil consideration paid by the founders, which was accounted for as an equity-settled share-based payments with the graded vesting period. The share-based payment expenses were recognised in profit or loss over the vesting period. The unvested Restricted Shares were treated as treasury shares (Note 29).

The subsequent extensions of the restriction period of the Restricted Shares and re-restriction of the Unrestricted Shares had been accounted for as a modification of the share-based payments which were unbeneficial to the founders. Accordingly, the Company continued to recognise the grant-date fair value of the Restricted Shares over the original service period. As such, all the related share-based payment expenses had been fully recognised outside each of the reporting period notwithstanding the continuing restrictions.

The following table summarizes the movement of the Restricted Shares during each of the reporting period:

	<u>Number of Restricted Shares</u>
Non-vested at January 1, 2022	11,364,424
Vested	<u>(6,198,777)</u>
Non-vested at December 31, 2022	5,165,647
Vested	<u>(5,165,647)</u>
Non-vested at December 31, 2023 and September 30, 2024 (unaudited)	<u><u>–</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity between the beginning and the end of each year are set out below:

	Attributable to equity shareholders of the Company						Total equity RMB’000
	Share capital	Share premium	Treasury shares	Share-based payment reserve	Exchange reserve	Accumulated losses	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Balance at January 1, 2022	90	3,173	(22)	129,963	24,960	(596,137)	(437,973)
Changes in equity for 2022							
Loss for the year	-	-	-	-	-	(310,105)	(310,105)
Currency translation differences	-	-	-	-	(47,592)	-	(47,592)
Vesting of restricted shares	-	44	3	(47)	-	-	-
Equity settled share-based payments	-	-	-	74,349	-	-	74,349
Balance at December 31, 2022 and January 1, 2023	90	3,217	(19)	204,265	(22,632)	(906,242)	(721,321)
Changes in equity for 2023							
Loss for the year	-	-	-	-	-	(352,540)	(352,540)
Currency translation differences	-	-	-	-	(13,452)	-	(13,452)
Vesting of restricted shares	-	38	3	(41)	-	-	-
Equity settled share-based payments	-	-	-	56,444	-	-	56,444
Balance at December 31, 2023 and January 1, 2024	90	3,255	(16)	260,668	(36,084)	(1,258,782)	(1,030,869)
Changes in equity for nine months ended September 30, 2024							
Loss for the period	-	-	-	-	-	(301,494)	(301,494)
Currency translation differences	-	-	-	-	15,048	-	15,048
Equity settled share-based payments	-	-	-	22,597	-	-	22,597
Balance at September 30, 2024 (unaudited)	90	3,255	(16)	283,265	(21,036)	(1,560,276)	(1,294,718)
Balance at January 1, 2023	90	3,217	(19)	204,265	(22,632)	(906,242)	(721,321)
Changes in equity for nine months ended September 30, 2023							
Loss for the period	-	-	-	-	-	(259,059)	(259,059)
Currency translation differences	-	-	-	-	(27,535)	-	(27,535)
Vesting of restricted shares	-	34	3	(37)	-	-	-
Equity settled share-based payments	-	-	-	36,079	-	-	36,079
Balance at September 30, 2023 (unaudited)	90	3,251	(16)	240,307	(50,167)	(1,165,301)	(971,836)

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during each of the reporting period.

(c) Share capital

The Company was incorporated as a limited liability company in the Cayman Islands on July 29, 2013 with authorized share capital of USD50,000 divided into 50,000,000 ordinary shares with a par value of USD0.001 each.

APPENDIX I

ACCOUNTANTS’ REPORT

On June 30, 2017, the Company conducted a share split, pursuant to which each issued and unissued authorized share of USD0.001 par value each in the capital of the Company was split into 40 shares of USD0.000025 par value each (“Share Split”).

	<i>No. of shares</i>	<i>RMB’000</i>
Issued ordinary shares		
At December 31, 2021, 2022 and 2023 and September 30,		
2024 (unaudited)	<u>549,226,363</u>	<u>90</u>

Ordinary shares of 102,978,300, 96,779,523 and 96,779,523 (unaudited) were issued and withheld for share award scheme as of December 31, 2022 and 2023 and September 30, 2024 (see Note 29 (d)). For loss per share calculation purpose, these shares were treated as issued but not outstanding as of the respective year/period end.

(d) Treasury Share

(i) Restricted share of founders

The unvested Restricted Shares (see Note 28(b)) were treated as treasury shares.

During the Track Record Period, treasury shares of RMB3,000 (representing 6,198,777 shares) and RMB3,000 (representing 5,165,647 shares) was transferred to share premium upon vesting of restricted shares.

(ii) Shares held for RSU schemes

The Company has set up a structured entity (the “Share Scheme Trust”) solely for the purpose of administering and holding the Company’s shares for shares award scheme. As the Company has the power to direct the relevant activities of the Shares Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust and the ordinary shares held by the Shares Scheme Trust are regarded as treasury shares.

As at December 31, 2022 and 2023 and September 30, 2024, 56,566,803 ordinary shares of the Company was held by the Share Scheme Trust.

(iii) Shares issued to co-founders

Each of the co-founders held 13,404,240 vested share options at the exercise price of USD0.0376 per share option which were exercisable after the occurrence of an [REDACTED] (i.e. the exercisable period). Each share option gives the co-founder the right to subscribe for one ordinary share of the Company.

On April 1, 2021, the co-founders and the Company entered into new arrangements, which modified the underlying equity instruments to co-founders. Upon the modification, 13,404,240 ordinary shares were legally issued to each of the co-founders (40,212,720 ordinary shares in aggregate) at nil consideration. The co-founders would be unconditionally entitled to those ordinary shares no earlier than the occurrence of an [REDACTED]. The Company has the right to repurchase any or all of the 40,212,720 ordinary shares from the co-founders at nil consideration before the exercisable period. The directors are of the view that, before the exercisable period, the co-founders held the 40,212,720 ordinary shares on behalf of the Company. The modification of the share-based payments, from share options to restricted share units, was unbeneficial to the founders. Accordingly, the ordinary shares held by the co-founders have been treated as treasury shares and deducted from shareholders’ equity until the shares are unconditionally entitled by the co-founders.

(e) Nature and purpose of reserves

(i) Share premium

Share premium mainly represents the excess of the net contributions from the shareholders of the Company over the total paid-in capital issued.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Share-based payment reserve

The share-based payment reserve represents the portion of the grant date fair value of options or RSUs granted to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 2(u).

(f) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables. The Group’s exposure to credit risk arising from cash and cash equivalents and wealth management products are limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers having low credit risk.

The customers need to make advanced payment for subscription services and professional services, generally there is few trade receivables in the Group’s business, except for one contract of professional service with one of the Group’s top five largest customers and such trade receivable has been settled immediately after December 31, 2022. Therefore, based on the business model, the Group’s exposure to credit risk arising from trade receivable is immaterial.

In determining the ECL for other receivables, such as deposits and advances, management of the Group have considered the historical default experience and forward-looking information, as appropriate. Management of the Group have assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant.

The expected credit loss rate is insignificant and close to zero.

The Group does not provide any guarantees which would expose the Group to credit risk.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Liquidity risk

The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

As at December 31, 2022

	Contractual undiscounted cash outflow				Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	151,967	–	–	151,967	151,967
Lease liabilities	19,811	5,745	1,915	27,471	26,551
Redemption liabilities	2,885,661	–	–	2,885,661	2,885,661
Other non-current liabilities	–	–	1,330	1,330	1,330
	<u>3,057,439</u>	<u>5,745</u>	<u>3,245</u>	<u>3,066,429</u>	<u>3,065,509</u>

As at December 31, 2023

	Contractual undiscounted cash outflow				Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	154,943	–	–	154,943	154,943
Lease liabilities	16,986	13,307	6,370	36,663	34,774
Redemption liabilities	3,286,745	–	–	3,286,745	3,286,745
Other non-current liabilities	–	581	–	581	581
	<u>3,458,674</u>	<u>13,888</u>	<u>6,370</u>	<u>3,478,932</u>	<u>3,477,043</u>

As at September 30, 2024 (unaudited)

	Contractual undiscounted cash outflow				Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	121,364	309	–	121,673	121,673
Lease liabilities	13,999	7,995	–	21,994	21,050
Redemption liabilities	3,540,280	–	–	3,540,280	3,540,280
Other non-current liabilities	–	109	–	109	109
	<u>3,675,643</u>	<u>8,413</u>	<u>–</u>	<u>3,684,056</u>	<u>3,683,112</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Interest rate risk

The Group’s bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Company consider the Group’s exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than functional currencies of the respective entities comprising the Group are not significant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at Dec 31, 2022	Fair value measurements as at December 31, 2022 categorised into		
		Level 1	Level 2	Level 3
		RMB’000	RMB’000	RMB’000
Financial assets				
– Wealth management products and structured deposits	91,098	–	91,098	–
– Unlisted equity securities . .	2,060	–	–	2,060

	Fair value at Dec 31, 2023	Fair value measurements as at December 31, 2023 categorised into		
		Level 1	Level 2	Level 3
		RMB’000	RMB’000	RMB’000
Financial assets				
– Wealth management products and structured deposits	73,046	–	73,046	–
– Unlisted equity securities . .	4,567	–	–	4,567

