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## **Post Hearing Information Pack of**

# **Beisen Holding Limited**

北森控股有限公司\*

(the “Company”)

*(A company incorporated in the Cayman Islands with limited liability)*

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**Beisen Holding Limited**  
北森控股有限公司\*

**Beisen北森**

(A company incorporated in the Cayman Islands with limited liability)

[REDACTED]

<b>Number of [REDACTED] under the [REDACTED]</b>	<b>: [REDACTED] Shares (subject to the [REDACTED])</b>
<b>Number of [REDACTED]</b>	<b>: [REDACTED] Shares (subject to adjustment)</b>
<b>Number of [REDACTED]</b>	<b>: [REDACTED] Shares (subject to adjustment and the [REDACTED])</b>
<b>Maximum [REDACTED]</b>	<b>: [REDACTED] per [REDACTED] plus brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.00565% and AFRC Transaction Levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)</b>
<b>Nominal value</b>	<b>: [REDACTED] per Share</b>
<b>[REDACTED]</b>	<b>: [REDACTED]</b>

[REDACTED], Joint Sponsors, [REDACTED], [REDACTED] and [REDACTED]

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The [REDACTED] is expected to be determined by agreement between the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] and, in any event, not later than [REDACTED].

The [REDACTED] will be not more than [REDACTED] and is currently expected to be not less than [REDACTED] unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by [REDACTED] between the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse.

The [REDACTED] and the [REDACTED] (on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this Document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.beisen.com](http://www.beisen.com)) not later than the morning of the last day for lodging applications under the [REDACTED]. For further information, see “Structure of the [REDACTED]” and “How to Apply for [REDACTED]”.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] and the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See the section headed “[REDACTED]” in this Document.

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## EXPECTED TIMETABLE

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[REDACTED]

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## SUMMARY

*This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. You should read the entire Document before you decide to [REDACTED] in the [REDACTED].*

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

## OVERVIEW

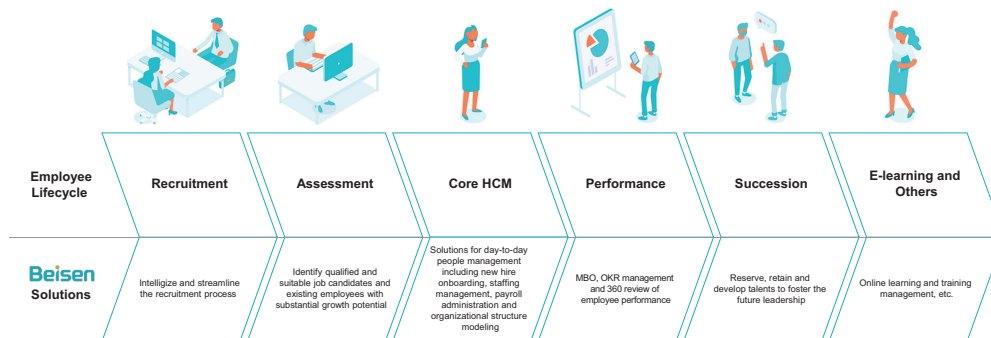
We are the largest provider of cloud-based human capital management (HCM) solutions in China in terms of revenues in 2021, according to CIC. According to the same source, we had a market share of 11.6% among approximately 300 market players in China’s cloud-based HCM solutions market in 2021, which is larger than the second and third players combined. In the broader HCM digitalization market in China, we ranked the third in terms of revenues in 2021 among over 500 market players, with a market share of 3.4%. Our platform iTalentX delivers cloud-native SaaS products, namely our cloud-based HCM solutions, for enterprises to recruit, evaluate, manage, develop and retain talents efficiently. Our platform is the first and the only in the industry to offer a full suite of cloud-based applications covering organization’s HCM needs throughout the entire employee lifecycle, according to CIC. We offer integrated cloud-based HCM solutions that synchronize use cases and the underlying employee data for our customers. Through effective use case and data integration across our different HCM solutions, we enable customers to leverage such data to gain insights into workforces and inform their HCM and broader business decisions. According to CIC, we are also the only cloud-based HCM solutions provider in China that has built a unified and open PaaS infrastructure, which greatly improves our development efficiency, supports rapid application expansion, and meets customers’ ever-changing needs.

Enterprises in China today have been growing in size and operate in highly competitive environments. To be successful, enterprises’ demand for high-quality talents is rising, but the imbalance between talent supply and demand makes it urgent for them to improve the efficiency and effectiveness of human capital management through digital means. At the same time, with the development of mobile internet and the change of employee demand, enterprises look for comprehensive functionality and ease-of-use HCM solutions that cater to the needs of new generations of users. Enterprises are also looking for ways to develop insights to inform decision-making process. However, these needs haven’t been effectively met due to limitations of existing solutions.

Beisen was created to meet the evolving needs. Our iTalentX is purpose built to offer enterprises comprehensive HCM solutions which are integrated. We offer (i) Recruitment Cloud to intelligize and streamline the recruitment process; (ii) Assessment Cloud for enterprises to identify qualified and suitable job candidates and existing employees with substantial growth potential to foster a strong team, based on our people science expertise and know-how; (iii) Core HCM Solutions for day-to-day people management including new hire onboarding, staffing management, payroll administration and organizational structure modeling; (iv) Performance Management Cloud for tracking of MBO, OKR management and review of employee performance; (v) Succession Cloud to reserve, retain and develop talents to foster the future leadership, as well as other solutions, such as E-learning Cloud, catering to a wide variety of HCM use cases. Our iTalentX enables our customers to

## SUMMARY

not only improve all aspects of people management, but also operate with a complete picture of their organization. We offer data analytics tools powered by our business intelligence and artificial intelligence capabilities to facilitate fast and informed decision-making.



The bedrock of the iTalentX platform is our cloud-based PaaS infrastructure, which enables new applications to be developed easily and efficiently. Our PaaS infrastructure enhances the scalability and adaptability of our HCM solutions more efficiently and at lower cost. For example, the out-of-the-box functionality of our PaaS infrastructure eliminates the need to build core modules from scratch for each product enhancement or new customer or use case. Through the low code or no code development tools our PaaS infrastructure offers, developers can simply drag and drop pre-configured modules and functionality with little to no coding required to quickly develop new applications. This enables us and our customers and business partners to conveniently tailor existing applications and functionalities for specific use cases, providing them flexibility to adapt to changing business environments. In addition, our PaaS infrastructure provides a shared software development platform that allows developers to build and scale modules quickly without the need to purchase additional compute, storage and networking capacity in anticipation of traffic spikes, as a traditional on-premise business model typically requires.

We strategically focus on medium-to-large sized enterprises as we believe our success lies in a high quality and loyal customer base. Our customer base included over 4,900 players across various large-scale and fast-growing industries as of September 30, 2022, covering a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors. Additionally, over 70% of Fortune China 500 companies are our customers as of September 30, 2022. In the trailing twelve months ended September 30, 2022, we achieved a 113% subscription revenue retention rate, a metric used to measure growth in revenue generated from existing customers of our cloud-based HCM solutions over time.

We derive our revenues primarily from subscription fees charged to customers for our HCM solutions. Subscription model generating recurring revenues not only allows us to facilitate and benefit from our customers’ success and long-term growth but also gives us visibility into our future operating results. In recent years, we have achieved considerable business and financial growth. We generated RMB437.4 million, RMB570.0 million, RMB729.3 million, RMB887.7 million and RMB907.9 million of total bookings for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the trailing twelve months ended September 30, 2022, respectively. Our total revenues increased from RMB382.3 million for the fiscal year ended March 31, 2019 to RMB458.5 million for the fiscal year ended March 31, 2020 and RMB556.3 million for the fiscal year ended March 31, 2021, and further to RMB679.6 million for the fiscal year ended March 31, 2022, and from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022. Revenues generated from subscriptions to our cloud-based HCM solutions amounted to RMB209.0

## **SUMMARY**

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million, RMB259.4 million, RMB349.1 million, RMB463.5 million and RMB253.3 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, representing approximately 54.7%, 56.6%, 62.7%, 68.2% and 72.2% of our total revenues during the respective periods. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded gross margin of 60.6%, 59.8%, 66.4%, 58.9% and 54.0%, respectively.

As of September 30, 2022 and the Latest Practicable Date, an aggregate of total bookings that we had generated historically of RMB540.6 million and RMB587.2 million, respectively, had not been recognized as revenues. With respect to the total bookings that had left unrecognized as of the Latest Practicable Date, approximately RMB81.1 million are expected to be recognized as revenues from the Latest Practicable Date up to March 31, 2023, being the end of the fiscal year of 2023.

### **INDUSTRY BACKGROUND AND OPPORTUNITY**

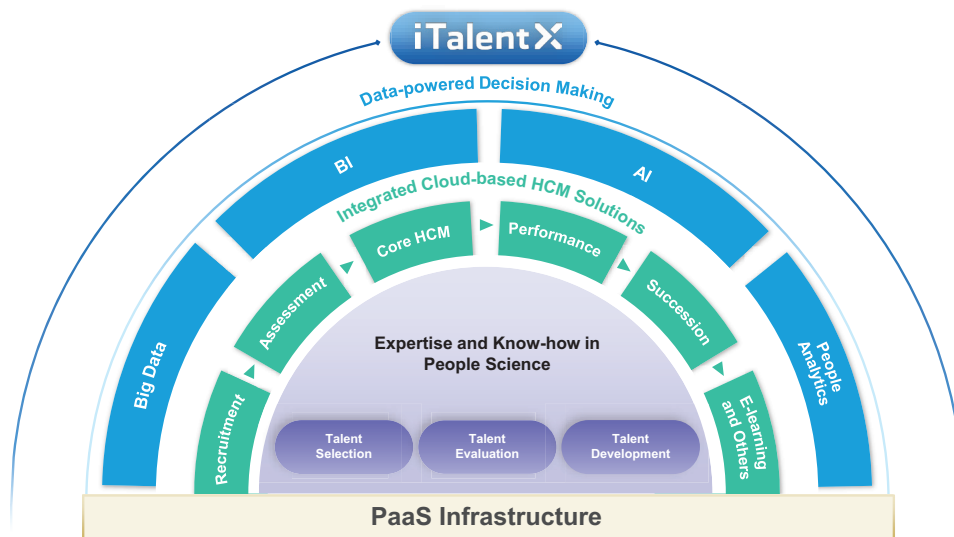
According to CIC, China’s HCM market is one of the largest HCM markets in the world, with a market size of RMB660.8 billion in 2021. CIC expects the market to grow to reach RMB1,625.9 billion in 2027, representing a CAGR of 16.2% from 2021 to 2027. The cloud-based HCM solutions penetration rate in the HCM market in China, calculated by dividing the size of the cloud-based HCM solutions market by that of the total HCM market, was only 0.8% in 2021, compared to 6.9% in the United States, representing a tremendous opportunity for cloud-based HCM solutions providers to continue to take market share. According to CIC, the market for cloud-based HCM solutions in China is expected to grow at a CAGR of 32.9% from 2021 to 2027, more than doubling the CAGR of 13.5% of on premise HCM software. CIC expects the market share of cloud-based HCM solutions to exceed that of on premise HCM software and reach 51.6% in 2027.

There are significant unmet needs of enterprises in China, which we endeavor to address through our integrated cloud-based HCM solutions, as well as our industry expertise and know-how. For details, see “Business—Industry Background and Opportunity,” and “Business—Key Benefits of Our Products.”

## SUMMARY

### OUR SOLUTIONS AND OFFERINGS

Our iTalentX is purpose built to tackle industry challenges and capture tremendous opportunities in China’s HCM market. iTalentX is synonymous with our holistic approach to address customers’ HCM needs, from the PaaS infrastructure as the foundation to data insights informing the decision-making, and from self-developed cloud-based HCM solutions building on top of the PaaS infrastructure to expertise and know-how in people science that are deeply integrated with such software solutions. iTalentX is a cloud-native and multi-layer architecture that becomes more sophisticated as our business grows. All of our cloud-based HCM solutions are currently built and operate on the iTalentX platform. The chart below illustrates the key components of our iTalentX platform.



At the bottom of the iTalentX platform is our cloud-native, multi-tenant and metadata-based PaaS infrastructure, which serves as the backbone to the iTalentX platform and is currently used mainly by our in-house developers to build and expand our cloud-based HCM solutions. In limited circumstances, we grant access to our PaaS infrastructure to IT specialists from selected large-size customers of our cloud-based HCM solutions so that such customers can develop tailor-made applications and functions for their own specific business needs. We currently do not charge any fees for, nor do we generate any revenue from, the foregoing usage of our PaaS infrastructure by customers.

With our expertise and know-how in people science at the core and PaaS infrastructure as the foundation, we offer a comprehensive suite of cloud-native, standardized HCM solutions covering a variety of customers’ use cases, an industry term meaning a specific business scenario in which a product or service could potentially be used, across the entire employee lifecycle—from recruitment to departure and retirement—enabling our customers to effectively recruit, evaluate, manage, develop and retain talents. Our key modules include Recruitment Cloud, Assessment Cloud, Core HCM Solutions, Performance Management Cloud, Succession Cloud, E-learning Cloud and others. Through this broad yet growing selection of adaptable and accessible HCM solutions, we are leading the way in helping organizations intelligize and optimize their human resources management.

Based on our big data and AI technologies, we build the business intelligence and people analytics engine in the application layer, providing data analytics support for enterprises in China to measure the effectiveness of human resource allocation, organizational management and talent management capabilities, human resource operational efficiency, and overall organizational performance and operational results.

## **SUMMARY**

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To maximize the value propositions of our HCM solutions and offer bespoke customer experience, we also provide customers with a selection of paid professional services, primarily including implementation services and value-added services.

For details of our cloud-based HCM solutions and professional services, see “Business—Our Offerings.”

## SUMMARY

The table below sets forth a breakdown of our revenues by offering type for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(RMB in thousands, except percentages)</i>								<i>(Unaudited)</i>			
Cloud-based												
HCM												
solutions . . . . .	209,023	54.7	259,449	56.6	349,073	62.7	463,467	68.2	209,534	67.0	253,268	72.2
Professional												
services . . . . .	173,255	45.3	199,088	43.4	207,254	37.3	216,160	31.8	103,256	33.0	97,498	27.8
<b>Total . . . . .</b>	<b>382,278</b>	<b>100.0</b>	<b>458,537</b>	<b>100.0</b>	<b>556,327</b>	<b>100.0</b>	<b>679,627</b>	<b>100.0</b>	<b>312,790</b>	<b>100.0</b>	<b>350,766</b>	<b>100.0</b>

The professional services revenue presented in the table above include revenue from Beisen Shengya which we disposed of in September 2021 and Ruizheng HR Management which we disposed of in July 2020, other than revenue from our current implementation services and value-added services. Excluding inter-company transactions with the rest of the Group, (i) in the fiscal years of 2019, 2020, 2021 and 2022, revenues generated from Beisen Shengya were RMB40.6 million, RMB42.5 million, RMB46.8 million and RMB20.3 million, respectively; and (ii) in the fiscal years of 2019 and 2020, revenues generated from Ruizheng HR Management were RMB27.8 million and RMB13.2 million, respectively. For more information about Beisen Shengya and Ruizheng HR Management, see “—see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries.”

### OUR CUSTOMERS AND SUPPLIERS

We primarily sell to medium- and large-sized companies that span numerous industries. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we served over 3,300, 3,800, 4,200, 4,700 and 4,900 customers, respectively. We do not have substantial reliance on any single customer. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, revenues generated from our five largest customers accounted for 4%, 4%, 3%, 3% and 3%, respectively, of our total revenues during the same periods. For details, see “Business—Our Customers.”

Our suppliers are predominantly real property development and management companies and IT service providers. As of September 30, 2022, we collaborated with approximately 940 suppliers. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, purchases from our five largest suppliers in each period during the Track Record Period accounted for 19%, 18%, 19%, 24% and 24%, respectively, of our total purchases during the relevant periods. For details, see “Business—Our Suppliers.”

### OUR COMPETITIVE STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- Leader in China’s cloud-based HCM solutions market;
- Brand of choice for human capital management services;



## SUMMARY

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- The first and only provider of integrated cloud-based HCM solutions in China;
- Proprietary talent management methodology and extensive industry insights;
- Effective go-to-market strategy; and
- Experienced management team and motivating corporate culture.

For details, see “Business—Our Competitive Strengths.”

## OUR GROWTH STRATEGIES

To achieve our mission and further solidify our leadership, we intend to pursue the following strategies:

- Product Driven: Continuing to upgrade our integrated cloud-based HCM solutions;
- Customer Oriented: Expanding to a more diversified customer base while creating more value for customers in the long-term;
- Business Partner Oriented: Continuing to develop PaaS infrastructure to form an open ecosystem for developers and business partners; and
- Talent Oriented: Attracting and retaining talents to reinforce our leadership position.

For details, see “Business— Our Growth Strategies.”

## COMPETITIVE LANDSCAPE

We operate in the highly competitive HCM industry in China and are faced with intense competition. We currently compete with cloud-based HCM solutions providers, enterprise software providers and potential new market entrants both in China and around the world based on a number of factors, mainly including product functionality and scope, performance, scalability and reliability of services, technology capabilities, marketing and sales capabilities, customer experience, pricing, brand recognition and reputation. According to CIC, the pricing of our cloud-based HCM solutions and professional services is generally consistent with the industry norm.

For example, we compete with global cloud-based HCM solutions providers who have developed business presence in China. As of the end of 2021, the number of global cloud-based HCM solutions providers accounted for less than 10% of the aggregate number of market players in China’s HCM digitalization market or cloud-based HCM solutions market. In 2021, among the top five players in terms of revenues in China’s HCM digitalization market or cloud-based HCM solutions market, there was only one global cloud-based HCM solutions provider, according to CIC. We believe we are able to compete effectively against these global cloud-based HCM solutions providers due to our tailored solutions and services that are designed to address the pain points of Chinese enterprises particularly based on our extensive local experience and observations.

In addition, we also compete with enterprise software providers which offer traditional on-premise HCM software. In 2021, among the top five players in terms of revenues in China’s HCM digitalization market, there were three enterprise software providers, and among the top five players in terms of revenues in China’s cloud-based HCM solutions market, there was only one enterprise software provider, according to CIC. We mainly leverage the robust capabilities of our cloud-based HCM solutions and our first-mover advantages in the cloud-based HCM solutions market to compete with these enterprise software providers. For more information on the competitive landscape of our industry, see “Industry Overview.”



## SUMMARY

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### 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. Some of the major risks we face include: the markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition and results of operations could be adversely affected; our success depends on growth in market acceptance of cloud-based HCM solutions, and our solutions and services in particular; if we are not able to upgrade, enhance and expand our technology and solutions or provide successful enhancements, new features and applications, our business could be adversely affected; our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future. Our growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful; we have a history of net losses, and we may not be able to achieve profitability in the future; if our security measures are breached or unauthorized access to customer data is otherwise obtained, our solutions and services may be perceived as not being secure, customers may reduce the use of or stop using our solutions and services, and we may incur significant liabilities; complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business; our business could be adversely affected if our customers and their employees are not satisfied with the services provided by us; if our solutions and services fail to perform properly, our reputation could be adversely affected, our market share could decline and we could be subject to liability claims.

### CONTRACTUAL ARRANGEMENTS

As disclosed in the section headed “Contractual Arrangements” in this Document, it is not viable for our Company to hold the Onshore Holdco directly through equity ownership. In order to comply with the relevant PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entity through the Contractual Arrangements. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entity. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entity and are entitled to all the economic benefits derived from the Consolidated Affiliated Entity’ operations. For further details, see “Contractual Arrangements” in this Document.

### APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for the [REDACTED] under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (i) our revenue for the fiscal year ended March 31, 2022, being RMB679.6 million, which is over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the [REDACTED], which, based on the low end of the [REDACTED], exceeds HK\$4 billion as required by Rule 8.05(3) of the Listing Rules.

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Summary Consolidated Statements of Comprehensive Loss

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)					
Revenues . . . . .	382,278	458,537	556,327	679,627	312,790	350,766
Cost of revenues . . . . .	<u>(150,807)</u>	<u>(184,194)</u>	<u>(186,730)</u>	<u>(279,116)</u>	<u>(123,866)</u>	<u>(161,451)</u>
<b>Gross profit . . . . .</b>	<b>231,471</b>	<b>274,343</b>	<b>369,597</b>	<b>400,511</b>	<b>188,924</b>	<b>189,315</b>
Selling and marketing expenses . . . . .	(206,754)	(295,236)	(284,308)	(331,000)	(155,875)	(177,446)
General and administrative expenses . .	(155,538)	(110,173)	(83,113)	(206,616)	(125,227)	(64,429)
Research and development expenses . .	(146,479)	(215,152)	(212,550)	(258,357)	(125,281)	(144,858)
Other gains, net . . . . .	3,269	2,130	44,067	72,994	37,714	19,259
<b>Operating loss . . . . .</b>	<b>(250,049)</b>	<b>(320,162)</b>	<b>(141,105)</b>	<b>(288,563)</b>	<b>(162,327)</b>	<b>(163,491)</b>
Losses from financial instruments issued to investors . . . . .	(111,461)	—	—	—	—	—
Fair value changes of redeemable convertible preferred shares . . . . .	(317,678)	(883,369)	(752,797)	(1,638,199)	(660,595)	(4,991)
Fair value changes of warrant liability . . . . .	(13,159)	(53,472)	(32,571)	—	—	—
<b>Loss before income tax . . . . .</b>	<b>(691,910)</b>	<b>(1,252,276)</b>	<b>(923,438)</b>	<b>(1,921,579)</b>	<b>(820,014)</b>	<b>(167,124)</b>
Income tax (expense) / credit . . . . .	1,745	(14,476)	(16,702)	12,807	(184)	4,302
<b>Loss for the year/period . . . . .</b>	<b>(690,165)</b>	<b>(1,266,752)</b>	<b>(940,140)</b>	<b>(1,908,772)</b>	<b>(820,198)</b>	<b>(162,822)</b>
<b>Loss attributable to:</b>						
—Owners of the Company . . . . .	(691,060)	(1,267,206)	(940,142)	(1,908,772)	(820,198)	(162,822)
—Non-controlling interests . . . . .	895	454	2	—	—	—
	<u>(690,165)</u>	<u>(1,266,752)</u>	<u>(940,140)</u>	<u>(1,908,772)</u>	<u>(820,198)</u>	<u>(162,822)</u>

#### Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also 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 and company to company. We believe that this measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

## SUMMARY

### *Adjusted Net Loss (Non-IFRS Measure)*

We define adjusted net loss (non-IFRS measure) as loss for the years/periods adjusted by adding back share-based payments, fair value changes of redeemable convertible preferred shares and fair value changes of warrant liability. The following table reconciles our adjusted net loss (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods indicated.

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)				(Unaudited)	
<b>Reconciliation of loss for the period and adjusted net loss (non-IFRS measure)</b>						
<b>Loss for the year/period</b>	<b>(690,165)</b>	<b>(1,266,752)</b>	<b>(940,140)</b>	<b>(1,908,772)</b>	<b>(820,198)</b>	<b>(162,822)</b>
Add:						
Share-based payments – ESOP <sup>(1)</sup>	—	75,447	33,549	53,635	26,245	5,692
Share-based payments – non-ESOP <sup>(2)</sup>	81,126	2,499	—	53,348	53,348	—
Fair value changes of redeemable convertible preferred shares <sup>(3)</sup>	317,678	883,369	752,797	1,638,199	660,595	4,991
Fair value changes of warrant liability <sup>(4)</sup>	13,159	53,472	32,571	—	—	—
<b>Adjusted net loss (non-IFRS Measure)</b>	<b><u>(278,202)</u></b>	<b><u>(251,965)</u></b>	<b><u>(121,223)</u></b>	<b><u>(163,590)</u></b>	<b><u>(80,010)</u></b>	<b><u>(152,139)</u></b>

*Notes:*

1. Share-based payments for ESOP purposes relates to the share rewards we offered to our employees, which is a non-cash expense.
2. Share-based payments for non-ESOP purposes arise from certain share exchange and share repurchase transactions, and transactions among shareholders. For details of these transactions, see Note 26 to the Accountant’s Report included in Appendix I to this Document.
3. Fair value changes of redeemable convertible preferred shares arise primarily from the changes in the carrying amount of our redeemable convertible preferred shares in connection with the [REDACTED] Investments. These fair value changes are non-cash in nature. Upon completion of the [REDACTED], such redeemable convertible preferred shares will be automatically converted into ordinary shares of our Company and no fair value change will be recorded.
4. Fair value changes of warrant liability arise primarily from the changes in the carrying amount of the warrants issued by us to certain existing investors of our Group as part of our Reorganization, pursuant to the terms of which the relevant investors may exercise the warrants to acquire our Preferred Shares under certain events. The warrant liability was subsequently derecognized in June 2020 due to the exercise in full of the warrants by the relevant investors. These fair value changes are non-cash in nature.

Our adjusted net loss (non-IFRS measure) amounted to RMB278.2 million, RMB252.0 million, RMB121.2 million, RMB163.6 million and RMB152.1 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. We have historically recorded adjusted net loss (non-IFRS measure) for the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, primarily because we have strategically prioritized scale and geographic expansion, customer growth and engagement, and product development and innovations, over short-term profitability to capture opportunities offered by the emerging and rapidly growing cloud-based HCM market in China. We believe such investment is indispensable in establishing compelling competitive advantages for our long-term sustainable growth. See “Business—Business Sustainability” for a detailed discussion of our path to profitability.

Our adjusted net loss (non-IFRS measure) increased from RMB121.2 million for the fiscal year of 2021 to RMB163.6 million for the fiscal year of 2022, primarily due to an increase in our net loss,

## SUMMARY

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which in turn was primarily due to the increases in cost of revenues and operating expenses. For a detailed discussion of our operating results for the fiscal year ended March 31, 2022, see “Financial Information—Period-to-Period Comparisons of Results of Operations—Fiscal Year Ended March 31, 2022 Compared to Fiscal Year Ended March 31, 2021.” Our adjusted net loss (non-IFRS measure) increased from RMB80.0 million for the six months ended September 30, 2021 to RMB152.1 million for the six months ended September 30, 2022 primarily because our revenue growth slowed down amid the new COVID-19 outbreaks across China during the period. For a detailed discussion of our operating results for the six months ended September 30, 2022, see “Financial Information—Period-to-Period Comparisons of Results of Operations—Six Months Ended September 30, 2022 Compared to Six Months Ended September 30, 2021.”

The movements in our net losses during the Track Record Period had been primarily due to the fair value changes of our warrant liability and/or redeemable convertible preferred shares. In particular, our net losses increased in the fiscal year ended March 31, 2022, attributable primarily to the increased fair value changes of redeemable convertible preferred shares. This resulted from changes in the valuation of our Company driven by our strong business growth and improved business outlook. See “—Non-IFRS Measure” below for our adjusted net (loss)/income (non-IFRS measure) eliminating the impact of the accounting treatment of our warrant liability and redeemable convertible preferred shares during the Track Record Period. Our net losses narrowed for the fiscal year ended March 31, 2021, primarily as a result of (i) our efforts to optimize our internal organizational structure and headcount, and to a lesser extent, (ii) the reduction in the amount of social insurance contributions for our operation and product support staff due to the PRC government’s relief policies in response to the COVID-19 pandemic.

For a detailed analysis of our results of operations during the Track Record Period, see “Financial Information—Period-to-Period Comparisons of Results of Operations.”

## RECENT DEVELOPMENT

We intend to continue to invest in upgrading our integrated cloud-based HCM solutions, enhancing our technology development capabilities and ramping up customer acquisition and retention efforts to drive our long-term profitability. As a result of this long-term growth strategy, we have been in a loss-making position during the Track Record Period and we expect to incur increasing and substantial net losses and net operating cash outflow for the fiscal year ended March 31, 2023, and we may not be able to become profitable in the short term. See “Business—Business Sustainability” for a detailed discussion of our historical loss-making positions and our path to profitability.

### Recent Regulatory Developments

#### *Overseas Listing*

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023.

The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

## SUMMARY

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According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. For the circumstances under which an overseas listing or offering is explicitly prohibited, see “Regulations—M&A Rules and Overseas Listing.”

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

At a press conference held for these new regulations, officials from the CSRC clarified certain transition arrangements for the existing issuers, see “Regulations—M&A Rules and Overseas Listing.” Based on the expected [REDACTED], as of the Latest Practicable Date, the Company expects to pass the [REDACTED] for the [REDACTED] on or before [REDACTED] and to complete this [REDACTED] and [REDACTED] on or before [REDACTED], and accordingly, our Directors are of the view that we will not be required to complete the aforesaid filing procedures with the CSRC in connection with the [REDACTED].

However, in future and in the event where we are required to comply with such filing procedures, our Directors, having consulted our PRC Legal Adviser, are of the view that we will be able to comply with the Overseas Listing Trial Measures in all material aspects regarding the proposed [REDACTED], on the basis that: (i) the Company does not fall within any of the circumstances clearly and specified in Article 8 of the Overseas Listing Trial Measures in which overseas offering and listing are prohibited; and (ii) the Company has taken comprehensive measures to ensure its compliance with the relevant laws and regulations and will continue to pay close attention to the implementation of the Overseas Listing Trial Measures and legislative and regulatory developments in respect of overseas listing of domestic companies, and will complete filing procedures in accordance with the requirements of the Overseas Listing Trial Measures where applicable to the proposed [REDACTED] with the assistance of our Company’s onshore and offshore counsel teams and internal control consultants.

Having taken into account the factors above and the view of the Directors and the PRC Legal Advisor and the independent due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would reasonably cause them to cast doubt in any material respects on the reasonableness of the above-mentioned view of the Directors. See “Risk Factors—Risks Relating to Conducting Business in China—The approval of or filing with the CSRC may be required in connection with the [REDACTED] and our future financing activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.”