APPENDIX I

ACCOUNTANTS’ REPORT

	Fair value at September 30, 2024 (unaudited)	Fair value measurements as at September 30, 2024 (unaudited) categorised into		
		Level 1	Level 2	Level 3
		RMB’000	RMB’000	RMB’000
Financial assets				
– Wealth management products and structured deposits	36,122	–	36,122	–
– Unlisted equity securities	6,018	–	–	6,018

During each of the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Information about Level 2 fair value measurements

The fair value of wealth management products and structured deposits is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Information about Level 3 fair value measurements

The fair values of unlisted equity securities are determined using the Market Approach-Comparable Company Method as at December 31, 2022 and 2023 and September 30, 2024. As at the end of each reporting period, key assumptions used are set out below:

	As at December 31,		As at
	2022	2023	September 30, 2024
			(unaudited)
Discount rate for lack of marketability (“DLOM”)	30.0%	29.4%	26.8%

As at December 31, 2022 and 2023 and September 30, 2024, if all other variables are held constant, an(a) increase/decrease in the DLOM by 1% would have an(a) increase/(decrease) impact on the Group’s loss after tax as below:

	As at December 31,		As at
	2022	2023	September 30, 2024
			(unaudited)
DLOM increased by 1%	10	26	32
DLOM decreased by 1%	(10)	(26)	(32)

The Group has engaged an external valuer to perform valuations for financial instruments in Level 3. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each reporting date and is reviewed and approved by the Group’s management.

APPENDIX I

ACCOUNTANTS’ REPORT

The movements of unlisted equity securities during each of the reporting period in the balance of these Level 3 fair value measurements are as follows:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000		2024
			RMB'000 (unaudited)
At the beginning of the year/period	3,756	2,060	4,567
Change in fair value	(1,939)	2,472	1,518
Exchange differences	243	35	(67)
At the end of the year/period	<u>2,060</u>	<u>4,567</u>	<u>6,018</u>

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

All financial instruments carried at amortized cost were not materially different from their fair values as at December 31, 2022, 2023 and September 30, 2024.

31 COMMITMENT

Commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000		2024
			RMB'000 (unaudited)
Contracted for	<u>3,132</u>	<u>3,393</u>	<u>1,605</u>

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000		RMB'000	RMB'000
			(unaudited)	(unaudited)
Salaries and other emoluments	2,522	2,619	1,908	1,977
Discretionary bonuses	1,141	2,510	882	2,322
Retirement scheme contributions	140	183	143	120
Share-based payments	<u>6,012</u>	<u>4,063</u>	<u>3,168</u>	<u>2,090</u>
	<u>9,815</u>	<u>9,375</u>	<u>6,101</u>	<u>6,509</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Related party transactions

During each of the end of the reporting period, the directors are of the view that the following parties are related parties:

Name of party	Relationship
Xiaohuang Huang	Shareholder and chairman of the Board
Hang Chen	Shareholder, director and chief executive officer
Hao Zhu	Shareholder and director
Bei Shen	Director

(c) Advances to directors

In April 2021, the Company made advances to the following directors to settle the individual income tax of the share options held by them. The amounts as at December 31, 2022 and 2023 and September 30, 2024 are as follows:

Name of director	Total amount payable
	<i>RMB’000</i>
Xiaohuang Huang	499
Hang Chen	499
Hao Zhu	499
Bei Shen	699
Total	<u>2,196</u>

The advances to directors are unsecured, non-trade in nature, interest-free and are repayable on demand. They are neither past due nor impaired as at December 31, 2022 and 2023 and September 30, 2024. All of the amounts are expected to be settled before [REDACTED].

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, Lack of exchangeability.	January 1, 2025
Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18, Presentation and Disclosure in Financial Statements Basis for conclusions on IFRS 18 Illustrative examples on IFRS 18	January 1, 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures.	January 1, 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

34 SUBSEQUENT EVENTS

(a) Modification of the terms of the Preferred Shares

According to the written resolutions passed by the shareholders on December 17, 2024, the following modifications were made for the terms of the Preferred Shares:

- Each series of the Preferred Shares shall automatically be converted into Ordinary Shares based on the conversion price of their respective class immediately upon the completion of the [REDACTED], resulting that (i) each Series D+1 Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:1.0804, (ii) each Series E Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:1.8717, (iii) each Series E+ Preferred Share shall be converted into an Ordinary Share at a conversion ratio of 1:2.4442, and (iv) each Series A Preferred Share, Series A-1 Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share, Series C Preferred Share, Series D-1 Preferred Share, Series D-2 Preferred Share and Series D+2 Preferred Share shall be converted into an Ordinary Share on a one-to-one basis. After the modification, the 819,836,177 Preferred Shares could be converted into 990,261,477 Ordinary Shares according to their respective conversion ratios.
- All Preferred Shareholders’ divestment rights (e.g. redemption rights) granted shall be automatically terminated upon first submission of the [REDACTED] application and will be reinstated automatically upon the earliest of occurrence of the following events: (a) the [REDACTED] application is withdrawn by the Company, (b) the [REDACTED] application is rejected or returned by the Stock Exchange, (c) the [REDACTED] application lapses but is not renewed within three months, or (d) the Company fails to complete a qualified [REDACTED] within eighteen months immediately after the [REDACTED] application.
- The redemption date of each round of the Preferred Shares has been extended to October 28, 2028.

(b) Modification of the terms of equity-settled share-based payments

On December 17, 2024, the Group extended the term of 38,943,492 share options, which have been vested but would otherwise have expired or would by June 30, 2025, because the conditions for exercising the share options have not been reached (Note 28(a)). The term was extended for an additional five years. The incremental fair value granted as a result of the modification, which is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification, was recognised as expenses on the modification date immediately.

(c) The adoption of 2024 Equity Incentive Plan

On December 17, 2024, the Company adopt a new share incentive plan (the “2024 Equity Incentive Plan”) with a contractual term of five years and a maximum of 9,938,202 ordinary shares may be issued under the 2024 Equity Incentive Plan.

(d) The reduction of ordinary shares issued under share incentive plans

On December 17, 2024, the maximum aggregate number of the ordinary shares issued or issuable pursuant to all share incentive plans or other arrangements (including but not limited to the 2014 Equity Incentive Plan and the 2024 Equity Incentive Plan) was reduced from 234,551,741 ordinary shares to 216,371,741 ordinary shares.

Subsequent financial statements

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to September 30, 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and 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 any of his close associates 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:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

(h) Retirement, appointment and removal

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. 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 that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after this appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

- (ii) if 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 Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by a 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) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 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 for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) 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 larger amount, the Directors may settle any difficulty which may arise as they think 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 each 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 Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

that 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 ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the 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 canceled subject to the provisions of the Cayman Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member (except the holder of treasury share(s) (as defined under the Companies Act, the "**Treasury Share(s)**")) present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

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.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been 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 may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any meeting of the Company (including general meeting and creditors meeting of the Company) or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

All members for the time being entitled to receive notice of and to attend and vote at general meetings (or, in the case of a member being a corporation, its duly authorised representative), shall have the right to speak at any general meetings of the Company.

A Treasury Share shall not be voted, directly or indirectly, at any general meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the Articles of Association or the Companies Act.

2.8 Annual general meetings and extraordinary general meetings

The Company must hold a general meeting as its annual general meeting each financial year. Such meeting must be held within six months after the end of the Company's financial year. The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

2.9 Accounts and audit

The Directors 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 show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's 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 auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The appointment, removal and remuneration of an auditor or auditors of the Company shall require the approval of an ordinary resolution of the members in general meeting. The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and fix the remuneration of such auditor(s) being appointed. The removal of any auditor before the expiration of his period of office shall be approved at a general meeting; and the members shall at that meeting appoint new auditor in its place for the remainder of the term. Subject to compliance with the Listing Rules, the Board may fill any casual vacancy in the office of auditor, but while any such vacancy continues, the surviving or continuing Auditor or Auditors, if any, may act.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 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 shall specify the time, place (except in the case of a virtual meeting held in accordance with the Articles of Association) and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

APPENDIX III **SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (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).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof. The Board shall have the discretion to cancel such certificate(s).

Subject to the Listing Rules, the Directors may, prior to the purchase, redemption or surrender of any share, determine that such share shall be held as a Treasury Share or cancelled, and may resolve to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies 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. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company 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 of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company 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 of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

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 declared or paid in respect of a Treasury Share. Notwithstanding the foregoing, nothing in the Articles of Association prevent an allotment of shares as fully paid up bonus shares in respect of a Treasury Share and shares allotted as fully paid up bonus shares in respect of a Treasury Share shall be treated as Treasury Shares.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions,

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (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).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company (excluding the holder of a Treasury Share) present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Cayman Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 July 2013 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is 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 size of its authorized share capital.

3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a 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:

- (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) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);
- (d) writing-off the preliminary expenses of the company;

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES ACT**

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized 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 shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

5 Shareholders’ Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Act 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.