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## SUMMARY

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### *Cybersecurity*

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Cybersecurity Review Measures (網絡安全審查辦法), or the Review Measures, which became effective on February 15, 2022. On November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》 (“**Draft Data Security Regulations**”). For details, see “Regulations—Regulations on Internet Information Security and Privacy Protection.” On March 6, 2023, our PRC Legal Advisor and the Sponsor’s PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (the “**CCRC**”), which is delegated by the CAC to accept applications for cybersecurity review, the staff of which confirmed that the term “listing abroad (赴國外上市)” under Article 7 of the Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante application of cybersecurity review and the Company does not need to apply for the cybersecurity review according to Article 7 of the Review Measures. Our PRC Legal Advisor is of the view that the CCRC is the competent authority for such consultation, and the staff who responded our inquires during such consultation is the duly designated person in the CCRC to handle public inquiries. As such and based on the consultation with the CCRC, our PRC Legal Advisor is of the view that, we do not need to initiate the application for cybersecurity review pursuant to Article 7 of the Review Measures.

Our Directors and our PRC Legal Advisor are of the view that we are able to comply with the Review Measures and the Draft Data Security Regulations (if implemented in its current forms) in all material aspects, see “Regulations—Regulations on Internet Information Security and Privacy Protection.”

Based on the foregoing, our Directors, as advised by our PRC Legal Advisor, are of the view that the Review Measures and the Draft Data Security Regulations, if implemented in its current form, would not have a material adverse impact on our business operations, financial condition or the [REDACTED]. Having taken into account the view and analysis of our Company and the PRC Legal Advisor as described above as well as the due diligence conducted, nothing has come to the attention of the Joint Sponsors which would cause them to disagree with the reasonableness of our Directors’ view that (i) the Group are able to comply with the Review Measures and the Draft Data Security Regulations (if implemented in its current forms) in all material aspects; and (ii) the Review Measures and the Draft Data Security Regulations, if implemented in its current form, would not have a material adverse impact on our business operations, financial performance or the proposed [REDACTED].

### *Foreign Investment*

The Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), effective from January 1, 2022, provides, among others, that domestic companies engaged in foreign investment prohibited business and intend to offer and list securities in overseas markets shall obtain approval from relevant government authorities. The PRC Legal Advisor is of the view that as of the Latest Practicable Date, the business operated by our Consolidated Affiliated Entity and PRC-incorporated subsidiaries does not fall within any foreign investment prohibited business listed in the Negative List (2021). Therefore, our PRC Legal Advisor is of the view that the foregoing provision in the Negative List (2021) shall not apply to us.

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Based on the foregoing, the Directors are of the view that the Negative List (2021) will not have a material adverse effect on our business and operations. Having taken into account the factors above and the view of the Directors and the PRC Legal Advisor, nothing has come to the Joint Sponsors’ attention that would cause them to disagree with the reasonableness of the above-mentioned view of the Directors.

On April 7, 2022, the State Council of the PRC issued the Decision to Amend and Abolish Certain Administrative Regulations, which makes amendments to the 2016 FITE Regulations. Among others, the 2022 FITE Regulations removes the qualification requirements (i.e., a good track record and experience in operating value-added telecommunications business) for foreign investors that hold equity interest in PRC companies conducting value-added telecommunication business as set out in the 2016 FITE Regulations.

The PRC Legal Advisor has advised that the amendments in the 2022 FITE Regulations do not invalidate the IDC License held by the Onshore Holdco, require the Company to modify its Contractual Arrangements or to adjust business operations of the Company according to PRC laws and regulations. Our Directors are of the view that the removal of Qualification Requirements as a result of the 2022 FITE Regulations does not invalidate the current structure of the Company’s Contractual Arrangements, on the basis that (i) foreign investment is generally not permitted in the types of value-added telecommunications business that do not fall within China’s commitment to the WTO to open up, which include, among other types of services, internet data center services, such as the Onshore Holdco’s Restricted Operation as licensed by the IDC License, except that qualified telecommunication service providers incorporated in Hong Kong or Macau may hold up to 50% equity interest in such entities according to the Mainland and Hong Kong Closer Economic Partnership Agreement or the Mainland and Macao Closer Economic Partnership Agreement, respectively; and (ii) as of the Latest Practicable Date, the Company has not received any inquiry or notice from the competent authorities regarding the validity of IDC License held by the Onshore Holdco or the Contractual Arrangements as a whole. Accordingly, our PRC Legal Advisor has confirmed that nothing has caused the PRC Legal Advisor to disagree with the foregoing views of our Directors.

The Company will closely monitor any future development relating to the implementation of the 2022 FITE Regulations and will take all necessary actions to comply with applicable laws, regulations, and specific requirements. Based on the above, the 2022 FITE Regulations would not have a material adverse effect on the Contractual Arrangements and the business operations of the Company.

### *Anti-monopoly*

On February 7, 2021, the Anti-monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Platform Economy Sector (關於平台經濟領域的反壟斷指南) that specifies some of activities of internet platforms may be determined to be monopolistic, and clarifies concentrations of undertakings involving variable interest entities are subject to anti-monopoly scrutiny. On June 24, 2022, the SCNPC promulgated the Anti-monopoly Law (Revised in 2022) (反壟斷法(2022年修訂)) (the “**Revised Anti-monopoly Law**”), which took effect on August 1, 2022, and which provides, among others, that business operators shall not use data, algorithms, technology, capital advantages and platform rules to exclude or limit competition. As of the Latest Practicable Date, we had not been subject to any penalties in connection with anti-monopoly laws. However, these laws and guidelines may limit our ability to pursue growth through acquisitions in the PRC. See “Risk

## SUMMARY

Factors—Risks Relating to Conducting Business in China—The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.”

On the basis that (i) during the Track Record Period and up to the Latest Practicable Date, we had not resorted to any monopolistic behavior in our business operations, and had not entered into any monopolistic agreement; (ii) we had not been subject to any penalties, regulatory actions, or investigations in connection with anti-monopoly activities, our PRC Legal Advisor is of the view that the Revised Anti-Monopoly Law will not have any material adverse effect on us.

Based on the current circumstances known to the Directors, the Directors believe that we will not incur additional costs that are material to our Group as a whole or be required to materially change our business model as a result of the above changes in laws and regulations in relation to anti-monopoly as of the Latest Practicable Date. Based on the foregoing, the Directors are of the view that the above changes will not have a material adverse effect on our business and operations. Having taken into account the factors above and the view of the Directors and the PRC Legal Advisor, nothing has come to the Joint Sponsors’ attention that would cause them to disagree with the reasonableness of the above-mentioned view of the Directors.

### Summary Consolidated Statements of Financial Position

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
Total non-current assets	128,670	94,126	84,927	186,064	207,655
Total current assets	596,283	503,499	507,890	1,848,641	1,659,536
<b>Total assets</b>	<b>724,953</b>	<b>597,625</b>	<b>592,817</b>	<b>2,034,705</b>	<b>1,867,191</b>
Deficits attributable to owners of the					
Company	(1,542,531)	(2,838,374)	(3,543,277)	(5,280,350)	(6,198,130)
Non-controlling interests	3,046	(7)	(5)	—	—
<b>Total deficits</b>	<b>(1,539,485)</b>	<b>(2,838,381)</b>	<b>(3,543,282)</b>	<b>(5,280,350)</b>	<b>(6,198,130)</b>
Total non-current liabilities	1,878,158	2,879,283	32,510	6,672,607	7,454,618
Total current liabilities	386,280	556,723	4,103,589	642,448	610,703
<b>Total liabilities</b>	<b>2,264,438</b>	<b>3,436,006</b>	<b>4,136,099</b>	<b>7,315,055</b>	<b>8,065,321</b>
<b>Total deficits and liabilities</b>	<b>724,953</b>	<b>597,625</b>	<b>592,817</b>	<b>2,034,705</b>	<b>1,867,191</b>
<b>Net current assets / (liabilities)</b>	<b>210,003</b>	<b>(53,224)</b>	<b>(3,595,699)</b>	<b>1,206,193</b>	<b>1,048,833</b>

We recorded non-current assets of RMB128.7 million, RMB94.1 million, RMB84.9 million, RMB186.1 million and RMB207.7 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. Our non-current assets increased significantly from RMB84.9 million as of March 31, 2021 to RMB186.1 million as of March 31, 2022, attributable primarily to (i) the increases in right-of-use assets of RMB51.8 million as a result of our expanded office space, and (ii) property, plant and equipment of RMB19.0 million, primarily attributable to the purchase of servers and office renovation expenditures, which was generally in line with our business expansion.

We recorded current assets of RMB596.3 million, RMB503.5 million, RMB507.9 million, RMB1,848.6 million and RMB1,659.5 million as of March 31, 2019, 2020, 2021 and 2022 and



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September 30, 2022, respectively. Our current assets increased significantly from RMB507.9 million as of March 31, 2021 to RMB1,848.6 million as of March 31, 2022, attributable primarily to the increase financial assets at fair value through profit or loss of RMB1,172.3 million as a result of our increased structured deposits. Our current assets decreased from RMB1,848.6 million as of March 31, 2022 to RMB1,659.5 million as of September 30, 2022, primarily due to the decrease in cash and cash equivalents of RMB209.8 million that were mainly used for our operating activities during the period.

We recorded accumulated losses of RMB1,100.2 million, RMB2,367.4 million, RMB3,307.6 million, RMB5,216.3 million and RMB5,379.1 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. Our accumulated losses during the Track Record Period were attributable primarily to our losses incurred in the past. In addition, we recorded net liabilities throughout the Track Record Period, attributable primarily to the warrants and/or redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. The warrant liability had been derecognized in June 2020, and the redeemable convertible preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. As a result, upon the completing of the [REDACTED], our redeemable convertible preferred shares will be re-designated from financial liabilities to equity such that our current net liabilities position is expected to change to a net assets position. Our net liabilities increased from RMB1,539.5 million as of March 31, 2019 to RMB2,838.4 million as of March 31, 2020 attributable primarily to loss for the year of RMB1,266.8 million. Our net liabilities increased from RMB2,838.4 million as of March 31, 2020 to RMB3,543.3 million as of March 31, 2021 attributable primarily to loss for the year of RMB940.1 million, as offset by currency translation differences of RMB202.4 million and share-based payments of RMB33.5 million. Our net liabilities further increased from RMB3,543.3 million as of March 31, 2021 to RMB5,280.4 million as of March 31, 2022 attributable primarily to loss for the year of RMB1,908.8 million, as offset by currency translation differences of RMB130.6 million and share-based payments of RMB53.6 million. Our net liabilities further increased from RMB5,280.4 million as of March 31, 2022 to RMB6,198.1 million as of September 30, 2022 attributable primarily to loss for the period of RMB162.8 million, currency translation differences of RMB756.3 million and fair value changes of redeemable preferred shares due to own credit risk of RMB4.3 million. For further details, see the consolidated statements of changes in deficits set out in the Accountant’s Report included in Appendix I to this Document. We have incurred losses historically and during the Track Record Period because we have invested heavily in customer acquisition and engagement and product development and innovations to drive market acceptance of our solutions and rapidly ramp up our business presence. For a detailed discussion of the underlying reasons for our losses historically, and the specific measures to achieve our long-term profitability, see “Business—Business Sustainability.”

We recorded net current liabilities of RMB53.2 million and RMB3,595.7 million as of March 31, 2020 and 2021, respectively. Our net current liabilities position as of each of these dates was mainly due to the warrants and/or redeemable convertible preferred shares in connection with our [REDACTED] Investments. The foregoing redeemable convertible preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. See also “Risk Factors—Risks Relating to Our Business and Industry—We recorded net liabilities and net current liabilities during the Track Record Period.”

We recorded net current assets of RMB1,048.8 million as of September 30, 2022, as compared to net current assets of RMB1,206.2 million as of March 31, 2022, primarily due to the decrease in cash and cash equivalents of RMB209.8 million as we continue to invest in our business expansion. The decrease in net current assets was partially offset by a decrease in other payables and accruals of

## SUMMARY

RMB26.9 million, in relation to the decrease in salary and welfare payable as we settled employees’ annual bonuses over the period.

We recorded net current assets of RMB1,206.2 million as of March 31, 2022, as compared to net current liabilities of RMB3,595.7 million as of March 31, 2021, primarily due to (i) redeemable convertible preferred shares of RMB3,558.2 million being re-classified as non-current liabilities due to the extension of their earliest redemption date in April 2021, (ii) the increase in financial assets at fair value through profit or loss of RMB1,172.3 million, attributable to the increase in our structured deposits, and (iii) the increase in term deposits of RMB85.3 million.

As of January 31, 2023, being the latest practicable date for our liquidity disclosure, we recorded net current assets of RMB964.4 million.

For further details, see “Financial Information—Discussion of Certain Key Balance Sheet Items.”

### Summary Consolidated Statements of Cash Flows

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)					
Net cash (outflow) / inflow from operating activities	(83,374)	(65,528)	38,497	(156,038)	(137,104)	(186,144)
Net cash (outflow) / inflow from investing activities	(231,304)	29,432	21,912	(1,272,675)	(830,914)	(9,033)
Net cash inflow / (outflow) from financing activities	479,010	(33,555)	(29,165)	1,514,726	1,539,777	(19,260)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>164,332</b>	<b>(69,651)</b>	<b>31,244</b>	<b>86,013</b>	<b>571,759</b>	<b>(214,437)</b>
Cash and cash equivalents at the beginning of the fiscal year/period	106,604	257,351	191,337	215,074	215,074	288,706
Effects of exchange rate changes on cash and cash equivalents	(13,585)	3,637	(7,507)	(12,381)	(26,818)	4,650
<b>Cash and cash equivalent at end of the year/period</b>	<b><u>257,351</u></b>	<b><u>191,337</u></b>	<b><u>215,074</u></b>	<b><u>288,706</u></b>	<b><u>760,015</u></b>	<b><u>78,919</u></b>

We recorded net cash outflow from operating activities of RMB83.4 million, RMB65.5 million, RMB156.0 million and RMB186.1 million for the fiscal years ended March 31, 2019, 2020 and 2022 and the six months ended September 30, 2022 respectively, which were attributable primarily to our operating loss for the same periods. We briefly recorded net cash inflow from operating activities of RMB38.5 million for the fiscal year ended March 31, 2021. This was primarily due to our narrowed operating loss during the same year as a result of (i) our efforts to optimize our internal organizational structure and headcount, and to a lesser extent, (ii) the reduction in the amount of social insurance contributions for our operation and product support staff due to the PRC government’s relief policies in response to the COVID-19 pandemic. Since we operate a subscription-based SaaS business model, we have invested heavily in customer acquisition and engagement and product development and innovations to drive market acceptance of our solutions and rapidly ramp up our business presence. While these investments typically would not translate into immediate financial returns and have in part contributed to our historical operating loss positions, we believe that they are indispensable to achieving our current scale and market leadership, as well as long-term path to profitability.