11 Special Resolutions

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

13 Mergers and Consolidations

The Cayman 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 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 authorized by (a) a special resolution of each constituent company and (b) such other authorization, 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 shareholders 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.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing 75% in value of creditors, or (ii) a majority of 75% in value of shareholders or class of shareholders, as the case may be, 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 shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

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 the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of

APPENDIX III

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES ACT

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Law.

22 General

Campbells, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies and Documents on Display” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she 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 AND CONSOLIDATED AFFILIATED ENTITY

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands on July 29, 2013 as an exempted company with limited liability. Our registered office address is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in “Summary of the Constitution of the Company and Cayman Companies Act” in Appendix III to this document.

Our registered place of business in Hong Kong is at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 17, 2022 with the Registrar of Companies in Hong Kong. Ms. Pun Ka Ying has been appointed as the authorized representative of our Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to accept service of process and any notices on behalf of the Company. The address for service of process is Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

As at the date of this document, our Company’s head office was located at Floor 11, Building 1, Matrix International, No. 515 Yuhangtang Road, Gongshu District, Hangzhou, Zhejiang Province, China.

2. Changes in Share Capital of Our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares of par value US\$0.001 each.

There has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document. For further details of change in the share capital of our Company, see “History, Reorganization and Corporate Structure.”

3. Changes in Share Capital of Our Subsidiaries and Consolidated Affiliated Entity

A summary of the corporate information and the particulars of our subsidiaries and Consolidated Affiliated Entity are set out in Note 1 to the Accountants’ Report in Appendix I to this document.

There has been no alteration in the share capital of any subsidiary or Consolidated Affiliated Entity of our Company within the two years immediately preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

4. Reorganization

The companies comprising our Group underwent restructuring in preparation for the [REDACTED]. See "History, Reorganization and Corporate Structure" for details.

5. Resolutions of the Shareholders of Our Company

Written resolutions of our Shareholders were passed on [●], 2025, pursuant to which, among others:

- (1) conditional on (i) the [REDACTED] granting [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as to be stated in this document and such [REDACTED] and permission not subsequently having been revoked prior to the commencement of [REDACTED] the Shares on the Stock Exchange; (ii) the [REDACTED] having been determined; (iii) the obligations of the [REDACTED] and the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before such dates as may be specified in the [REDACTED]; and (iv) the [REDACTED] having been duly executed by the [REDACTED] and the Company:
 - (a) all the issued and unissued Preferred Shares be re-designated and re-classified as Ordinary Shares of par value of US\$0.000025 each according to their respective conversion ratios, having the rights and restrictions as set out in the Memorandum and the Articles;
 - (b) the [REDACTED] (including the [REDACTED]) was approved, and the proposed allotment and issue of the [REDACTED] under the [REDACTED] were approved, and the Directors were authorized to determine the [REDACTED] for, and to allot and issue the [REDACTED];
 - (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares (including the power to sell or transfer any treasury Shares) or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the [REDACTED], rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted or the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

our Shareholders in general meeting, shall not exceed (i) 20% of the aggregate nominal value of the Shares in issue (excluding treasury Shares, if any) immediately following the completion of the [REDACTED] excluding any Shares to be issued pursuant to the exercise of the [REDACTED]; and (ii) the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to the authority granted to the Directors as referred to in (1)(d) below;

- (d) general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase our own shares 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, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue (excluding treasury Shares, if any) immediately following the completion of the [REDACTED], excluding any Shares to be issued pursuant to the exercise of the [REDACTED]; and
 - (e) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue (excluding treasury Shares, if any) immediately following the completion of the [REDACTED], excluding any Shares to be issued pursuant to the exercise of the [REDACTED]; and
- (2) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the [REDACTED].

Each of the general mandates referred to in paragraphs (1)(c), (1)(d) and (1)(e) above will remain in effect until whichever is the earliest 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 by any applicable law or the Articles of Association; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

6. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own 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 (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], 2025, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares 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, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue (excluding treasury Shares, if any) immediately following the completion of the [REDACTED] (excluding any Shares to be issued pursuant to the exercise of the [REDACTED]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase 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 from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or, if so authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital. Any premium payable on the purchase over the par value of the shares to be purchased must be provided for out of profits or from sums standing to the credit of our share premium account or, if so authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(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 shares in issue (excluding treasury Shares, if any). A 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 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 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 company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be canceled and destroyed. 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 canceled 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 authorized share capital under Cayman Islands law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive 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 publication of an announcement of a listed company's 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), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(vi) Reporting Requirements

Certain information relating to 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 regarding repurchases of securities made during the year, 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 repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing 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 a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares 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. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of the proceed of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit in the share premium account of the Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans), could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of: (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors will exercise the powers of our Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands. Our Directors confirm that neither the above nor the proposed share repurchase contemplated hereunder has any unusual features.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert 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. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed 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 of our Company has notified our Company that he or she 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

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contract (not being contracts entered into in the ordinary course of business) has been entered into by members of our Group within two years preceding the date of this document and is or may be material:

- (1) the [REDACTED].

The following contracts under the Contractual Arrangements have been entered into by members of our Group:

- (1) the exclusive technology development, consultancy and service agreement (獨家技術開發、諮詢和服務協議) dated January 10, 2022, entered into between the WFOE and Hangzhou Meijian;
- (2) the exclusive option agreement (獨家購買權合同) dated January 10, 2022, entered into among the WFOE, Hangzhou Meijian and the Registered Shareholders;
- (3) a power of attorney (授權委託書) dated January 10, 2022 executed by Mr. Huang in favour of the WFOE, pursuant to which Mr. Huang, among other things, irrevocably authorized the WFOE or its designated person(s) to exercise all of his rights as a shareholder of Hangzhou Meijian;
- (4) a power of attorney (授權委託書) dated January 10, 2022 executed by Mr. Chen in favour of the WFOE, pursuant to which Mr. Chen, among other things, irrevocably authorized the WFOE or its designated person(s) to exercise all of his rights as a shareholder of Hangzhou Meijian;
- (5) a power of attorney (授權委託書) dated January 10, 2022 executed by Mr. Zhu in favour of the WFOE, pursuant to which Mr. Zhu, among other things, irrevocably authorized the WFOE or its designated person(s) to exercise all of his rights as a shareholder of Hangzhou Meijian;
- (6) the equity pledge agreement (股權質押合同) dated January 10, 2022, entered into among the WFOE, Hangzhou Meijian and the Registered Shareholders;
- (7) a spouse undertaking (承諾函) dated January 10, 2022 executed by Deng Yi'ou (鄧藝鷗), the spouse of Mr. Huang;
- (8) a spouse undertaking (承諾函) dated January 10, 2022 executed by Wang Yanhua (王彥華), the spouse of Mr. Chen; and
- (9) a spouse undertaking (承諾函) dated January 10, 2022 executed by Gao Jie (高捷), the spouse of Mr. Zhu.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks that we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Registration No.	Class	Expiry Date
1. . .	COOHOM	Hangzhou QunHe	PRC	32707682	9	2029-06-20
				29334931	42	2028-12-27
2. . .	群核科技	Hangzhou QunHe	PRC	50557556	9	2031-06-20
				50557919	42	2031-06-27
3. . .	Manycore	Hangzhou QunHe	PRC	50583773	9	2031-10-20
				50565472	42	2031-10-06
4. . .	群核	Hangzhou QunHe	PRC	52620688	9	2031-08-20
				52603373	42	2031-08-27
5. . .	 酷家乐	Hangzhou QunHe	PRC	65289613	35	2033-07-06
				65286365	42	2033-07-06
6. . .	Koolight	Hangzhou QunHe	PRC	66110236	9	2033-01-06
				66096223	41	2033-01-06
				66108530	42	2033-01-06
7. . .	kujiale	Hangzhou QunHe	PRC	66908542	9	2033-05-27
				66922273	42	2033-06-06
8. . .	酷家乐	Hangzhou QunHe	PRC	66911760	9	2033-06-06
				66917754	42	2033-06-06
9. . .		Hangzhou QunHe	PRC	66919371	9	2033-08-13
				66929608	41	2033-06-06
10. . .	KoolVR	Hangzhou QunHe	PRC	66927508	41	2033-08-06
11. . .	KoolVR	Hangzhou QunHe	PRC	66915709	42	2033-08-13
12. . .	酷家乐 COOHOM	Hangzhou QunHe	PRC	66919772	9	2033-08-13
13. . .	COOHOM	Hangzhou QunHe	PRC	66918144	42	2033-05-27
14. . .	 幟袋云	Hangzhou QunHe	PRC	66920563	42	2034-03-06
15. . .	群核 酷空间	Hangzhou QunHe	PRC	67430253	9	2033-06-13
				67430274	42	2033-06-13
16. . .		Hangzhou QunHe	PRC	67423892	42	2033-06-13
17. . .	 COOHOM	Hangzhou QunHe	PRC	70812449	41	2033-12-27

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Trademark	Registered Owner	Place of Registration	Registration No.	Class	Expiry Date
18. . .		Hangzhou QunHe	PRC	72740647	42	2034-01-06
19. . .	Kooshot	Hangzhou QunHe	PRC	72725781 72726992	9 42	2034-01-20 2034-01-20
20. . .		Hangzhou QunHe	PRC	72756055	42	2034-01-13
21. . .		Hangzhou Meijian	PRC	31312405 37648676 20078586	9 41 42	2029-04-13 2030-02-06 2027-07-13
22. . .	美間	Hangzhou Meijian	PRC	66927767 66928681	9 42	2034-03-06 2034-03-13
23. . .		Hangzhou Meijian	PRC	66905844 66905870	9 42	2033-07-13 2033-07-13
24. . .	  	Hangzhou QunHe	Hong Kong	306618529	9, 42	2034-07-22

(b) Patents

As of the Latest Practicable Date, we had registered the following patents that we consider to be or may be material to our business:

No.	Patent name	Type	Place of Registration	Application No.	Applicant	Application Date	Expiry Date
1. . .	A Projection Method for Real-time Multiple Projector Image Overlap Based on GPU (一種基於GPU的實時多投影儀圖像重合的投影方法)	Invention	PRC	201310048886.2	Hangzhou QunHe	2013-02-07	2033-02-06
2. . .	Method and Device for Identifying Housing Layout Data (戶型數據的識別方法及裝置)	Invention	PRC	201611226344.X	Hangzhou QunHe	2016-12-27	2036-12-26

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent name	Type	Place of Registration	Application No.	Applicant	Application Date	Expiry Date
3. . .	An Interactive Virtual Reality Scene Auto-generation Method, Device, and Equipment (一種交互式虛擬現實場景自動生成方法、裝置和設備)	Invention	PRC	201710462806.6	Hangzhou QunHe	2017-06-19	2037-06-18
4. . .	Rendering Method, Device, System, and Storage Medium Combining Light Sensing and Convolutional Network (結合光感及卷積網絡的渲染方法、裝置、系統及存儲介質)	Invention	PRC	201710889780.3	Hangzhou QunHe	2017-09-27	2037-09-26
5. . .	A Scene Roaming Experience Method and System Based on Mixed Reality (一種基於混合現實的場景漫遊體驗方法及體驗系統)	Invention	PRC	201810586111.3	Hangzhou QunHe	2018-06-08	2038-06-07
6. . .	Method and Device for Assisting in Identifying Walls in CAD using Deep Learning (一種基於深度學習輔助識別CAD中牆體的方法和裝置)	Invention	PRC	201810587788.9	Hangzhou QunHe	2018-06-08	2038-06-07
7. . .	An Online Home Decoration Panorama Browsing Method (一種在線家裝的全景漫遊方法)	Invention	PRC	201811197164.2	Hangzhou QunHe	2018-10-15	2038-10-14
8. . .	Method, Device, Terminal, Storage Medium, and Rendering Method for Merging 3D Models and Textures (三維模型及材質合併方法、裝置、終端、存儲介質以及渲染方法)	Invention	PRC	201911128574.6	Hangzhou QunHe	2019-11-18	2039-11-17
9. . .	Cabinet Interior Layout Design Method, Device, System, and Storage Medium (櫃體內部佈局設計方法、裝置、系統以及存儲介質)	Invention	PRC	201911260627.X	Hangzhou QunHe	2019-12-10	2039-12-09
10. .	Cloud Rendering Method and System for Home Decoration Animation Based on Specific Path (一種基於特定路徑的家裝漫遊動畫的雲端渲染方法及系統)	Invention	PRC	202010386864.7	Hangzhou QunHe	2020-05-09	2040-05-08

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent name	Type	Place of Registration	Application No.	Applicant	Application Date	Expiry Date
11.	Cloud Rendering Method and System for Furniture Growth Animation Based on Fixed Viewpoint (一種基於固定視角的家具生長動畫雲渲染方法及系統)	Invention	PRC	202010387691.0	Hangzhou QunHe	2020-05-09	2040-05-08
12.	A Planar Home Decoration Design Assistance Method (一種平面家裝設計輔助方法)	Invention	PRC	202010503472.4	Hangzhou QunHe	2020-06-05	2040-06-04
13.	Software Design Method for Installation of Multi-Faucet Sink and its Auxiliary Equipment (一種水槽多龍頭及其輔助設備的安裝生成的軟件設計方法)	Invention	PRC	202011248804.5	Hangzhou QunHe	2020-11-10	2040-11-09
14.	Method, Device, Electronic Equipment, and Storage Medium for Bathroom Cabinet Design (一種衛浴櫃設計方法、裝置、電子設備和存儲介質)	Invention	PRC	202110720696.5	Hangzhou QunHe	2021-06-28	2041-06-27
15.	Method, Device, Electronic Equipment, and Medium for Seam Alignment in 3D Cloud Design Space (一種3D雲設計的空間對縫方法、裝置、電子設備和介質)	Invention	PRC	202110734383.5	Hangzhou QunHe	2021-06-30	2041-06-29
16.	Image Coloring Method, Device, and Storage Medium (圖像調色方法、裝置和存儲介質)	Invention	PRC	202211223095.4	Hangzhou QunHe	2022-10-08	2042-10-07
17.	Method, Device, Terminal, Storage Medium, and Rendering Method for Merging 3D Models and Textures (三維模型及材質合併方法、裝置、終端、存儲介質以及渲染方法)	Invention	PRC	201911128574.6	Hangzhou QunHe	2019-11-18	2039-11-17
18.	Real-time Hybrid Rendering Method Combining Ray Tracing on Web, Device, and Computer Equipment (一種結合光線跟蹤的Web端實時混合渲染方法、裝置及計算機設備)	Invention	PRC	202010101444.X	Hangzhou QunHe	2020-02-19	2040-02-18

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights that we consider to be or may be material to our business:

No.	Copyright	Place of Registration	Registration Owner	Registration No.	Registration Date
1. . .	QunHe Kujiale Decoration Rendering System V1.0 (群核酷家樂裝修渲染系統V1.0)	PRC	Hangzhou QunHe	2014SR078278	2014-06-16
2. . .	Shangpin Ku Software V1.1.0 (商品酷軟件V1.1.0)	PRC	Hangzhou QunHe	2018SR248491	2018-04-12
3. . .	Whole House Customization Tool Software V1.0.0 (全屋定製工具軟件V1.0.0)	PRC	Hangzhou QunHe	2018SR284886	2018-04-26
4. . .	Kujiale Hard Decoration Tool Software V1.0.0 (酷家樂硬裝工具軟件V1.0.0)	PRC	Hangzhou QunHe	2018SR287006	2018-04-26
5. . .	Home Cloud Design Platform Based on Web Technology V1.7.8 (基於Web技術的家居雲設計平臺V1.7.8)	PRC	Hangzhou QunHe	2019SR0762308	2019-07-23
6. . .	Kujiale Freeform Modeling Tool Software V1.0 (酷家樂自由造型工具軟件V1.0)	PRC	Hangzhou QunHe	2020SR0041819	2020-01-09
7. . .	Kujiale Virtual Photo Studio System Software V1.0 (酷家樂虛擬棚拍系統軟件V1.0)	PRC	Hangzhou QunHe	2020SR0399644	2020-04-30
8. . .	Kudashi Platform V1.30.0 (酷大師平臺V1.30.0)	PRC	Hangzhou QunHe	2020SR0991428	2020-08-26
9. . .	Smart Furniture Scenario Linkage System V1.0 (智能家具情景聯動系統V1.0)	PRC	Hangzhou QunHe	2022SR0100712	2022-01-14
10. . .	Digital Exhibition Hall Design Software V1.0 (數字展廳設計軟件V1.0)	PRC	Hangzhou QunHe	2022SR1553523	2022-11-21
11. . .	Kujiale Lighting Simulation Design Software V1.0 (酷家樂照明仿真設計軟件V1.0)	PRC	Hangzhou QunHe	2023SR0397831	2023-03-27
12. . .	Kujiale 3D Cloud Design Platform Software V1.0 (酷家樂3D雲設計平臺軟件V1.0)	PRC	Hangzhou QunHe	2023SR0416750	2023-03-30

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Copyright	Place of Registration	Registration Owner	Registration No.	Registration Date
13.	Meijian Cloud Design Platform Software V1.0 (美間雲設計平臺軟件V1.0)	PRC	Hangzhou Meijian	2023SR0894854	2023-08-04
14.	Modai Cloud Design Platform Software V1.0 (模袋雲設計平臺軟件V1.0)	PRC	Hangzhou QunHe	2023SR0894764	2023-08-04
15.	Qunhe KuSpace Public Decoration Cloud Design Software V1.0 (群核酷空間公裝雲設計軟件V1.0)	PRC	Hangzhou QunHe	2023SR1168408	2023-09-27
16.	Cloud Office Furniture Design Software 1.0 (雲端辦公家具設計軟件1.0)	PRC	Hangzhou QunHe	2024SR1027000	2024-07-19
17.	Cloud Villa Design Software 1.0 (雲端別墅設計軟件1.0)	PRC	Hangzhou QunHe	2024SR1026981	2024-07-19
18.	Kujiale Client (PC) Software 1.0 (酷家樂客戶端(PC)軟件1.0)	PRC	Hangzhou QunHe	2024SR1364945	2024-09-12