## SUMMARY

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For a detailed discussion of the underlying reasons for our losses historically, and the specific measures to achieve our long-term profitability, see “Business—Business Sustainability.” For a more detailed cash flow analysis, see “Financial Information—Liquidity and Capital Resources—Cash Flow Analysis.”

### WORKING CAPITAL SUFFICIENCY

As of January 31, 2023, we had cash and cash equivalents, financial assets at fair value through profit or loss (short-term), term deposits (short-term), and restricted cash (short-term) of RMB1,495.5 million. Our Directors are of the opinion that, taking into account our available cash and cash equivalents, financial assets at fair value through profit or loss (short-term), term deposits (short-term), restricted cash (short-term) and the estimated net [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. After making reasonable inquiries of our management about our working capital, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the Directors’ view.

In addition, it is estimated that additional working capital of approximately RMB200 million to RMB300 million may be required before our current net operating cash outflow position is turned into a net operating cash inflow position, which we currently expect to happen in 2025, based on information currently available to us. Our Directors are of the opinion that we will have adequate working capital and sufficient cash balance to support our business growth until we achieve a net operating cash inflow position, without taking account of the estimated [REDACTED] from the [REDACTED], on the following grounds: (i) we had cash and cash equivalents of RMB78.9 million, term deposits of RMB201.6 million and short-term financial assets at fair value through profit or loss of RMB1,303.6 million, which are all highly liquid assets, as of September 30, 2022; (ii) we have implemented and will in the future continue to implement a wide array of initiatives to upgrade our solutions, expand our customer bases, increase customers’ use of our solutions and increase operational leverages, all of which are expected to help us generate continued cash flows from our operations; and (iii) as a SaaS company, we typically request our customers to pay subscription fees upfront before we deliver our cloud-based HCM solutions and professional services, which helps us maintain a strong operational cashflow position.

Furthermore, we had total cash and cash equivalents, financial assets at fair value through profit or loss (short-term), term deposits (short-term), and restricted cash (short-term) of RMB1,584.3 million as of September 30, 2022. Historically, our average monthly cash burn (defined as combined operating cash outflow and capital expenditure investment) was RMB36.7 million across the 6 months ended September 30, 2022. Based on the average historical monthly cash burn rate across the six months ended September 30, 2022, the total of RMB1,584.3 million cash sources will be able to support the our operations for over 43 months from September 30, 2022 till April 30, 2026, without taking into account the estimated net [REDACTED] from the [REDACTED] and future net cash inflow.

The foregoing forward-looking statements on our working capital forecast are based on assumptions regarding our present and future business strategies and the environment in which we will be operating. Our future financial position and results of operations may be affected by complicated factors and may be subject to risks and uncertainties discussed in the section headed “Risk Factors” in this Document, many of which are beyond our control.

## SUMMARY

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### BUSINESS SUSTAINABILITY

SaaS products like our cloud-based HCM solutions typically require substantial initial investment in customer acquisition and retention and product development to drive market acceptance. This is because SaaS business operates a subscription revenue model that generates a stable revenue inflow once the business reaches a scale. To achieve scale, SaaS service providers first need to invest heavily in developing a SaaS product that offers compelling scalability benefits to potential customers and continue to optimize the functionality as it rolls out the products to a broader range of customers. In the meantime, they also need to devote substantial resources upfront to sales and marketing to amass a vast and loyal customer base from whom SaaS companies can continue to generate recurring subscription revenues during customers’ life time. Nearly 80% of our customers who contributed to our ARR as of September 30, 2022 have an expected customer lifetime of approximately 5 years. Such upfront investments to grow a subscription business often exceeds the profits from the recurring revenue stream in the initial period, resulting in a loss making position. As the deployment of the product continues to scale up, it generally leads to higher profit margin mainly due to the recurring subscription revenues without substantial incremental costs, and greater economies of scale and synergies in customer acquisition and product development. For these reasons, the breakeven period for SaaS service providers, including those focusing their services on the HCM vertical market, is usually long, and it is common for cloud-based HCM solution companies around the world, including in the United States and China, to remain loss-making for over 15 years before becoming profitable, according to CIC. According to the same source, China’s cloud-based HCM solutions market is still at an early stage of development, and most players including us have not made a profit yet.

For the past almost two decades, China’s HCM market has undergone several major transformations, as detailed in “Industry Overview – HCM Market in China – Major Industry Transformations.” Accordingly, we have constantly evolved our business throughout our history to stay ahead of industry trends at different stages of development. In particular, while we have been in operation for years, it was not until 2010 that we began to focus on developing and offering cloud-based HCM solutions, our current business focus, which marked our transformation into a cloud-based HCM solutions provider. In addition, our Core HCM Solutions, one of our key modules, was only launched in 2015, and it usually takes two to four years for a brand new module to achieve initial market acceptance with scalable revenue streams, according to CIC based on its interviews with industry veterans from leading cloud-based HCM solutions providers, and research and analysis based on public information about our peers in China and globally. Therefore, despite our inception in 2005, we have a relatively limited history operating our current business, and as a result, our historical profitability may not be indicative of our future performance.

More importantly, along all these industry transformations, we have clearly differentiated ourselves from our peers by consistently staying at the forefront of each transformation, proactively leveraging leading business models and technologies to deliver better products and build long-term customer relationships. These efforts have required us to constantly make substantial investments in product development and innovations, because each new stage of development, as it emerges, is driven by and requires significant investments in new and more advanced technologies, with limited industry standards or best practices for us, as an industry forerunner, to follow. A vast majority of our research and development expenses incurred in connection with these investments were labor costs in nature, which related to a growing number of our research and development staff dedicated to different R&D projects. For details of our investments and efforts in product development and innovations throughout each stage of industry development, see “Industry Overview – HCM Market in China – Major Industry Transformations.” While

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these investments typically would not translate into immediate financial returns and have in part contributed to our historical loss-making positions, we believe that they are indispensable to achieving our current scale and market leadership, as well as long-term path to profitability. Moreover, we believe our growth strategy and prospects have also been well received by the market, as evidenced by the fact that we have successfully completed multiple rounds of [REDACTED] financing, including from leading sophisticated investors, since 2010 to date. By implementing this strategy, we have achieved significant growth during the Track Record Period, paving the way for our long-term sustainable market leadership.

Primarily attributable to our historical investment in customer acquisition, customer engagement and product development and innovations for the above-mentioned reasons, we incurred adjusted net loss (non-IFRS measure), net operating cash outflows and net current liabilities during the Track Record Period. We expect that we may still record net loss and adjusted net loss (non-IFRS measure) in the near future, primarily due to the following reasons: (i) spending on selling and marketing to acquire customers and strengthen our brand awareness; (ii) investments in research and development to further enhance our HCM solutions and infrastructures; and (iii) employee related expenses due to rising personnel to support our business expansion, and the increased compensation levels including share-based compensation we provide to a select number of talents to incentivize them. Fair value changes of our redeemable convertible preferred shares are also expected to contribute to the substantial increase in our loss for the period till the completion of the [REDACTED]. However, we do not expect to record any further fair value changes of convertible redeemable preferred shares upon the completion of the [REDACTED]. In addition, we recorded accumulated losses of RMB1,100.2 million, RMB2,367.4 million, RMB3,307.6 million, RMB5,216.3 million and RMB5,379.1 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. Our accumulated losses as of these dates were attributable primarily to our losses incurred in the past. We also recorded net liabilities throughout the Track Record Period, attributable primarily to the warrants and/or redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. Upon completion of the [REDACTED], our redeemable convertible preferred shares will be redesignated from financial liabilities to equity such that our current net liabilities position would turn into a net assets position.

As we continue to ramp up our business presence and enhance our brand awareness and economies of scale, we expect to attract new and retain existing customers and increase customer lifetime value more cost-effectively, thereby driving sustainable profitability. Additionally, we have continued to expand and optimize our offerings and invest in cutting-edge technologies to make our HCM solutions more integrated, easy-to-use and affordable. We expect these efforts to effectively broaden our revenue sources and expand our customer base, paving way for our long-term profitability. The expansion of our offerings also enables us to achieve economies of scale and synergies through the sharing of technology and operational capabilities as well as cross selling opportunities across different offerings.

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

Taking into account (i) the outlook of China’s cloud-based HCM solutions market in which we operate, (ii) our detailed expansion plans aiming for the long-term growth as described above and in the section headed “Future Plans and Use of [REDACTED],” (iii) our proven historical business growth, and (iv) the fact that SaaS products like our cloud-based HCM solutions typically require upfront costs and



## SUMMARY

expenses in relation to customer acquisition and retention and product development to drive market acceptance, and such costs and expenses often exceed the profit generated from recurring revenue stream in the initial period, resulting in a loss-making position, our Directors believe that our Group has a sustainable business.

For further information, see “Business—Business Sustainability.”

### KEY FINANCIAL RATIOS

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

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021 (Unaudited)	2022
Total revenue growth (%) . . . . .	N/A	19.9	21.3	22.2	27.7	12.1
Cloud-based HCM solutions . . . . .	N/A	24.1	34.5	32.8	32.5	20.9
Professional services . . . . .	N/A	14.9	4.1	4.3	18.8	(5.6)
Gross margin (%) . . . . .	60.6	59.8	66.4	58.9	60.4	54.0
Cloud-based HCM solutions . . . . .	80.1	77.4	80.6	76.6	78.3	74.8
Professional services . . . . .	37.0	36.9	42.6	21.0	24.0	(0.1)
Adjusted net loss margin (non-IFRS Measure) (%) <sup>(1)</sup> . . . . .	(72.8)	(54.9)	(21.8)	(24.1)	(25.6)	(43.4)

*Note:*

(1) Calculated using adjusted net loss (non-IFRS measure) divided by revenues for a given period.

Our overall gross margin decreased from 66.4% for the fiscal year ended March 31, 2021 to 58.9% for the fiscal year ended March 31, 2022, and our gross margin for professional services decreased from 42.6% for the fiscal year ended March 31, 2021 to 21.0% for the fiscal year ended March 31, 2022, primarily because we hired a number of new operation and product support staff in the fiscal year ended March 31, 2022 to improve customer services and experience and support our continuous business growth, whose work efficiency temporarily might not reach an optimum level during the course of orientation and onboarding training. To a lesser extent, the narrowed gross margins were also because we were no longer able to benefit from the PRC government’s relief policies in response to the COVID-19 pandemic. The decrease in the gross margin for our professional services, particularly, was also attributable to the disposal of Beisen Shengya in September 2021. Beisen Shengya’s career planning services generally have a higher gross margin profile than the remaining professional services.

Our overall gross margin and gross margins for our cloud-based HCM solutions and professional services decreased for the six months ended September 30, 2022. In late 2021 and early 2022 when our business gradually recovered from the prior impact of the COVID-19 pandemic as it came under control in China, we increased investments in expanding our operation and product support teams to improve customer services and experience and support our continuous business growth. This resulted in incremental cost of revenues associated with employee benefits for these newly hired operation and product support staff, which was registered under both our cloud-based HCM solutions and professional services, as the case may be. However, our revenue did not grow as anticipated during the six months ended September 30, 2022 amid the unexpected waves of new COVID-19 outbreaks across China, which has led to the aforesaid decreases in gross margins. The decrease in gross margin for our cloud-based HCM solutions, to a lesser extent, was also due to the increased depreciation and amortization expenses associated with our servers, as well as fees and costs incurred in connection

## SUMMARY

with third-party services, such as server custody services and cloud computing services. The decrease in the gross margin for our professional services, particularly, was also attributable to the disposal of Beisen Shengya in September 2021. Beisen Shengya’s career planning services generally have a higher gross margin profile than the remaining professional services.

Gross margin for our cloud-based HCM solutions is typically higher than that for our professional services. This is because our HCM solutions are cloud-based, standard SaaS products that generate recurring subscription revenues with limited incremental costs. Gross margin for our professional services fluctuated during the Track Record Period primarily as a result of the movement in headcount for our operation and product support staff to meet our business needs at different times.

See “Financial Information—Period-to-Period Comparisons of Results of Operations” for a detailed period-over-period discussion of our overall gross margin and gross margin by offering type.

### KEY OPERATING DATA

The following table sets forth certain of our key operating metrics for the periods indicated. According to CIC, these operating metrics are commonly adopted in our industry, and the calculation methodology relating to these operating metrics is consistent with the industry norm.

	For the fiscal year ended/As of March 31,				For the trailing twelve months ended/As of September 30,	
	2019	2020	2021	2022	2021	2022
Total number of customers . . . . .	3,334	3,889	4,288	4,780	4,598	4,963
Total bookings (RMB in millions) <sup>(1)</sup> . . . . .	437.4	570.0	729.3	887.7	830.1	907.9
Subscription revenue retention rate (%) <sup>(2)</sup> . . . . .	102	105	113	117	119	113
ARR (RMB in millions) <sup>(3)</sup> . . . . .	262.2	328.3	444.6	581.8	532.7	618.9
ARR per customer (RMB) <sup>(4)</sup> . . . . .	78,655	84,410	103,675	121,716	115,850	124,697
ARR for customers who subscribe for more than one cloud-based HCM solution as a percentage of total ARR (%) <sup>(5)</sup> . . . . .	51.8	51.5	60.9	66.6	65.1	68.6
Percentage of customers who subscribe for more than one cloud-based HCM solution (%) <sup>(6)</sup> . . . . .	22.8	24.1	31.2	36.1	27.9	38.7
Average subscription per customer <sup>(7)</sup> . . . . .	1.3	1.3	1.5	1.6	1.4	1.7

*Notes:*

- (1) Total bookings measures the aggregate value of contracts signed during any particular period, including subscriptions to our cloud-based HCM solutions and purchases of our professional services, that occur during that period. With respect to a particular contract, total bookings are recorded when the contract is signed.
- (2) We use subscription revenue retention rate to measure growth in revenue generated from existing customers of our cloud-based HCM solutions over time. To calculate such metric for a current 12-month period, we first identify those customers who generated cloud-based HCM solution revenue in the prior 12-month period (the “Trailing Twelve Months”) and then identify those among them who generated cloud-based HCM solution revenue in the current 12-month period. We then calculate the subscription revenue retention rate by dividing the subscription revenue such customers generated in the current 12-month period, by our total subscription revenue in the Trailing Twelve Months. The subscription revenues used in calculating our subscription revenue retention rate are based on our internal management accounts.
- (3) ARR refers to an aggregate of the annualized value of the revenue from the subscription of our cloud-based HCM solutions by each customer as of any particular date. With respect to any particular subscription, ARR is recorded on the effective date of such subscription as provided in the subscription agreement.
- (4) ARR per customer equals the ARR divided by the total number of customers as of any particular date.
- (5) calculated by dividing ARR for customers who subscribe for more than one cloud-based HCM solution as of any particular date by total ARR as of the same date.
- (6) calculated by dividing the number of customers who subscribe for more than one cloud-based HCM solutions as of any particular date by the total number of customers as of the same date.
- (7) calculated by dividing the total number of subscriptions as of any particular date by the total number of customers as of the same date.

## **SUMMARY**

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During the fiscal year ended March 31, 2021, the increase of our total bookings has generally outpaced our revenue growth. Specifically, our revenues grew by 21.3% from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2021, whereas our total bookings increased by 27.9% year-over-year during the same periods. This was primarily because we disposed of Ruizheng HR Management in July 2020, which partially offset our revenue growth during the relevant periods. In contrast, the disposal of Ruizheng HR Management did not have any material impact on our historical total bookings growth, because Ruizheng HR Management did not engage in the provision of HCM solutions and therefore we do not take account of Ruizheng HR Management when calculating our total bookings during the Track Record Period. Ruizheng HR Management was primarily engaged in human resources consulting services. We recorded a 22.2% and 21.7% increase in our revenues and total bookings, respectively, from the fiscal year ended March 31, 2021 to the fiscal year ended March 31, 2022. Our revenue growth for the fiscal year ended March 31, 2022 was partially offset by our disposal of Beisen Shengya, which was primarily engaged in the provision of career planning services, in September 2021.

### **THE IMPACT OF AND OUR RESPONSE TO COVID-19**

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected the Chinese and global economy. In response to the COVID-19 pandemic, including the recent recurrence of the Omicron variant of COVID-19 around the end of 2021 in China and across the world, the PRC government has imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures to contain the spread of the virus. The COVID-19 pandemic has also caused temporary disruptions to our business operations when the COVID-19 pandemic peaked in China in February 2020. Despite such temporary disruptions caused by the COVID-19 pandemic, we had maintained strong revenue growth throughout the Track Record Period.

Since the outbreak, we had benefited from the PRC government’s relief policies in response to the COVID-19 pandemic, primarily the reduction in the amount of social insurance contributions. We were allowed to reduce approximately RMB4.8 million and RMB17.5 million of social insurance contributions for the fiscal years ended March 31, 2020 and 2021, respectively. We has ceased to be entitled to such benefit since January 1, 2021, and therefore no reduction was recorded in other periods during the Track Record Period.

Since the beginning of 2022, the Omicron variant of the COVID-19 virus has resurged in China, resulting in city-wide lockdowns in a number of Chinese cities, and also heightened epidemic prevention measures in general across China to curb the momentum of the outbreak. This caused disruptions to varying degrees to normal business activities in China, including our operations. To the extent the industries in which our existing and prospective customers operate were heavily impacted by the new outbreaks across China, the COVID-19 pandemic had resulted in a prolonged decision-making process of these customers with respect to subscriptions or renewal subscriptions to our solutions and services. During the citywide lockdowns in certain cities across China, certain of our marketing activities and customer services had been temporarily delayed to the extent that physical meetings with our customers or large-scale on-site services were otherwise required or preferred. China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were significant surges of COVID-19 cases in many cities in China during this time, which disrupted our and our customers’ operations due to an increased number of employees contracted with COVID-19. As a result, our total bookings were RMB254.8



## **SUMMARY**

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million in the fourth quarter of 2022, representing a 2% year-over-year decrease from RMB260.0 million during the same time in 2021. The growth of our ARR also slowed amid the COVID-19 pandemic, increasing slightly to RMB626.3 million as of December 31, 2022 from RMB618.9 million as of September 30, 2022. The worsened COVID-19 situations in the PRC (including the prolonged city-wide lockdown in major cities in which the Company operates), the significant surges of COVID-19 cases across China and the resulting disruptions to our and our customers’ operations have also led to decreases in our subscription revenue retention rate. Our subscription revenue retention rate decreased from 119% for the trailing twelve months ended September 30, 2021 to 113% for the trailing twelve months ended September 30, 2022, and decreased further to 109% for the trailing twelve months ended December 31, 2022.

Nevertheless, our Directors are of the view that the COVID-19 pandemic, and particularly the latest resurgence of Omicron variant in China, had not materially adversely affected our business, results of operations or financial condition as of the Latest Practicable Date, on the basis that (i) we achieved a revenue growth for the six months ended September 30, 2022 despite the impacts from the COVID-19 pandemic, (ii) our operating results remained stable in January 2023, as evidenced by a 6.7% increase in our total bookings as compared to January 2022, as well as our ARR as of January 31, 2023 remaining at a similar level as that as of December 31, 2022, and (iii) as of the Latest Practicable Date, our business operations had fully resumed as the pandemic situation continued to improve in China.

For more information on the impact of the COVID-19 outbreak on our business, see “Financial Information—The Impact of and Our Response to COVID-19” and “Risk Factors—Risks Related to Our Business and Industry—Our business operations have been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.”

### **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, 2022, being the latest period reported on in the Accountant’s Report, and there has been no event since September 30, 2022 that would materially affect the information shown in the Accountant’s Report set out in Appendix I.

### **DIVIDENDS**

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. 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.

## SUMMARY

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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.

### OUR SHAREHOLDING STRUCTURE AND OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As at the Latest Practicable Date and immediately prior to the [REDACTED], Mr. Wang controlled 28.15% of the aggregate voting power of our total issued and outstanding Shares, through (i) Zhaosen, which is controlled by Huisen Holding Limited, a limited company wholly owned by Sen Talent Holdings Limited, and in turn wholly owned by Ark Trust (Singapore) Ltd., the trustee for a trust established by Mr. Wang (as settlor and protector) for the benefit of Mr. Wang and his family, (ii) Ms. Zhou, being Mr. Wang’s spouse, (iii) Senyan, an employee shareholding platform incorporated in BVI and wholly owned by Xiasen Limited, which is controlled by Mr. Wang as its general partner, and (iv) the Offshore AIC Parties, being Mr. Wang, Mr. Ji, Zhaosen, Weisen and Senyan, all of which agreed, among other things, to vote at the Shareholders’ meetings in accordance with the instructions of Mr. Wang in relation to all matters put before the Shareholders or cause the Director appointed by the Offshore AIC Parties to vote pursuant to the opinion of Mr. Wang in relation to all matters put before the Board, pursuant to the Offshore Acting-in-concert Agreement. Weisen is controlled by Guosen Holding Limited, a limited company wholly owned by Sen Platform Holdings Limited, and in turn wholly owned by Ark Trust (Singapore) Ltd.. For details of the arrangements agreed among the Offshore AIC Parties, see “History, Reorganization and Corporate Structure—Acting in Concert Arrangements—Offshore Acting-in-concert Agreement”. Therefore, Mr. Wang, Mr. Ji, Zhaosen, Weisen, Senyan, Ms. Zhou, Huisen Holding Limited, Sen Talent Holdings Limited, Guosen Holding Limited, Sen Platform Holdings Limited, Ark Trust (Singapore) Ltd. and Xiasen Limited comprise our Single Largest Group of Shareholders before the [REDACTED].

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming that (a) the [REDACTED] is not exercised; (b) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan upon [REDACTED]; and (c) no other shares are issued pursuant to the [REDACTED] Share Option Plan), our Single Largest Group of Shareholders will continue to control approximately [26.72]% of the aggregate voting power of our total issued and outstanding Shares and will remain as our Single Largest Group of Shareholders upon [REDACTED]. For details of the shareholding of our Single Largest Group of Shareholders immediately prior to and following the completion of the [REDACTED], see “History, Reorganization and Corporate Structure”.

### OUR [REDACTED] INVESTORS

Since the establishment of our Group, we have entered into several rounds of financing agreements with the relevant [REDACTED] Investors. Our [REDACTED] Investors include experienced investors covering, among others, information technology, consumer discretionary and financials industries, who can share their experience on brand building and market expansion as well as their insight on business strategies workplace operations, along with professional institutional investors who can provide us with professional advice on our Group’s corporate governance, financial reporting and internal control. See “History, Restructuring and Corporate Structure—[REDACTED] Investments—Information about our major [REDACTED] Investors” for further details of the identity and background of the [REDACTED] Investors.

## SUMMARY

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[REDACTED]

### [REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED] expenses, such as [REDACTED] fees and [REDACTED], and (ii) [REDACTED] expenses, comprising professional fees paid to our legal advisors and Reporting Accountant for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], accounting for approximately of [REDACTED]% of our [REDACTED]. Among such estimated total [REDACTED] expenses, we expect to pay [REDACTED] expenses of HK\$[REDACTED], professional fees paid to our legal advisors and Reporting Accountant of HK\$[43] million and other fees and expenses of HK\$[30] million. An estimated amount of HK\$[REDACTED] for our [REDACTED] expenses, accounting for

## SUMMARY

approximately [REDACTED]% of our [REDACTED], is expected to be expensed through the statement of profit or loss and the remaining amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon [REDACTED]. We did not record any [REDACTED] expenses for the fiscal years ended March 31, 2019, 2020 and 2021. For the fiscal year ended March 31, 2022 and the six months ended September 30, 2022, we recorded [REDACTED] expenses (excluding [REDACTED] expenses) of RMB19.7 million and RMB6.4 million, respectively. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the fiscal year ending March 31, 2023.

### USE OF [REDACTED]

The table below sets forth the estimated net [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this Document) .....	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this Document) .....	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this Document) .....	HK\$[REDACTED]

We intend to use the net [REDACTED] we will receive from the [REDACTED] for the following purposes, assuming an [REDACTED] of HK\$[REDACTED] per Share:

- Approximately 35% or approximately HK\$100.0 million will be allocated over the next five years to further upgrade our integrated cloud-based HCM solutions.
- Approximately 30% or approximately HK\$85.7 million will be allocated over the next five years to continue to enhance our technology development capabilities.
- Approximately 15% or approximately HK\$42.9 million will be invested over the next five years to strengthen our sales and marketing efforts.
- Approximately 10% or approximately HK\$28.6 million will be allocated over the next five years to enhance our customer success and service capabilities.
- Approximately 10% or approximately HK\$28.6 million is expected to be used for working capital and other general corporate purposes.

If the [REDACTED] is exercised in full, and net [REDACTED] that we will receive will be approximately HK\$339.6 million, assuming an [REDACTED] of HK\$[REDACTED] per Share. In the event that the [REDACTED] is exercised in full, we intend to apply the additional net [REDACTED] to the above purpose in the proportions stated above on a pro rata basis.

To the extent that the net [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we will only place the net [REDACTED] as short-term deposits only at licensed banks or financial institutions, as defined under the PRC laws, located in the PRC. In such event, we will comply with the appropriate disclosure requirements under the [REDACTED] Rules.

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

## DEFINITIONS

*In this Document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms”.*

“Accountant’s Report”	The Accountant’s Report for our Group for the Track Record Period, as included 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 (會計及財務匯報局)
“Articles” or “Articles of Association”	the [sixth] amended and restated articles of association of the Company] adopted by [a special resolution of the shareholders of the Company on [●] and effective from [REDACTED]], as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this Document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Black Mirror”	Beijing Black Mirror Co., Ltd (北京黑鏡科技有限公司), a limited liability company established under the laws of the PRC on May 10, 2018, of which our Company holds approximately 10.2% equity interests as of the Latest Practical Date
“Beijing WFOE”	Beijing Beisen Cloud Technology Co., Ltd. (北京北森雲科技有限公司), a limited liability company established under the laws of the PRC on May 30, 2018 and a wholly-owned subsidiary of our Company
“Beisen Asset”	Beijing Beisen Asset Management Co., Ltd. (北京北森資產管理有限公司), a limited liability company established in the PRC on August 26, 2015, which is owned as to 50% by Mr. Wang and 50% Mr. Ji and acts as the general partner of both Beisen Zongheng and Beisen Investment
“Beisen HK”	Beisen Holding HK Limited, a limited company incorporated in Hong Kong on April 10, 2018 and a wholly-owned subsidiary of our Company
“Beisen Investment”	Beijing Beisen Investment Management Center (Limited Partnership) (北京北森投資管理中心 (有限合夥)), a Registered Shareholder and a limited partnership established in the PRC on April 17, 2015, of which (i) Beisen Asset is the general partner, (ii) Mr. Wang and

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## DEFINITIONS

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	Mr. Ji are the limited partners holding approximately 98.33% and 1.36% partnership interests respectively, and (iii) Mr. Wang and Mr. Ji are its ultimate beneficial owners
“Beisen Shengya”	Beisen Shengya (Beijing) Education Technology Co., Ltd. (北森生涯(北京)教育科技有限公司), a limited liability company established under the laws of the PRC on April 23, 2009, which ceased to be our wholly-owned subsidiary after the relevant share transfer completed on September 6, 2021, as detailed in “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Beisen Shengya”
“Beisen Zongheng”	Beijing Beisen Zongheng Investment Management Center (Limited Partnership) (北京北森縱橫投資管理中心(有限合夥)), a Registered Shareholder and a limited partnership established in the PRC on October 10, 2013, of which (i) Beisen Asset is the general partner, (ii) Mr. Wang and Mr. Ji are the limited partners holding approximately 64.07% and 35.92% partnership interests respectively, and (iii) Mr. Wang and Mr. Ji are its ultimate beneficial owners
“Board”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong or other relevant jurisdictions are generally open for normal banking business
“BVI”	the British Virgin Islands
	<b>[REDACTED]</b>
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant

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## DEFINITIONS

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
	<b>[REDACTED]</b>
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chengdu WFOE”	Beisen Cloud Computing Co., Ltd. (北森雲計算有限公司), a limited liability company established under the laws of the PRC on January 3, 2019 and a wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Co-founder(s)”	individually and collectively, Mr. Wang and Mr. Ji
“Companies Ordinance”	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”	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



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## DEFINITIONS

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“Company”, “our Company”, or “the Company”	Beisen Holding Limited, a company with limited liability incorporated in the Cayman Islands on April 6, 2018
“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”	entity we control wholly through the Contractual Arrangements, namely Onshore Holdco, as detailed in the section headed “Contractual Arrangements”
“Contractual Arrangement(s)”	the series of contractual arrangements entered into among Beijing WFOE, Onshore Holdco, the Co-founders, and/ or the Registered Shareholders (as applicable), as detailed in the section headed “Contractual Arrangements”
“core connected person(s) ”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of our Company
“Employee Incentive Plan(s)”	individually or collectively, the [REDACTED] Share Option Plan and the RSU Plan
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Employee Shareholding Platform(s)”	Chunsen Holding Limited and Qiusen Holding Limited, each a limited liability companies incorporated under the laws of the BVI
	[REDACTED]
“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

[REDACTED]



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## DEFINITIONS

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“Group”, “our Group”, “the Group”, “we”, “us”, “our”, or “Beisen”	the Company, its 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
“Hangzhou Beisen”	Hangzhou Beisen Ceping Technology Co., Ltd. (杭州北森測評技術有限公司), a limited liability company established under the laws of the PRC on July 16, 2014 and which has already been deregistered in December 8, 2021, as detailed in the section headed “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Hangzhou Beisen”
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “Hong Kong SAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
	<b>[REDACTED]</b>
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

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[REDACTED]

“IFRS”

International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

“Independent Third Party(ies)”

a person or entity which, to the best of our Directors’ knowledge, information, and belief having made all reasonable enquiries, is not a connected person of our Group within the meaning of the Listing Rules

[REDACTED]