(d) Domain Names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registration Owner	Expiry Date
1.	modaiyun.com	Hangzhou QunHe	2026-07-06
2.	kukongjian.com	Hangzhou Meijian	2026-03-17
3.	coohomcloud.cn	Hangzhou QunHe	2026-02-24
4.	coohomcloud.com	Hangzhou QunHe	2026-01-08
5.	kujiale.cn	Hangzhou Meijian	2026-05-18
6.	meijian.com	Hangzhou Meijian	2026-01-30
7.	cooimage.com	Hangzhou Meijian	2026-03-12
8.	qunhequnhe.com	Hangzhou QunHe	2026-11-06
9.	kujiale.com	Hangzhou QunHe	2026-10-21
10. . . .	coohom.com	Hangzhou QunHe	2026-11-02
11. . . .	coohom.ai	Hangzhou QunHe	2027-04-15
12. . . .	cooimage.ai	Hangzhou QunHe	2026-06-12
13. . . .	kukongjian.ai	Hangzhou QunHe	2027-02-28
14. . . .	manycore.ai	Hangzhou QunHe	2027-07-10
15. . . .	modelo.io	Hangzhou QunHe	2026-03-19
16. . . .	pengpai.ai	Hangzhou QunHe	2027-05-18
17. . . .	qunhe.ai	Hangzhou QunHe	2027-04-15

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors’ Service Contracts and Appointment Letters

(a) *Executive Directors*

Each of the executive Directors [has] entered into a service contract with our Company. The initial term of their service contracts shall commence from the date of their appointment and continue for a period of three years after or until the third annual general meeting of the Company since the [REDACTED], whichever is earlier (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month’s prior notice in writing. No annual director’s fees are payable to the executive Directors under the current arrangement.

(b) *Non-executive Directors and Independent Non-executive Directors*

Each of the non-executive Directors and independent non-executive Directors [has] entered into an appointment letter with our Company. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for three years after or until the third annual general meeting of the Company since the [REDACTED], whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month’s prior notice in writing.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors

Remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) of RMB9.8 million, RMB9.4 million and RMB6.5 million, respectively, were paid and granted by our Group to our Directors in respect of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024.

Under the arrangements currently in force, our Directors will be entitled to receive remuneration (including salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) which, for the year ending December 31, 2025, is expected to be RMB8.5 million. The actual remuneration of our Directors in 2025 may be different from the expected remuneration set out above.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

3. Disclosure of Interests

(a) Interests and Short Positions of Directors and Chief Executives in the Share Capital of Our Company and Its Associated Corporations

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV 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 (including interests and/or short positions (as applicable) which he/she is 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 recorded in the register referred to 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 contained in the Listing Rules, will be as follows:

(i) Interests in the Shares and underlying Shares of Our Company

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding of Shares in our Company⁽¹⁾</u>
Mr. Huang ⁽²⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
Mr. Chen ⁽³⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
Mr. Zhu ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
Mr. Shen ⁽⁵⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]%
	Beneficial owner	[REDACTED]	[REDACTED]%
Mr. Yeung Kwok On ⁽⁶⁾	Beneficial owner	[REDACTED]	[REDACTED]%

Notes:

- (1) The percentage is calculated based on the number of Shares in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans).
- (2) As of the Latest Practicable Date, Wintermatch International Limited directly held 238,000,000 Shares in our Company, and Wintermatch International Limited is wholly owned by Mr. Huang. Accordingly, Mr. Huang is deemed to be interested in the Shares held by Wintermatch International Limited under the SFO.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

- (3) As of the Latest Practicable Date, Ineffable International Limited directly held 170,000,000 Shares in our Company, and Ineffable International Limited is wholly owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the Shares held by Ineffable International Limited under the SFO.
- (4) As of the Latest Practicable Date, Peekaboo International Limited directly held 65,000,000 Shares in our Company, and Peekaboo International Limited is wholly owned by Mr. Zhu. Accordingly, Mr. Zhu is deemed to be interested in the Shares held by Peekaboo International Limited under the SFO.
- (5) As of the Latest Practicable Date, Mr. Shen was granted an option under the 2014 Pre-[REDACTED] Equity Incentive Plan to subscribe for an aggregate of 10,200,000 underlying Shares of our Company, among which 200,000 underlying Shares remain to be issued and 10,000,000 underlying Shares will be satisfied by Shares issued to Wide Future Group Limited. On June 11, 2021, 56,566,803 Ordinary Shares were issued to Wide Future Group Limited, a trust company established by our Company for the purpose of settling options when they are exercised by the relevant grantees under the 2014 Pre-[REDACTED] Equity Incentive Plan, with Trident Trust Company (HK) Limited acting as the trustee. Pursuant to trust deed dated March 15, 2021 between our Company and Trident Trust Company (HK) Limited, an advisory committee (“Advisory Committee”) comprising two members was established by the Board to make all determination and provide directions to Trident Trust Company (HK) Limited in relation to the administration of the trust. Mr. Shen was one of the members of the Advisory Committee (with another member being a non-director employee of our Group). Accordingly, Mr. Shen is deemed to be interested in the Shares held by Wide Future Group Limited under the SFO.
- (6) Mr. Yeung Kwok On was granted an option under the 2014 Pre-[REDACTED] Equity Incentive Plan to subscribe for 666,667 underlying Shares of our Company.

(ii) Interests in Our Associated Corporations

<u>Name</u>	<u>Nature of interest</u>	<u>Associated Corporation</u>	<u>Approximate percentage of shareholding</u>
Mr. Huang ⁽¹⁾	Beneficial owner	Hangzhou Meijian	50.32%
Mr. Chen ⁽¹⁾	Beneficial owner	Hangzhou Meijian	35.94%
Mr. Zhu ⁽¹⁾	Beneficial owner	Hangzhou Meijian	13.74%

Note:

- (1) Mr. Huang, Mr. Chen and Mr. Zhu are the Registered Shareholders of Hangzhou Meijian, our Consolidated Affiliated Entity. For details, see “History, Reorganization and Corporate Structure.”

(b) Interests and Short Positions Discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [REDACTED], have or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 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 rights to vote in all circumstances at general meetings of any other member of our Group, see “Substantial Shareholders.”

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED], be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this document:

- (1) none of the Directors or the experts named in “— E. Other Information — 9. Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (2) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this document;
- (3) none of the 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 the Group taken as a whole;
- (4) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares to be allotted and issued under the Pre-[REDACTED] Equity Incentive Plans, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [REDACTED], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), 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 the Group;
- (5) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [REDACTED] thereon;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (6) there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and
- (7) none of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

D. PRE-[REDACTED] EQUITY INCENTIVE PLANS

Our Company adopted the Pre-[REDACTED] Equity Incentive Plans, which includes the 2014 Pre-[REDACTED] Equity Incentive Plan and 2024 Pre-[REDACTED] Equity Incentive Plan. The terms of the Pre-[REDACTED] Equity Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as none of them involves any grant of options by our Company after the [REDACTED].

1. 2014 Pre-[REDACTED] Equity Incentive Plan

The following is a summary of the principal terms of the 2014 Pre-[REDACTED] Equity Incentive Plan adopted on August 28, 2014, as amended on June 30, 2017 and October 28, 2021.

(a) Purpose

The purpose of the 2014 Pre-[REDACTED] Equity Incentive Plan is to secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company, any parent or subsidiary and provide means by which the eligible recipients may benefit from increases in value of the Ordinary Shares.

(b) Who May Join

Persons eligible to participate in the 2014 Pre-[REDACTED] Equity Incentive Plan include employees of the Company or any parent or subsidiary, a member of the board of directors of the Company or any consultant who is engaged by the Company or any parent or subsidiary to render consulting or advisory services, as determined by the Board or a committee authorized by the Board (“**Administrator**”). The Administrator may, from time to time, grant awards to eligible recipients (“**Participants**”) in the form of options (“**Options**”), share appreciation rights (“**SARs**”), restricted share awards (“**RSAs**”), restricted share unit awards (“**Restricted Share Unit Awards**”) and other share awards (collectively “**Share Awards**”), and determine the nature and number of Share Awards to be granted and the number of Ordinary Shares to which a Share Award will relate.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Administration

The 2014 Pre-[REDACTED] Equity Incentive Plan is administered by the Board or a committee (the "Committee") to whom the Board shall delegate the some or all of the administration power. The Board or the Committee shall, subject to the terms of the 2014 Pre-[REDACTED] Equity Incentive Plan, have the authority to:

- (i) determine the Participants to whom Share Awards may from time to time be granted;
- (ii) determine the timing and method of each Share Award granted;
- (iii) determine the types of Share Awards to be granted to each Participant;
- (iv) determine the provisions of each Share Award, which need not be identical, granted pursuant to the 2014 Pre-[REDACTED] Equity Incentive Plan, including, but not limited to, when Participants are permitted to exercise or receive cash or Ordinary Shares under the Share Awards;
- (v) determine number of Ordinary Shares subject to which subject to Share Awards;
- (vi) determine the fair value applicable to a Share Award;
- (vii) construe and interpret the 2014 Pre-[REDACTED] Equity Incentive Plan and Share Awards granted;
- (viii) accelerate, in whole or in part, the time of which a Share Award may be exercised or vest;
- (ix) suspend or terminate 2014 Pre-[REDACTED] Equity Incentive Plan;
- (x) amend the 2014 Pre-[REDACTED] Equity Incentive Plan in any respect the Board may deem necessary or advisable;
- (xi) approve forms of Share Award Agreements under the 2014 Pre-[REDACTED] Equity Incentive Plan;
- (xii) exercise power to perform acts that the Board may deem necessary to promote the best interest of the Company; and
- (xiii) with the consent of Participants, reduce the exercise, purchase or strike price of any outstanding Share Awards and cancel any outstanding Share Awards and the grant in substitution of new Share Awards or cash and/or other valuable consideration determined by the Board.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) Grant of Awards

The Administrator is authorized to grant Share Awards to Participants in accordance with the terms of 2014 Pre-[REDACTED] Equity Incentive Plan. Share Awards granted will be evidenced by an award agreement (the "**Share Award Agreement**") evidencing the terms and conditions of a Share Award granted.