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## DEFINITIONS

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**[REDACTED]**

“Latest Practicable Date”	[March 17], 2023, being the latest practicable date for ascertaining certain information in this document before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
	<b>[REDACTED]</b>
“Listing Committee”	the Listing Committee of the Stock Exchange
	<b>[REDACTED]</b>
“Listing Rules” or “Hong Kong 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 operates in parallel with the GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the [sixth] amended and restated memorandum of association of the Company adopted by [a special resolution of the shareholders of the Company on [●], 2023 and effective from [REDACTED]], as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this Document
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)

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## DEFINITIONS

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“Mr. He”	Mr. He Jiabo (賀佳波), a connected person of our Company, who served as the executive Director and the president of our Company and as a director, chief operating officer and president of the Onshore Holdco, and resigned from such positions with effect from November 30, 2022
“Mr. Ji”	Mr. Ji Weiguo (紀偉國), the Co-founder, executive Director and chief executive officer of our Company
“Ms. Liu”	Ms. Liu Xianna (劉憲娜), the executive Director and chief financial officer of our Company
“Mr. Wang”	Mr. Wang Zhaohui (王朝暉), the Co-founder, chairman of the Board and executive Director of our Company
“Mr. Zhang”	Mr. Zhang Qinghua (張慶化), a former director and former chief technology officer of our Onshore Holdco
“Ms. Zhou”	Ms. Zhou Dan (周丹), an employee of our Company and spouse of Mr. Wang and a connected person of our Company
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	the National Equities Exchange and Quotations, a national securities trading market in the PRC for trading the shares of public companies that are not listed on either the Shenzhen or Shanghai stock exchange
“Nomination Committee”	the nomination committee of the Board

[REDACTED]

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## DEFINITIONS

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“Offshore AIC Parties”	Mr. Wang, Mr. Ji, Zhaosen, Weisen and Senyan
“Onshore Holdco”	Beijing Beisen Cloud Computing Co., Ltd. (北京北森雲計算股份有限公司), a company established under the laws of the PRC on May 17, 2005 and the Consolidated Affiliated Entity of our Company
	<b>[REDACTED]</b>
“PBOC”	the People’s Bank of China
“PRC Legal Advisor”	Han Kun Law Offices, our legal advisor on PRC law
“ <b>[REDACTED]</b> Investment(s)”	the investment(s) in our Company undertaken by the <b>[REDACTED]</b> Investors prior to the <b>[REDACTED]</b> , as detailed in the section headed “History, Reorganization and Corporate Structure— <b>[REDACTED]</b> Investments”
“ <b>[REDACTED]</b> Investor(s)”	the investors set out in the section headed “History, Reorganization and Corporate Structure— <b>[REDACTED]</b> Investments”
“ <b>[REDACTED]</b> Share Option Plan”	the <b>[REDACTED]</b> share option plan of our Company adopted by the Board on July 15, 2019, and amended on April 23, 2020, September 26, 2021 and December 31, 2021, the principal terms of which are set out in the section headed Appendix IV “Statutory and General Information—D. <b>[REDACTED]</b> Share Option Plan”
“Preferred Shares”	the Series A Preferred Shares, the Series B Preferred Shares, the Series B-1 Preferred Shares, the Series C Preferred Shares, the Series D Preferred Shares, the Series E Preferred Shares and the Series F Preferred Shares details of which are described in the section headed “History, Reorganization and Corporate Structure— <b>[REDACTED]</b> Investments”

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## DEFINITIONS

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**[REDACTED]**

“Document”	this Document being issued in connection with the <b>[REDACTED]</b>
“Qingdao Beisen”	Qingdao Beisen Cloud Computing Co., Ltd. (青島北森雲計算有限公司), a limited liability company established under the laws of the PRC on March 28, 2016 which has already been deregistered in December 23, 2021, as detailed in the section headed “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Qingdao Beisen”
“Qualified <b>[REDACTED]</b> ”	A <b>[REDACTED]</b> of Shares with valuation thresholds as stipulated by the Company’s agreement with its <b>[REDACTED]</b> investors (as amended from time to time or otherwise waived). The threshold applicable to the <b>[REDACTED]</b> is an <b>[REDACTED]</b> with implied pre-money valuation of US\$ <b>[REDACTED]</b>
“Registered Shareholders”	the registered shareholders of Onshore Holdco, namely Mr. Wang, Mr. Ji, Beijing Beisen Zongheng Investment Management Center (Limited Partnership) (北京北森縱橫投資管理中心(有限合夥)), Beijing Beisen Investment Management Center (Limited Partnership) (北京北森投資管理中心(有限合夥)), and Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), as detailed in the section headed “Contractual Arrangements”
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undertaken by our Group in preparation for the <b>[REDACTED]</b> , as detailed in the section headed “History, Reorganization and Corporate Structure—Reorganization”

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## DEFINITIONS

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“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“RSU(s)”	restricted share unit award(s) to be granted to participants under the RSU Plan
“RSU Plan”	the restricted share unit plan of our Company adopted by the Board on December 31, 2021, and subsequently amended by the Board on March [*], 2023, the principal terms of which are set out in the section headed Appendix IV “Statutory and General Information—E. RSU Plan”
“Ruizheng HR Management”	Beijing Ruizheng Human Resources Management & Consulting Co., Ltd. (北京睿正人才管理諮詢有限公司), a limited liability company established under the laws of the PRC on October 12, 2009, which ceased to be our wholly-owned subsidiary after the relevant share transfer completed on July 20, 2020, as detailed in the section headed “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Ruizheng HR Management”
“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)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	State Administration of Taxation (國家稅務總局)
“SCNPC”	Standing Committee of National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“SEC”	the U.S. Securities and Exchange Commission
“Sendou Shanghai”	Sendou Shanghai Technology Co., Ltd. (森豆(上海)科技有限公司), a limited liability company established under the laws of the PRC on July 10, 2019 and a wholly-owned subsidiary of our Company
“Senyan”	Senyan International L.P., a limited partnership incorporated under the laws of the BVI on July 16, 2019 with Xiasen Limited, which is wholly owned by Mr. Wang, acting as its general partner and controlling all of its voting



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## DEFINITIONS

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	rights, our employee shareholding platform, one of the Offshore AIC Parties and one of our Single Largest Group of Shareholders
“Sen Yun Technology”	Sen Yun (Tianjin) Technology Co., Ltd. (森雲 (天津) 科技有限公司), a limited liability company established under the laws of the PRC on May 25, 2017, which ceased to be our wholly-owned subsidiary after the relevant share transfer completed on July 19, 2018, as detailed in the section headed “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Sen Yun Technology”
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital our Company, with a nominal value of US\$0.0001 each prior to the <b>[REDACTED]</b> or US\$ <b>[REDACTED]</b> each upon the completion of the <b>[REDACTED]</b>  <b>[REDACTED]</b>
“Shareholder(s)”	holder(s) of our Share(s)
“Single Largest Group of Shareholders”	the single largest group of Shareholders which comprise Mr. Wang, Mr. Ji, Zhaosen, Weisen, Senyan, Ms. Zhou, Huisen Holding Limited, Guosen Holding Limited, Sen Talent Holdings Limited, Sen Platform Holdings Limited, Ark Trust (Singapore) Ltd. and Xiasen Limited  <b>[REDACTED]</b>
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules

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## DEFINITIONS

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“Track Record Period”	the four fiscal years ended March 31, 2022 and the six months ended September 30, 2022
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
	<b>[REDACTED]</b>
“United States”, “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“Weisen”	Weisen Holding Limited, one of our Single Largest Group of Shareholders, which is a company incorporated in the BVI on July 9, 2021 and indirectly controlled by Mr. Ji through his family trust where Mr. Wang served as the sole director
“WFOE(s)”	individually or collectively, Beijing WFOE and Chengdu WFOE
	<b>[REDACTED]</b>
“Zhaosen”	Zhaosen Holding Limited, one of our Single Largest Group of Shareholders, which is a company incorporated in the BVI on July 9, 2021 and indirectly controlled by Mr. Wang through his family trust where Mr. Wang served as the sole director
“%”	per cent

*In this Document:*

- *Unless otherwise expressly stated or the context otherwise requires, all data in this Document is as of the date of this Document.*
- *Unless otherwise specified, all references to any shareholdings in our Company assume that the [REDACTED] has not been exercised.*
- *The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this Document are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

## GLOSSARY OF TECHNICAL TERMS

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“AI”	artificial intelligence
“app” or “application”	application software designed to run on smartphones and other mobile devices
“architecture”	the structure under which an information system’s hardware, software, data and communication capabilities are put together
“ARR” or “annual recurring revenue”	We define ARR as the annualized revenue run-rate of effective subscriptions of our cloud-based HCM solutions at a point in time. We calculate ARR by taking the monthly recurring revenue, or MRR, as of the last day of a particular month and multiplying it by 12. MRR is defined as the total contract value of effective subscriptions of our cloud-based HCM solutions, divided by the number of months within the duration of such subscriptions. Effective date of such subscriptions is provided in the relevant subscription agreements
“business intelligence” or “BI”	a set of technologies that transform raw data into meaningful and useful information for business purposes
“cloud-based”	applications, services or resources made available to users on demand via the internet from a cloud computing provider’s servers with access to shared pools of configurable resources
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“data analytics”	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
“employee lifecycle”	the period encompasses various stages in the career of an employee, beginning with recruitment and concluding with resignation, termination or retirement
“Generation Z”	the demographic cohort born between late 1990s and early 2010s
“HCM”	human capital management
“MBO”	management by objectives, a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees

## GLOSSARY OF TECHNICAL TERMS

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“OKR”	objectives and key results, a goal setting model used by individuals, teams, and organizations to define measurable goals and track their outcomes
“on premise software”	software installed and operated from organizations’ in-house server and computing infrastructure
“PaaS”	platform as a service, a category of cloud computing that provides a platform and environment to allow developers to build applications over the internet
“SaaS”	software as a service, a cloud-based software licensing and delivery model on a subscription basis with centrally hosted associated data
“subscription revenue retention rate”	We use subscription revenue retention rate to measure growth in revenue generated from existing customers of our cloud-based HCM solutions over time. To calculate such metric for a given current 12-month period, we first identify those customers who generated cloud-based HCM solution revenue in the prior 12-month period (the “Trailing Twelve Months”) and then identify those among them who generated cloud-based HCM solution revenue in the current 12-month period. We then calculate the subscription revenue retention rate by dividing the subscription revenue such customers generated in the current 12-month period, by our total subscription revenue in the Trailing Twelve Months. The subscription revenues used in calculating our subscription revenue retention rate are based on our internal management accounts
“total bookings”	measures the aggregate value of contracts signed during a given period, including subscriptions to our cloud-based HCM solutions and purchases of our professional services. With respect to a particular contract, total bookings are recorded when the contract is signed.
“use case”	a specific business scenario in which a product or service could potentially be used

## FORWARD-LOOKING STATEMENTS

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We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Document contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would,” “vision,” “aspire,” “target,” “schedules,” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- (1) our operations and business prospects;
- (2) our ability to maintain relationship with, and the actions and developments affecting, our major customers, suppliers and subcontractors;
- (3) future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- (4) general economic, political and business conditions in the markets in which we operate;
- (5) changes to the regulatory environment in the industries and markets in which we operate;
- (6) the effects of the on-going COVID-19 crisis;
- (7) our ability to maintain the market leading positions;
- (8) the actions and developments of our competitors;
- (9) our ability to effectively contain costs and optimize pricing;
- (10) the ability of third parties to perform in accordance with contractual terms and specifications;
- (11) our ability to retain senior management and key personnel and recruit qualified staff;
- (12) our business strategies and plans to achieve these strategies, including our service and geographic expansion plans;
- (13) our ability to defend our intellectual rights and protect confidentiality;
- (14) the effectiveness of our quality control systems;
- (15) change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- (16) capital market developments.

## **FORWARD-LOOKING STATEMENTS**

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By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this Document.

In this Document, statements of or references to our intentions or those of our Directors are made as of the date of this Document. Any such information may change in light of future developments.

## RISK FACTORS

*An investment 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 investment 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, financial condition, and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.*

*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 RELATING TO OUR BUSINESS AND INDUSTRY

**The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition and results of operations could be adversely affected.**

China’s HCM market is highly competitive. Our primary competitors include cloud-based HCM solutions providers, enterprise software providers and potential new market entrants both in China and around the world. Some customers may be hesitant to switch vendors or to adopt cloud-based HCM solutions such as ours and may prefer to maintain their existing relationships with our competitors. Some of our competitors, such as certain global cloud-based HCM solutions providers or local enterprise software providers, are larger in size and have greater brand recognition, longer operating histories, and greater resources than we do. In addition, legacy vendors may also expand their offerings of cloud-based HCM solutions through acquisitions, strategic alliances, and organic development. We may also face competition from a variety of cloud-based and on premise software providers that address only one or a portion of our offerings. Also, other companies that provide cloud-based HCM solutions in different target markets may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal software solutions. With the introduction of new technologies and market entrants, we expect this competition to intensify in the future.

Some of our competitors are able to devote greater resources to the development, promotion and sale of their HCM solutions and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and ability to initiate or withstand substantial price competition. In addition, some of our competitors have established marketing relationships and access to larger customer base. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors’ products, services or technologies become more accepted than ours, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, some of our competitors may offer their products and services at a more competitive price. If we are unable to achieve our target pricing levels, our operating results would be negatively affected. Pricing pressure and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business, financial condition and results of operations.



## RISK FACTORS

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**Our success depends on growth in market acceptance of cloud-based HCM solutions, and our solutions and services in particular.**

We provide our solutions and services through our cloud-based platform. Our success will depend to a substantial extent on the widespread adoption of cloud computing in general, and of cloud-based HCM solutions and services in particular. Many organizations have invested substantial human and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based HCM solutions and services. It is difficult to predict customer adoption rates and demand for our solutions and services, the future growth rate and size of China’s HCM market or the entry of competitive services. The expansion of the market depends on a number of factors, including the cost, performance, perceived value associated with cloud computing, as well as the ability of service providers to address security and privacy concerns. If other major service providers experience security incidents, loss of customer data, disruptions in delivery or other problems, China’s HCM market as a whole, including our solutions and services, may be negatively affected. If cloud-based HCM solutions and services do not achieve widespread adoption, or there is a reduction in demand for such solutions and services caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, our business, prospect, financial conditions and results of operations could be materially and adversely affected.

In addition, many organizations have invested substantial personnel, infrastructure and financial resources in their own internal HCM systems and therefore may be reluctant to switch to our solutions and services. Companies may not engage us for other reasons, including a desire to maintain control over all aspects of their HCM activities, a belief that they manage their HCM activities more effectively using their internal systems or our competitors’ HCM solutions and services, perceptions about the expenses associated with our solutions and services, perceptions about whether our solutions and services comply with laws and regulations applicable to them or their businesses, or other considerations that may not always be evident. Additional concerns or considerations may also emerge in the future. We must address our potential customers’ concerns and explain the benefits of our approach in order to convince them to change the way that they manage their HCM activities, particularly in markets and industry categories where our Company and our solutions and services are less well-known. If we are not successful in addressing potential customers’ concerns and convincing companies that our services can fulfill their HCM needs, the market for our services may not develop as we anticipate and our business may not grow.