(e) Term of the 2014 Pre-[REDACTED] Equity Incentive Plan

The 2014 Pre-[REDACTED] Equity Incentive Plan is effective on the date it is adopted and approved by the Board and the shareholders of the Company (the "**Effective Date**") and will automatically terminate on the day before the tenth anniversary of the Effective Date. Suspension or termination of the Plan will not impair rights and obligations under any Share Award granted while the Plan is in effect. As of the Latest Practicable Date, no further Share Awards will be granted under the 2014 Pre-[REDACTED] Equity Incentive Plan.

(f) Options and Share Appreciation Rights

(i) Exercise price

The exercise or strike price of each Option or SAR granted to a U.S. Participant shall not be less than 100% of the value of the Ordinary Shares determined by the Board ("fair value") subject to the Option or SAR on the date the Share Award is granted, or lower than 100% of the fair value of the Ordinary Shares in manner consistent with applicable law. Each SAR shall be denominated in Ordinary Share equivalents. The exercise or strike price of each option or SAR for non-U.S. Participant shall be determined by the Board and comply with applicable laws. No Option or SAR may be granted with an exercise or strike price lower than the par value of the Ordinary Shares.

(ii) Vesting

Unless as otherwise determined by the Administrator, Options and SARs shall vest and become exercisable in periodic installments in accordance with the vesting schedule specified in the Share Award Agreement and the grant notice. Generally, twenty-five percent (25%) of the Ordinary Shares vest on the first anniversary of the vesting commencement date, with the remaining seventy-five percent (75%) of the shares to vest annually thereafter in three (3) years with equal annual installments, provided that the Participant continues to provide continuous services (as defined in the 2014 Pre-[REDACTED] Equity Incentive Plan) to the Company or its parent or subsidiary as of any such vesting date.

(iii) Exercise of Options and Share Appreciation Rights

A Participant may exercise the Options and SARs by delivering a written notice of exercise to our Company in compliance with the provisions of the Share Award Agreement.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iv) Payment of Option and Share Appreciation Rights

The Board, in its sole discretion, shall determine the methods of payment by which the exercise of Option may be paid, the form of payment, including (i) cash, check, bank draft or money order payable to the Company, (ii) pursuant to a program developed under the relevant applicable laws that, prior to the issuance of Ordinary Shares subject to Options resulting in either the receipt of cash or check by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price of the Company from the sales proceeds, (iii) delivery to the Company, either by actual delivery or attestation, of Ordinary Shares, (iv) arrangement pursuant to which the number of Ordinary Shares issuable upon exercise by the largest whole number of Ordinary Shares with a fair value that does not exceed the aggregate exercise price, provided that the Option is a non-statutory share option, (v) deferred payment or similar arrangement with holder of Options, or (vi) any form of legal consideration acceptable to the Board and specified in the Share Award Agreement.

The appreciating distribution payable on the exercise of a SAR may be paid in Ordinary Shares, in cash, in any combination of the two or in any other form of consideration as determined by the Board and contained in the Share Award Agreement evidencing such SAR.

(v) Transferability of Options and Share Appreciation Rights

The Board may, in its sole discretion, impose limitations on transferability of Options and SARs as the Board determines. In the absence of such a determination by the Board, the following restrictions on the transferability will apply: (i) an Option or SAR will not be transferable except by will or by the laws of descent and distribution and will be exercisable during the lifetime of the Participant only by the Participant, (ii) subject to the approval of the Board or a duly authorized officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by applicable laws, (iii) subject to the approval of the Board or a duly authorized officer, a Participant may, by delivering written notice to the Company, designate a third party who, upon the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Ordinary Shares or other consideration resulting from such exercise.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(vi) *Effect of termination of Participant's continuous service on Options and Share Appreciation Rights*

Termination of Participant's continuous service shall have the following effects on Options or SARs granted to the Participants:

1. Dismissal for cause. Except as otherwise provided in the Share Award Agreement or other agreements between the Participant and the Company, if a Participant's continuous service with the Company or its parent or subsidiary is terminated for cause, the Participant's Options, both vested or unvested, or SAR shall terminate immediately upon such termination, and the Participant shall prohibit from exercising the Option or SAR from and after the time of such termination of continuous service.
2. Disability. Except as otherwise provided in the Share Award Agreement or other agreements between the Company, if a Participant's continuous service with the Company or its parent or subsidiary terminates as a result of the Participant's disability, the Participant may inform the Company of the intention to exercise the Option or SAR, but only within the period of time ending on the earlier of:
 - a. the date twelve months following a Participant's termination of continuous service with the Company or its parent or subsidiary, or such longer or shorter period specified in the Share Award Agreement, which period will not be less than six months if necessary to comply with applicable laws; and
 - b. the expiration of the term of the Option or SAR as set forth in the Share Award Agreement.
3. Death. Except as otherwise provided in the Share Award Agreement or other agreements between the Participant and the Company or its parent or subsidiary, if a Participant's continuous service with the Company or its parent or subsidiary terminates as a result of the Participant's death, or the Participant dies within the period (if any) specified in the Share Award Agreement for exercisability after the termination of the Participant's continuous service for a reason other than death, then the Option or SAR may be exercised (to the extent the Participant is entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of:
 - a. the date eighteen months following the date of death, or such longer or shorter period specified in the Share Award Agreement, which period will not be less than six months if necessary to comply with applicable laws; and

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- b. the expiration of the term of the Option or SAR as set forth in the Share Award Agreement.
4. Other terminations of employment or service. Except as otherwise provided in the Share Award Agreement, if a Participant's continuous service terminates for any reason other than dismissal for cause or because of the Participant's disability or death, the Participant may inform the Company of the intention to exercise the Option or SAR, to the extent that the Participant was entitled to exercise such Share Award as of the date of termination of continuous service, within the period of time ending on the earlier of:
 - a. the date three months following the termination of the Participant's continuous service, or such longer or shorter period specified in the applicable Share Award Agreement, which period will not be less than 30 days if necessary to comply with applicable laws unless such termination is for cause; and
 - b. the expiration of the term of the Option or SAR as set forth in the Share Award Agreement.

(g) Other Share Awards

Subject to the terms of the 2014 Pre-[REDACTED] Equity Incentive Plan, the Board, in its sole and complete authority, determine the persons to whom and the time or times at which other share awards may be granted, the number of Ordinary Shares or the cash equivalent to be grant and the terms and conditions of such other share awards. Other forms of share awards may be granted either alone or in addition to the Share Awards.

(h) Incentive Share Options

Subject to the terms of the 2014 Pre-[REDACTED] Equity Incentive Plan, U.S. Participants who hold or deemed to hold more than 10% of the total combined voting power of all classes of shares of the Company or its parent or subsidiary shall not be granted incentive share options, unless the exercise price of the incentive share options is at least 110% of the fair value on the date of grant and the incentive share options shall not be exercisable after the expiration of five years from the date of grant or such short period specified in the Share Award Agreement.

(i) Amendment, Termination and Suspension

In the event of changes to Ordinary Shares under the 2014 Pre-[REDACTED] Equity Incentive Plan or Share Awards after the Effective Date without the receipt of consideration of the Company through merger, consolidation, reorganization, recapitalization, reincorporation, share dividend, dividend in property other than cash, large nonrecurring cash dividend, share split, reverse share split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction ("**Capitalization**

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Adjustment”), (i) the classes and maximum number of securities under the 2014 Pre-[REDACTED] Equity Incentive Plan, (ii) classes and maximum number of securities that may be issued pursuant to the exercise of incentive share options, (iii) classes and number of securities and price per shares subject to outstanding Share Awards shall be appropriately and proportionately adjusted by the Board and such adjustments and its determination shall be final, binding and conclusive.