**If we are not able to upgrade, enhance and expand our technology and solutions or provide successful enhancements, new features and applications, our business could be adversely affected.**

Our businesses operate in industries that are subject to rapid technological advances and changing customer needs and preferences. In order to remain competitive and responsive to customer demands, we continually upgrade, enhance, and expand our existing solutions and services. If we fail to respond successfully to technology challenges and customer needs and preferences, the demand for our solutions and services may diminish. We will also need to enhance and create new features and functionalities of our solutions to enhance its utility to our customers and adapt to the changing customer preferences, in order to maintain existing customers and attract new customers. If we are unable to provide enhancements and new features for our existing or new solutions and services that achieve market acceptance or that keep pace with rapid technological developments, our business could be materially and adversely affected. The success of enhancements and new features depends on several factors, including the timely completion, introduction and market acceptance of such

## RISK FACTORS

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enhancements or new features. Failure to do so may significantly impair our revenue growth. In addition, because our cloud-based platform is designed to integrate with and connect to a variety of systems developed by our customers and their technology and HCM service providers, we will need to continuously modify and enhance our solutions and services to keep pace with changes in internet-related hardware and software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development expenses. Any failure of our solutions and services to operate effectively with future network platforms and technologies could reduce the demand for our solutions and services, result in customer dissatisfaction and materially and adversely affect our business.

**Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future. Our growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.**

We have since our inception experienced rapid growth. Our revenues increased from RMB382.3 million for the fiscal year ended March 31, 2019 to RMB458.5 million for the fiscal year ended March 31, 2020 and RMB556.3 million for the fiscal year ended March 31, 2021, and further to RMB679.6 million for the fiscal year ended March 31, 2022, and from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022. However, you should not rely on the revenue growth of any prior period as an indication of our future performance. We cannot assure you that we will be able to manage our growth at the same rate as we did in the past, or avoid any decline in the future. To maintain our growth, we need to expand our product and service offerings, broaden our customer base and strengthen our technology capabilities, among others. Moreover, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage the expected growth of our operations and personnel, we will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers in a cost-effective manner, respond timely to competitive challenges, or otherwise execute our business strategies. Our growth requires significant financial resources and will continue to place significant demands on our management. There is no guarantee that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. If we fail to effectively manage the growth of our business and operations, our reputation, results of operations and overall business and prospects could be negatively impacted.

**We have a history of net losses, and we may not be able to achieve profitability in the future.**

We have incurred net losses of RMB690.2 million, RMB1,266.8 million, RMB940.1 million, RMB1,908.8 million and RMB162.8 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, and could continue to incur net losses in the future. We intend to continue to invest in expanding our offerings, enhancing our sales and marketing efforts, expanding into new industry categories and geographical markets and upgrading our technology. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenues enough to offset our higher operating expenses. If we are unable to achieve and sustain profitability, the value of our business and shares may significantly decrease. Furthermore, it is

## RISK FACTORS

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difficult to predict the size and growth rate of our market, customer demands for our solutions and services, renewal rate for our solutions and services or the success of existing solutions and services. As a result, we may not achieve or maintain profitability in future periods. If we fail to grow our revenues sufficiently to keep pace with our investments and other expenses, our business would be harmed.

**If our security measures are breached or unauthorized access to customer data is otherwise obtained, our solutions and services may be perceived as not being secure, customers may reduce the use of or stop using our solutions and services, and we may incur significant liabilities.**

Our solutions and services involve the storage, processing and transmission of our customers’ sensitive and proprietary information, including personal or identifying information regarding their employees and other sensitive business information. As a result, unauthorized access or use of these data could expose us to regulatory actions, litigation, investigations, remediation obligations, damage to our reputation and brand, supplemental disclosure obligations, loss of customer and partner confidence in the security of our solutions and services, destruction of information, indemnity obligations, and resulting fees, costs, expenses, loss of revenues, and other potential liabilities. We devote significant financial and personnel resources to implementing and maintaining security measures. If these measures are compromised as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance, or otherwise, and someone obtains unauthorized access to or use of our customers’ data, our reputation could be damaged, our business may suffer, and we could incur significant liabilities as well as incur significant costs to remediate any incidents.

Cybersecurity challenges, including threats to our own IT infrastructure or those of our customers or third-party providers, are often targeted at companies such as ours and may take a variety of forms ranging from individual and groups of hackers to sophisticated organizations, including state-sponsored actors. Key cybersecurity risks range from viruses, worms, and other malicious software programs to “mega breaches” targeted against cloud services and other hosted software, any of which can result in unauthorized disclosure of confidential information and intellectual property and compromised data. As the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, if a high-profile security breach occurs with respect to an industry peer, our customers and potential customers may generally lose trust in the security of cloud-based HCM solutions providers, or in cloud applications for enterprises in general. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate or not renew their subscriptions, result in reputational damage, cause us to pay remediation costs and/or issue service credits or refunds to customers for prepaid and unused subscription services, require us to compensate our customers for certain losses, or result in lawsuits, regulatory fines, or other action or liabilities, which could materially and adversely affect our business, financial condition and results of operations. See “Regulation—Regulations on Internet Information Security and Privacy Protection.”

**Because we recognize subscription revenues over the term of the contract, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.**

We generally recognize subscription revenues from customers over the terms of their contracts, which are typically one year. As a result, most of the subscription revenues we report is derived from

## RISK FACTORS

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the recognition of contract liabilities relating to subscriptions entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any period will likely have only a small impact on our revenue results for that period. However, such a decline will negatively affect our revenues in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our solutions and services, and potential changes in our pricing policies or rate of renewals, may not be fully reflected in our results of operations until future periods. We may be unable to adjust our cost structure to reflect the changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as revenues from new customers must be recognized over the applicable subscription term.

**Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.**

Our business requires us to collect, store and process confidential information, including personally identifiable information, with respect to our customers and their employees. The PRC government has in recent years tightened the regulation of the collection, storage, sharing, use, disclosure and protection of personal data and information.

The PRC Cybersecurity Law, which became effective in June 2017, created China’s first national-level data protection framework for “network operators,” which may potentially include all organizations in China that provide services over the internet or through other types of information network. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law. Any actual or perceived non-compliance with the relevant cybersecurity laws and regulations, may result in administrative penalties, including fines, a shut-down of our business, suspension of our solutions and services and revocation of requisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effects on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law. See “Regulations—Regulations on Internet Information Security and Privacy Protection.”

Furthermore, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law (the “**July 2021 Opinions**”), which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information

## RISK FACTORS

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provision mechanisms and procedures. However, these opinions were newly issued, and there were no further explanations with respect to such opinions, and there are still uncertainties regarding the interpretation and implementation of these opinions.

On August 20, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Personal Information Protection Law, or the PIPL, which came into effect in November 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process sensitive personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual’s rights and interests. We may store and process sensitive personal information of customers’ employees, such as ID number, bank account, contact information, education background and work experience, that our customers collect when they use our solutions and services for recruiting, organizing, evaluating and developing workforce. As uncertainties remain regarding the interpretation and implementation of the PIPL, we cannot assure you that we will comply with the PIPL in all respects and regulatory authorities may order us to rectify or terminate our current practice of collecting and processing sensitive personal information. We may also become subject to fines and/or other penalties which may have material adverse effect on our business, operations and financial condition.

On November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例 (徵求意見稿)》 (“**Draft Data Security Regulations**”), which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our PRC Legal Advisor advises that the Draft Data Security Regulations are applicable to the data processing activities of certain of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form. The Draft Data Security Regulations stipulates that a data processor contemplating to list its securities on a stock exchange in Hong Kong which affects or may affect national security is required to apply for a cybersecurity review pursuant to relevant rules and regulations. However, the Draft Data Security Regulations does not provide the standard to determine under which specific circumstances such listings would “affect or may affect national security.” As of the Latest Practicable Date, the Draft Data Security Regulations was released for public comment only and its final version and effective date may be subject to change and uncertainty.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Cybersecurity Review Measures (網絡安全審查辦法), or the Review Measures, which became effective on February 15, 2022. The Review Measures has replaced its previous version promulgated on April 13, 2020. See “Regulations—Regulations on Internet Information Security and Privacy Protection.” On March 6, 2023, our PRC Legal Advisor and the Sponsor’s PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (the “**CCRC**”), which is delegated by the CAC to accept applications for cybersecurity review, the staff of which confirmed that the term “listing abroad (赴國外上市)” under Article 7 of the Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante application of cybersecurity review and the Company does not need to apply for the cybersecurity review according to Article 7 of the Review Measures. Our PRC Legal Advisor is of the view that the CCRC is the



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competent authority for such consultation, and the staff who responded our inquires during such consultation is the duly designated person in the CCRC to handle public inquiries. As such and based on the consultation with the CCRC, our PRC Legal Advisor is of the view that, we do not need to initiate the application for cybersecurity review pursuant to Article 7 of the Review Measures. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator, neither had we been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in such respect.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China. As uncertainties remain regarding to what extent we would be subject to such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. We have notified the relevant CAC branch regarding our proposed [REDACTED] on the Stock Exchange and have not received any inquiry, notice, warning, or sanctions regarding cybersecurity review or the [REDACTED] plan. If the Draft Data Security Regulations was to be implemented in its current form, based on the foregoing and the analysis of provisions of the Review Measures and the Draft Data Security Regulations by our PRC Legal Advisor, the Directors and our PRC Legal Advisor do not foresee any material impediments for us to comply with the Review Measures and the Draft Data Security Regulations in all material aspects, given that we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice as detailed in “Business—Data Privacy and Security.”

These and other similar legal and regulatory developments could lead to legal and economic uncertainty, affect how we design, market and sell our solutions and services, how we operate our business, and how we process and use data, which could negatively impact demand for our solutions and services. We may incur substantial costs to comply with such laws and regulations, to meet our customers’ demands relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations regarding cybersecurity, information security, privacy and data protection with various standards and applications. We may from time to time be required to rectify or further improve our measures regarding cybersecurity, information security, privacy and data protection. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in

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negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage our current and potential customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations. While currently we are focused on enhancing our market presence within China, to the extent we expand our business to any overseas market, we may become subject to additional or new laws and regulations regarding cybersecurity, information security, privacy and data protection in foreign jurisdictions, which may result in additional expenses to us and subject us to potential liability and negative publicity. We expect that these areas will receive greater attention and focus from regulators, and attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges regarding cybersecurity, information security, privacy and data protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

**Certain customers may demand more configuration and integration services or customized features or functions when using our cloud-based HCM solutions and services, which could materially and adversely affect our business, financial condition and results of operations.**

Certain customers, particularly large multi-national organizations, may demand more configuration and integration services or customized features and functions, support services, pricing concessions and additional security management or controls. Such demand could significantly increase our upfront investment in sales and system and infrastructure integration efforts, with no guarantee that these customers will increase the scope of their subscription. As a result of these factors, we must devote a significant amount of sales support and professional service resources to these customers individually, increasing the cost and time required to complete sales and implement integration of systems, databases and processes. If prospective customers require customized features or functions that we do not offer, the market for our solutions and services will be limited and our business could suffer.

**Our business could be adversely affected if our customers and their employees are not satisfied with the services provided by us.**

Our business depends on our ability to satisfy our customers, both with respect to our product offerings and the professional services that are performed to help our customers use features and functions that address their evolving HCM needs. If a customer or any of its employees is not satisfied with the quality of work performed by us or with the type of professional services delivered, then we could incur additional costs to address the situation, thereby affecting our profitability, and the customer’s and its employee’s dissatisfaction with our solutions and services could damage our ability to expand the number of services subscribed to by that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

**If our solutions and services fail to perform properly, our reputation could be adversely affected, our market share could decline and we may fail to honor our obligations in respect of our contract liabilities and therefore be subject to liability claims.**

Our customers use our solutions and services for important aspects of their businesses, and any errors, defects or disruptions to our solutions and services and any other performance problems with



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our solutions and services could damage our customers’ businesses and, in turn, hurt our brand and reputation. We provide regular updates to our solutions and services, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures, bugs or security vulnerabilities in our products could result in:

- loss or delayed market acceptance and product sales;
- sales credits or refunds for prepaid amounts related to unused subscription services;
- loss of customers;
- contractual disputes and legal proceedings;
- diversion of development and customer service resources; and
- damages to our reputation.

In addition, we cannot ensure the accuracy or completeness of the data provided by our customers and their employees, which are necessary for us to timely and effectively provide our solutions and services. In the event that such data are inaccurate, incomplete, misleading or fraudulent, the integrity and effectiveness of our solutions and services, and consequently, our reputation may be materially and adversely affected.

**The costs incurred in correcting any material defects or errors might be substantial and could materially and adversely affect our business, financial condition and results of operations.**

Because of the large amount of data that we collect and manage, it is possible that failures or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Furthermore, the availability or performance of our platform and services could be adversely affected by a number of factors, including customers’ inability to access the internet, the failure of our network or software systems, security breaches or variability in user traffic for our solutions and services. We may be required to refund customers’ prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from certain of these events. For example, our customers access our solutions and services through their internet service providers. If a service provider fails to provide sufficient capacity to support our solutions and services or otherwise experiences service outages, such failure could interrupt our customers’ access to our solutions, adversely affect their perception of our solutions and services’ reliability and reduce our revenues. In addition to potential liability, if we experience interruptions in the availability of our solutions and services, our reputation could be adversely affected and we could lose customers. In addition, if we fail to provide the prescribed solutions and services to our customers in time or at all due to such material errors, defects and security issues, we may not be able to fulfill our obligations in respect of our contract liabilities, which totaled RMB210.7 million, RMB286.0 million, RMB381.1 million, RMB420.7 million and RMB409.2 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. To the extent we are unable to fulfill our obligations in respect of our contract liabilities, our reputation, business, financial position and growth prospects may be adversely affected.

## RISK FACTORS

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**We may fail to optimize the prices for our solutions and services or the renewal terms of our subscription agreements, or the impact of changes in pricing or customer renewal rates will have on our revenues or operating results.**

We have limited experience with respect to determining the optimal prices for our solutions and services. As the markets for our solutions and services evolve or as new 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 used historically. Moreover, certain customers, such as large and global organizations, may demand greater price discounts. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenues, gross margin, profitability, financial position and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our solutions and services after the expiration of the initial subscription period. Our customers may renew for fewer elements of our solutions and services or on different pricing terms. We may not accurately predict customer renewal rates. Our customers’ renewal rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our solutions and services and their ability to continue their operations and spending levels. If our customers do not renew their subscriptions for our solutions and services on similar pricing terms, our revenues may decline and our business could suffer. In addition, over time the average term of our contracts could change based on renewal rates or for other reasons.