The Board may amend the 2014 Pre-[REDACTED] Equity Incentive Plan in any respect the Board deems necessary or advisable, subject to limitations, if any, of applicable law. If required by applicable law, the Company shall seek Shareholders’ approval of any amendment of the 2014 Pre-[REDACTED] Equity Incentive Plan that (i) materially increases the number of Ordinary Shares available for issuance, (ii) materially expands the class of individuals eligible to receive Share Awards, (iii) materially increases the benefits accruing to Participants, (iv) materially reduces the price at which the Ordinary Shares may be issued or purchased, (v) materially extended the terms, or (vi) materially expands the types of Share Awards available for issuance under the 2014 Pre-[REDACTED] Equity Incentive Plan. Except as provided in the 2014 Pre-[REDACTED] Equity Incentive Plan or Share Awards Agreement, no amendment shall impair a Participants’ rights under an outstanding Share Award unless the Company requests the consent of the affected Participant and such Participant consents in writing.

2. 2024 Pre-[REDACTED] Equity Incentive Plan

The following is a summary of the principal terms of the 2024 Pre-[REDACTED] Equity Incentive Plan adopted on December 17, 2024.

(a) *Purpose*

The purpose of the 2024 Pre-[REDACTED] Equity Incentive Plan is to promote the success and enhance the value of the Company by providing the Participants (as defined below) with an incentive of outstanding performance to generate superior returns to the Shareholders. The 2024 Pre-[REDACTED] Equity Incentive Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of the Participants upon whose judgment, interest, and special effort successful conduct of the Company’s operation is largely dependent.

(b) *Who May Join*

Persons eligible to participate in the 2024 Pre-[REDACTED] Equity Incentive Plan includes a member of the board of directors of the Company or member of the Group, employees of any member of the Group, or any consultant or advisor renders services to the Group, as determined by the Board or a committee authorized by the Board (the “**Administrator**”). The Administrator may, from time to time, select from among all eligible individuals (“**Participants**”) to whom awards (“**Awards**”) in the form of options (“**Options**”) will be granted, and will determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to the 2024 Pre-[REDACTED] Equity Incentive Plan.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Administration

The 2024 Pre-[REDACTED] Equity Incentive Plan is administrated by the Board or a committee of one or more members of the Board (the "**Committee**") to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members. Any grant or amendment of Awards to any Committee member shall then require an affirmative vote of a majority of the Board members who are not on the Committee.

Subject to the any specific designation in the 2024 Pre-[REDACTED] Equity Incentive Plan, the Committee has the exclusive power, authority and discretion to:

- (i) designate Participants to received Awards;
- (ii) determine the type or types of Awards to be granted to each Participant;
- (iii) determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (iv) determine the terms and conditions of any Award granted pursuant to the 2024 Pre-[REDACTED] Equity Incentive Plan, including, but not limited to, the exercise price, grant price, or purchase price, exercise period, vesting schedule, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (v) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash Shars, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (vi) prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (vii) decide all other matters that must be determined in connection with an Award;
- (viii) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the 2024 Pre-[REDACTED] Equity Incentive Plan;
- (ix) interpret the terms of, an any matter arising pursuant to, the 2024 Pre-[REDACTED] Equity Incentive Plan or any of the option grant notice and its attachments including option agreement, the rules of the 2024 Pre-[REDACTED] Equity Incentive Plan, and a notice of exercise; or any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium ("**Award Agreement**");

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (x) reduce the exercise price per Share underlying an Option; and
- (xi) make all other decisions and determinations that may be required pursuant to the 2024 Pre-[REDACTED] Equity Incentive Plan or as Committee deems necessary or advisable to administer the 2024 Pre-[REDACTED] Equity Incentive Plan.

(d) Grant of Awards

The Administrator is authorized to grant Awards to Participants in accordance with the terms of the 2024 Pre-[REDACTED] Equity Incentive Plan. Awards granted will be evidenced by an Award Agreement in the form approved by the Administrator. The Award Agreement contains the terms established by the Administrator for that Award, as well as any other additional provisions as specified by the Administrator.

(e) Term of the 2024 Pre-[REDACTED] Equity Incentive Plan

The 2024 Pre-[REDACTED] Equity Incentive Plan is effective on the date it is adopted and approved by the Board and the Shareholders (the “**Effective Date**”) and will expire on, and no Award may be granted pursuant to the 2024 Pre-[REDACTED] Equity Incentive Plan after, the fifth anniversary of the Effective Date. Any Awards that are outstanding on the fifth anniversary of the Effective Date shall remain in force and continue to be exercisable according to the terms of the 2024 Pre-[REDACTED] Equity Incentive Plan and the applicable Award Agreement.

(f) Options

(i) Exercise price

The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the fair market value of the Shares. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by the relevant applicable laws or any exchange rule, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence may be effective without the approval of the Shareholders or the approval of the affected Participants.

(ii) Time and Conditions of Exercise

The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; provided that the term of any Option granted under the 2024 Pre-[REDACTED] Equity Incentive Plan shall not exceed five years except as provided in the the 2024 Pre-[REDACTED] Equity Incentive Plan. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised. An Option will be deemed exercised

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

when the Company receives (i) notice of exercise (in such form as the Committee may specify from time to time) from the Participant entitled to exercise the Option, and (ii) full payment of the Shares with respect to the which the Option is exercised.

(iii) Payment

The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars or Hong Kong Dollars, (ii) to the extent permissible under the relevant applicable laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a fair market value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the [REDACTED], the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a fair market value equal to the exercise price, or (vii) any combination of the foregoing.

(g) Adjustments

In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its Shareholders, or any other change affecting the Shares, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the 2024 Pre-[REDACTED] Equity Incentive Plan; (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per Share for any outstanding Awards under the 2024 Pre-[REDACTED] Equity Incentive Plan.

(h) Amendment, Modification and Termination

The Board may at any time and from time to time, amend modify, suspend or terminate the 2024 Pre-[REDACTED] Equity Incentive Plan, including extending the terms of the 2024 Pre-[REDACTED] Equity Incentive Plan or the exercise period for an Option.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

3. Maximum number of Shares under the Pre-[REDACTED] Equity Incentive Plans and Outstanding Options Granted

The aggregate maximum number of Ordinary Shares underlying the Options granted under the Pre-[REDACTED] Equity Incentive Plans is 216,371,741 Ordinary Shares, comprising (a) an aggregate of 96,779,523 issued Ordinary Shares (including (i) 40,212,720 Ordinary Shares in aggregate held by Wintermatch International Limited, Ineffable International Limited and Peekaboo International Limited and (ii) 56,566,803 Ordinary Shares issued to Wide Future Group Limited); and (b) 119,592,218 unissued Ordinary Shares underlying the Options which may be allotted and issued when the Options are vested and exercised by the Participants. A breakdown of the Ordinary Shares underlying the Pre-[REDACTED] Equity Incentive Plans as at the Latest Practicable Date are set out below:

	2014 Pre-[REDACTED] Equity Incentive Plan	2024 Pre-[REDACTED] Equity Incentive Plan	Total
Shares issued pursuant to exercised Options granted ⁽¹⁾	40,212,720	–	40,212,720
Shares issued underlying outstanding Options granted ⁽²⁾	56,566,803	–	56,566,803
Unissued Ordinary Shares underlying outstanding Options granted	111,085,930	4,344,730	115,430,660 ⁽³⁾

Notes:

- (1) On April 1, 2021, each of Mr. Huang, Mr. Chen and Mr. Zhu exercised the 13,404,240 Options granted to them under the 2014 Pre-[REDACTED] Equity Incentive Plan. Accordingly, 13,404,240 Ordinary Shares were issued to Wintermatch International Limited, Ineffable International Limited and Peekaboo International Limited, each wholly owned by Mr. Huang, Mr. Chen and Mr. Zhu, respectively.
- (2) On June 11, 2021, 56,566,803 Ordinary Shares were issued to Wide Future Group Limited, a trust company established by our Company for the purpose of settling options when they are exercised by the relevant Participants under the 2014 Pre-[REDACTED] Equity Incentive Plan, with Trident Trust Company (HK) Limited acting as the trustee. Pursuant to the trust deed dated March 15, 2021 between our Company and Trident Trust Company (HK) Limited (the “Trustee”), an advisory committee comprising two members was established by the Board to make all determination and provided directions to Trident Trust Company (HK) Limited in relation to the administration of the trust. The Trustee holding unvested Ordinary Shares of the 2014 Pre-[REDACTED] Equity Incentive Plan shall abstain from voting on matters that require shareholders’ approval under the Listing Rules.
- (3) The difference between 119,592,218 (maximum number of Ordinary Shares which may be issued) and 115,430,660 (unissued Ordinary Shares underlying outstanding Options granted) represents the number of Ordinary Shares underlying Options which may be granted prior to the [REDACTED].

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Accordingly, as of the Latest Practicable Date, outstanding Options to subscribe for an 115,430,660 Ordinary Shares have been granted by our Company under the Pre-[REDACTED] Equity Incentive Plans, representing [REDACTED]% of the total issued Shares of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued under the Pre-[REDACTED] Equity Incentive Plans). As of the Latest Practicable Date, none of such outstanding Options granted under the Pre-[REDACTED] Equity Incentive Plans have been exercised. The Company will not grant further Options under the Pre-[REDACTED] Equity Incentive Plans after the [REDACTED].

Assuming full exercise of the Options under the Pre-[REDACTED] Equity Incentive Plans, the shareholding of our Shareholders immediately following the [REDACTED] will be diluted by approximately [REDACTED]% (assuming the [REDACTED] is not exercised and all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios). See note 10 to the Accountants’ Report in Appendix I to this document for details of the dilution effect of the Options on the earnings per Share.

As of the Latest Practicable Date, details of outstanding Options granted under the Pre-[REDACTED] Equity Incentive Plans

	2014 Pre-[REDACTED] Equity Incentive Plan	2024 Pre-[REDACTED] Equity Incentive Plan	Total
Total grantees with outstanding Options	1,239 ⁽¹⁾	65	1,304 ⁽²⁾
Total number of Ordinary Shares underlying the outstanding Options ⁽¹⁾	158,510,448 ⁽¹⁾	4,344,730	162,855,178

Notes:

- (1) The total outstanding options under the 2014 Pre-[REDACTED] Equity Incentive Plan includes outstanding Options that were granted to 19 Participants to subscribe for 47,424,518 Ordinary Shares, which will be settled by Ordinary Shares held by Wide Future Group Limited.
- (2) As of the Latest Practicable Date, there is an overlap of 21 grantees with outstanding Options under both the 2014 Pre-[REDACTED] Equity Incentive Plan and 2024 Pre-[REDACTED] Equity Incentive Plan.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, details of outstanding Options granted under the Pre-[REDACTED] Equity Incentive Plans to our Directors, senior management and other connected persons are set out below:

Name	Positions within the Group	Address	Date of grant	Exercise price (US\$)	Exercise period	Vesting period	Number of Shares underlying the outstanding Options granted	Approximate percentage of issued Shares immediately after completion of [REDACTED] ⁽³⁾
Mr. Shen Bei	Executive Director and Chief Financial Officer	Room 912, Yintaicheng Xinleting, No. 380 Fengtan Road, Gongshu District, Hangzhou City, Zhejiang Province, China	August 5, 2019 and March 31, 2024	0.025	Ten years from the date of grant	Note 1	10,200,000	[REDACTED]%
Mr. Yeung Kwok On	Independent non-executive Director	Unit B, 62/F, Tower 5, The Belcher’s, 89 Pokfulam Road, Hong Kong	February 19, 2024	0.00001	Ten years from the date of grant	Note 2	666,667	[REDACTED]%

Notes:

- (1) 25% of the Options vest on the first anniversary of the vesting commencement date, with the remaining 75% to vest annually thereafter in three years with equal annual installments. No consideration is paid for the acceptance of the Options.
- (2) All Options vest on the date of grant. The consideration paid for the Options was USD0.63 per Option.
- (3) Assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans.

As of the Latest Practicable Date, 1,281 grantees who are not Directors, members of senior management or other connected person of our Company held an aggregate of 151,988,511 outstanding Options. Details of outstanding Options granted to 1,281 grantees who are not Directors, members of senior management or other connected person of the Company under the 2014 Pre-[REDACTED] Equity Incentive Plan are set out below:

Range of Shares underlying the Options granted	Total number of grantees	Date of grant ⁽¹⁾	Exercise price (US\$)	Exercised period	Vesting period ⁽²⁾	Number of Shares underlying the Options granted	Approximate percentage of issued Shares immediately after completion of [REDACTED] ⁽⁴⁾
1 to 99,999 . . .	1,066	July 1, 2015 to December 31, 2024	0.000025 to 0.025	Ten years from the date of grant	A; B	35,787,712	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Range of Shares underlying the Options granted	Total number of grantees	Date of grant ⁽¹⁾	Exercise price (US\$)	Exercised period	Vesting period ⁽²⁾	Number of Shares underlying the Options granted	Approximate percentage of issued Shares immediately after completion of [REDACTED] ⁽⁴⁾
100,000 to 499,999	172	October 1, 2013 to December 31, 2024	0.000025 to 0.032693	Ten years from the date of grant	A; B	36,110,424	[REDACTED]%
500,000 or above	43	July 2, 2012 to December 27, 2024	0.000025 to 0.032572	Ten years from the date of grant	A; B	80,090,375	[REDACTED]%
Total	1,281					151,988,511	[REDACTED]%

Notes:

- (1) An aggregate of 29,715,801 outstanding Options, representing 29,751,801 Ordinary Shares were granted to certain Participants prior to the adoption of the 2014 Pre-[REDACTED] Equity Incentive Plan. Pursuant to the written resolutions of the shareholders dated December 17, 2024, our Shareholders resolved that such Options be approved, confirmed and ratified in all respects and all actions in relation to such Options be conducted pursuant to the terms and conditions of the 2014 Pre-[REDACTED] Equity Incentive Plan. On the same date, the Group extended the expiration date of 38,943,492 Options that were granted to certain Participants under the 2014 Pre-[REDACTED] Equity Incentive Plan for five years according to the respective Participants’ grant notice.
- (2)

Category	Vesting period
A	25% of the Options vest on the first anniversary of the vesting commencement date, with the remaining 75% to vest annually thereafter in three years with equal annual installments.
B	2 years from the date of grant
- (3) Save for one individual who paid US\$0.75 per Option for 1,333,333 Options granted under the 2014 Pre-[REDACTED] Equity Incentive Plan, no consideration is paid for the acceptance of the Options by grantees who are not Directors, members of senior management or other connected person of our Company under the Pre-[REDACTED] Equity Incentive Plans.
- (4) Assuming the [REDACTED] is not exercised, all Preferred Shares have been converted into the Ordinary Shares according to their respective conversion ratios and without taking into account any Shares to be issued pursuant to the Pre-[REDACTED] Equity Incentive Plans.

In respect of the outstanding Options granted under the Pre-[REDACTED] Equity Incentive Plans, we have applied to: (i) the Stock Exchange for 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) the SFC for 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. See “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” for further details.

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

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, finance condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on our Company’s behalf to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and any Shares to be allotted and issued pursuant to the Pre-[REDACTED] Equity Incentive Plans).

As of the Latest Practicable Date, the Joint Sponsors satisfied the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fee payable by our Company to each of the Joint Sponsors to act as a sponsor in connection with the [REDACTED] is US\$500,000.

4. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

5. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

6. Preliminary Expenses

As of the Latest Practicable Date, the Company did not incur any material preliminary expenses.

7. No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2024 (being the date to which the latest unaudited consolidated financial statements of our Group were prepared).

APPENDIX IV STATUTORY AND GENERAL INFORMATION

8. Promoters

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.

9. Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document.

<u>Name</u>	<u>Qualification</u>
J.P. Morgan Securities (Far East) Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
CCB International Capital Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal advisor to our Company as to PRC laws
Campbells	Legal advisor to our Company as to Cayman Islands laws
Jingtian & Gongcheng	Legal advisor to our Company as to PRC cybersecurity and data privacy protection laws

APPENDIX IV STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Qualification</u>
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.....	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report, letter, and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

10. Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document:

- (1) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
- (2) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (3) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share capital of our Company or any of our subsidiaries; and
- (4) no commission has been paid or payable (except [REDACTED] to sub-[REDACTED]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our major subsidiaries and operating entities.

Save as disclosed in this document:

- (1) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (2) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document;
- (3) the principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by the [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be [REDACTED];

- (4) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (5) our Company has no outstanding convertible debt securities or debentures;
- (6) there is no arrangement under which future dividends are waived or agreed to be waived;
- (7) none of the persons whose names are listed in “— E. Other Information — 9. Consents of Experts” above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group; and
- (8) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

APPENDIX V **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (1) the written consents referred to in “Statutory and General Information — E. Other Information — 9. Consent of Experts” in Appendix IV to this document; and
- (2) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.kujiale.com during a period of 14 days from the date of this document:

- (1) the Memorandum and the Articles;
- (2) the Accountants’ Report from KPMG, the texts of which are set out in Appendix I to this document;
- (3) the audited consolidated financial statements of our Group for the financial years ended December 31, 2022 and 2023 and the unaudited consolidated financial statements of our Group for the nine months ended September 30, 2024;
- (4) the report on the unaudited [REDACTED] financial information of our Group as of September 30, 2024 from KPMG, the text of which is set forth in Appendix II to this document;
- (5) the industry report issued by Frost & Sullivan referred to in “Industry Overview;”
- (6) the legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Advisor in respect of certain general corporate matters and the property interests of our Group in the PRC;
- (7) the legal opinions issued by Jingtian & Gongcheng, our legal advisor as to PRC cybersecurity and data privacy protection laws;
- (8) the letter of advice prepared by Campbells, our legal advisor as to Cayman Islands laws, summarizing certain aspects of the Cayman Islands company law referred to in “Summary of the Constitution of the Company and Cayman Companies Act” in Appendix III to this document;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

- (9) the Cayman Companies Act;
- (10) the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (11) the service contracts and the letters of appointment referred to in “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Particulars of Service Contracts and Appointment Letters” in Appendix IV to this document;
- (12) the written consents referred to in “Statutory and General Information — E. Other Information — 9. Consent of Experts” in Appendix IV to this document; and
- (13) the terms of the Pre-[REDACTED] Equity Incentive Plans.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the Pre-[REDACTED] Equity Incentive Plans, 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 Cooley HK at 35/F, Two Exchange Square, 8 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.