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

Since late 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

To varying degrees, our business operations have been affected by the COVID-19 pandemic. For example, we experienced temporary declines in subscriptions to certain of our cloud-based HCM solutions, such as Recruitment Cloud and Assessment Cloud, primarily because enterprises in China reined in hiring amid the uncertainty caused by the COVID-19 pandemic, and many on-site recruiting events, such as on-campus recruiting, were canceled due to lockdown and gathering restrictions temporarily imposed in certain cities in China. In addition, the provision of certain on-site implementation services for a limited number of projects had been delayed due to lock-down restrictions and closure of workplaces.

We cannot assure you that our efforts to mitigate the impact of the COVID-19 pandemic on our business operations will always be effective or at all. Furthermore, we may in the future experience additional disruptions caused by the COVID-19 pandemic that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- global economic recessions due to reduced level of economic activities and lockdown restrictions, which in turn resulted in reductions in sales of our solutions and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition;
- inefficiencies, delays and additional costs in our product development, sales and marketing and customer service efforts;

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- service interruptions or impaired system performance due to failures of or delays in our systems or resources in light of increasing usage of our cloud-based HCM solutions;
- delays or failure to collect receivables from our customers impacted by the COVID-19 pandemic;
- the possibility that one or more clusters of COVID-19 cases could occur at one of our locations, third-party cloud computing platform providers or other third-party providers, affecting our employees or the systems or employees of our customers or other third parties on which we depend; and
- challenges to our systems supporting our remote workforce, due to the higher demand of such systems and the related software to support such remote working conditions.

We may also take further actions as may be required by government authorities or as we determine are in the best interests of our employees, customers and business partners which could further adversely impact our business operations.

To the extent the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our ability to improve and enhance our solutions and services, our ability to expand our customer base, our ability to continue technology and product innovations, and our ability to conduct our sales and marketing activities cost-effectively.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change, even though conditions have been gradually improving in China where we conduct substantially all of our business. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. The extent to which the COVID-19 pandemic may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns across China where we and our customers operate. For example, the resurgence of the COVID-19 in China since the beginning of 2022 has resulted in city-wide lock-downs in a number of Chinese cities, and also heightened epidemic prevention measures in general across China to curb the momentum of the outbreak. In addition, China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were significant surges of COVID-19 cases in many cities in China during this time, which disrupted our and our customers’ operations due to an increased number of employees contracted with COVID-19. For more information on the impact of the COVID-19 outbreak on our business, see “Financial Information – The Impact of and Our Response to COVID-19.”

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

Our cloud infrastructure hosting our HCM solutions is operated and maintained by our own servers operated in custody with a third-party data center, and we use various third-party cloud

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infrastructure, such as Ali Cloud and Tencent Cloud, to support certain aspects of our business operations, such as hosting our official website. We do not control, or in some cases have limited control over, the operation of the facilities or technologies we use from the third-party vendors. Customers expect to access our services at any time, without interruption or degradation of performance. Any limitation on the capacity of our cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our cloud infrastructure that may be caused by cyberattacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect our platform. A prolonged service disruption for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. 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 hosting services we use.

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.

### **Our customers may fail to pay us in accordance with the terms of their agreements, necessitating action by us to compel payment.**

If customers fail to pay us under the terms of our agreements, we may be adversely affected by both the inability to collect amounts due and the cost of enforcing the terms of our contracts, including litigation. Furthermore, some of our customers may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, or delay such payments, either of which could adversely affect our business, financial condition and results of operations.

### **If we fail to manage our technology infrastructure effectively, our existing customers may experience service outages and our new customers may experience delays in the deployment of our solutions and services.**

We have experienced growth in the number of customers and data that our technology infrastructure supports. We seek to maintain sufficient excess capacity in our technology infrastructure to meet our customers’ needs. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions and services. However, the provision of new hosting infrastructure requires significant lead time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, our existing customers

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may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and materially and adversely affect our business, financial condition and results of operations.

**If we fail to adequately expand and retain our direct sales team with qualified and productive persons, or if our direct sales efforts are not successful, we may not be able to grow our business effectively.**

We rely on our direct sales force to market and sell our solutions and services. We believe it is in the best interest of our Company at its current growth stage to let our in-house sales personnel, who have deep knowledge of our solutions and services and appreciation of our corporate values, to execute our sales and marketing strategies. Nevertheless, we cannot assure you that our direct sales efforts will always remain effective and competitive, if at all. If our direct sales team fail to market our solutions and services in a cost-effective manner, or provide satisfactory customer services during the sales process, sales of our solutions and services may decline, which may materially and adversely impact our business, prospects, results of operations and financial condition.

Additionally, we will need to continue to expand and optimize our direct sales force and efforts in order to grow our customer base and business. Identifying and recruiting qualified sales personnel and training them to be familiar with our solutions and services requires significant time, expense and attention. Our business may be adversely affected if our efforts to expand and train our sales personnel do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

**If we fail to adapt our solutions and services to the changes in related laws and regulations, our business, financial condition and results of operations would be materially and adversely affected.**

The nature of the HCM solutions and services we provide, especially those in relation to payroll, social security and tax, require constant updates to adapt our solutions and services to the evolving laws and regulations. As a result, we continue to invest significant time and resources to research the relevant laws and regulations to design, create and enhance our solutions and services to ensure the customers using our solutions and services are compliant in fulfilling their legal and regulatory obligations concerning their HCM activities. Our failure to innovate and adapt our solutions and services to the changes and developments in laws and regulations would render some of our solutions and services obsolete and thus have a material adverse effect on our business, financial condition and results of operations.

**If we fail to obtain or maintain all required licenses, permits and approvals or if we are required to take actions that are time-consuming or costly, our business operations may be materially and adversely affected.**

We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business in connection with our provision of solutions and services. See the section headed “Regulations” for details.



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The government authorities may continue to pass new rules regulating the HCM industry and telecommunication business and we have been continually expanding into new business operations. They may require us to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operation of the types of businesses to which the new requirements apply. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines. Lastly, our existing licenses may expire without proper renewal or be revoked due to violations of relevant licensure maintenance requirements.

If any of our entities is deemed by governmental authorities to be operating without appropriate permits and licenses or outside of their authorized scopes of business or otherwise fail to comply with relevant laws and regulations, we may be subject to penalties and our business, financial condition and results of operation may be materially and adversely affected.

### **Adverse economic conditions may negatively impact our business.**

Our business depends on the overall demand for enterprise software and on the economic health of our current and prospective customers. Any financial recession could result in a significant weakening of the economy in China and across the world, more limited availability of credit, a reduction in business confidence and activity, and other difficulties that may affect one or more of the industries to which we sell our solutions and services. During periods of weak economic conditions, customers may delay or reduce their information technology spending, which could result in reductions in sales of our solutions and services, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position. In addition, there can be no assurance that cloud-based HCM solutions spending levels will increase following any recovery.

### **If we fail to strengthen our brand awareness cost-effectively, our business may suffer.**

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solutions and services and attracting new customers. Brand promotion activities may not generate customer awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our solutions and services.

### **Our use of open source software could subject us to possible litigation.**

We use open source software in connection with our cloud-based HCM solutions. Companies that incorporate open source software into their products and services may, from time to time, face claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or non-compliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay

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damages for breach of contract could be harmful to our business, financial condition and results of operations.

**We employ third-party licensed software for use in or with our HCM solutions, and the inability to maintain these licenses or any error in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.**

Our HCM solutions incorporate certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the future. There may not always be commercially reasonable alternatives to the third-party software we currently license, or it may be difficult or costly to replace. In addition, integration of the software used in our solutions with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our solutions depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our solutions, delay new application introductions, result in a failure of our solutions and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties.

**Our employees and business partners may engage in intentional or negligent misconduct or other improper activities, or violate laws, our internal policies or policies of our customers, which could impair the quality of our service, cause us to lose customers or subject us to liability.**

We risk compromising the quality of our solutions and services if our employees and business partners do not perform in accordance with our standards. We have policies and guidelines to monitor and ensure the solutions and services delivered are of satisfactory standards. We have also adopted and implemented a series of onboarding procedures designed to verify the integrity and qualifications of our employees and business partners. However, we cannot guarantee that our employees and business partners will not commit any misconduct.

Furthermore, we may be exposed to the risks of fraud or other misconducts committed by our employees and business partners. Fraud or other misconducts by our employees and business partners may involve engaging in unauthorized misrepresentation to our potential customers, misappropriating third-party intellectual property and other proprietary rights, misusing sensitive personal information, and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our customers or candidates for fraud or misconduct committed by such third parties.

Any claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit, any of which could result in customers and candidates complaints, regulatory and legal liabilities, as well as serious harm to our reputation.

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

We face various risks in connection with our business, and we may lack adequate insurance coverage to cover our potential liability or losses. Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in other more developed economies. We do not have any business liability or disruption insurance to cover our operations. We



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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 occurrence may disrupt our business operations, expose us to liabilities, incur substantial costs and divert our resources, which could have an adverse effect on our results of operations, financial condition and cash flows.

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

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation as a trustworthy HCM service provider. In addition, to the extent our employees and business partners were in compliance with any laws or regulations, we may also suffer negative publicity or harm to our reputation. 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 [REDACTED] and customers.

**We depend on our senior management team and the loss of one or more key employees could materially and adversely affect our business, financial condition and results of operations.**

Our success and future growth depend largely upon the continued services of our executive officers and other key employees, including Mr. Wang, our Chairman of the Board and executive Director and Mr. Ji, our Chief Executive Officer and executive Director. We also rely on our leadership team in the areas of product development, marketing, sales, services, and general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. We do not have employment agreements or any other written agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period, and they could terminate their employment with us at any time. The loss of one or more of our executive officers or other key employees and any failure to develop an appropriate succession plan for these persons could have a serious adverse effect on our business and results of operations.

**The failure to attract and retain highly skilled employees could adversely affect our business and our future growth prospects.**

To execute our growth plan, we must attract and retain highly qualified personnel with diverse credentials and expertise, and our managers must be successful in hiring employees who share our values and have the competencies to succeed with us. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software and internet-related services, and for seasoned sales personnel. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and we may not be able to fill positions in desired geographic areas or at all.

Some of the companies with which we compete for experienced personnel may offer more lucrative compensation packages. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could have a material adverse impact on our hiring efforts and result in a diversion of our time and resources. Additionally, laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of

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visas, may limit our ability to recruit internationally. We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business and future growth prospects could be adversely affected.

### **Increased staff cost may negatively affect our financial performance and liquidity position.**

We intend to recruit additional employees to support our business growth and to provide our employees with training and development opportunities. For details, please refer to “Future Plans and Used of [REDACTED]” in this Document. Such additional recruitments will increase our staff costs, and there is no assurance that our total bookings or revenue will increase in proportion to or at a faster pace than that in staff costs. As a result, the increases in staff costs may have a negative impact on our results of operations and financial condition. Our continued investments in recruiting, retaining and training our employees may also place constraints on our liquidity and working capital.

### **If we cannot maintain our corporate culture, we could lose the innovation, teamwork, and passion that we believe contribute to our success, and our business and reputation may be harmed.**

We believe that a critical component of our success has been our corporate culture, which is focused on driving customer satisfaction and employee experience. We have invested substantial resources in building our team. As we continue to grow, both organically and through acquisitions of employee teams, we will need to maintain our corporate culture among a larger number of employees dispersed in various geographic regions. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

### **We may acquire, other companies or technologies, which could divert our management’s attention and otherwise disrupt our operations and adversely affect our operating results.**

We may in the future seek to acquire or invest in businesses, services or technologies that we believe could complement or expand our solutions and services, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business.

In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

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### **We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.**

We have funded our operations since inception primarily through cash generated from our operating activities and equity financings. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions, a decline in the level of customer prepayments or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons, and we may not be able to timely secure additional debt or equity financing on favorable terms, or at all. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may 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.

### **We may be sued by third parties for alleged infringement of their proprietary rights.**

There is considerable copyright registration and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In the future, they may claim that our applications and underlying technology infringe or violate their intellectual property rights, even if we are unaware of the intellectual property rights that others may claim cover some or all of our technology or solutions and services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions and services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

### **If we fail to adequately protect our proprietary rights, our business may be harmed.**

Our success depends in part on intellectual property rights to the solutions and services that we develop. We rely on a combination of contractual rights, including non-disclosure agreements, trade secrets, copyrights and trademarks, to establish and protect our intellectual property rights in our names, solutions and services, methodologies and related technologies. Legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our applications and use information that we regard as proprietary to create solutions and services that compete with ours. If we lose intellectual property protection or the ability to secure intellectual property protection on any of our names, confidential information or technology, this could harm our business. The steps we take might be inadequate to deter infringement or misappropriation of our intellectual property by competitors, former employees or other third parties, any of which could harm our business.

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We typically enter into confidentiality and invention assignment agreements with our employees and consultants, and enter into confidentiality agreements with most of the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to and distribution of our applications and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our technologies.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect, and enforce our intellectual property rights could seriously adversely affect our brand and our business.

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

We may be subject to litigation, disputes or claims of various types brought by our competitors, employees, customers, business partners or others against us in matters relating to contractual or labor disputes, intellectual property infringements, or claims and disputes involving misconducts of our employees. We cannot assure you that we will not be subject to similar disputes, complaints or legal proceedings in the future, which may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, subjects us to the risk of significant damages, requires significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base. We may also need to pay damages or settle lawsuits with a substantial amount of cash. While we do not believe that any currently pending proceedings are likely to have a material adverse effect on us, if there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

**Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our solutions and services, and could have a negative impact on our business.**

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communication and business solutions. Government bodies or agencies in jurisdictions where we have operations have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could require us to modify our resolutions in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, result in reductions in the demand for internet-based services such as ours.

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In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool has been adversely affected by “viruses,” “worms” and similar malicious programs and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our solutions and services could suffer.

### **We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.**

In accordance with the PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund and other relevant laws and regulations, China establishes a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing provident fund, and a handicapped employment security fund (collectively, the “**Employee Benefits**”). An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance, the housing provident fund and other Employee Benefits that should be assumed by the employees. According to the Social Insurance Law, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. Pursuant to the Regulations on the Administration of Housing Provident Fund, in the event that the payment and deposit of the housing provident fund is not made in full or at all in time by an employer, the housing provident fund management center may order it to make the payment and deposit within a prescribed period, and where the payment and deposit has not been made within the prescribed period, an application may be made to a people’s court for enforcement.

Under the Social Insurance Law and the Regulations on the Administration of Housing Provident Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing provident fund management centers and establish a special housing provident fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits. During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. As of the Latest Practicable Date, we had not received any notice from the relevant governmental authorities or any claim or request from the relevant employees in this regard. We have made provisions of nil, RMB0.4 million, RMB2.0 million, RMB5.6 million and RMB3.5 million for the shortfall in our social insurance and housing provident fund contributions for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

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



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**We may be subject to fines for failing to register and file lease agreements with the relevant government authorities in China.**

As of the Latest Practicable Date, 32 lease agreements of our leased properties had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance after we are required to do so by the relevant PRC governmental authorities.

**We may not be able to fully control our leasehold interest in these premises, nor can we renew our current leases or locate desirable alternatives for our offices.**

We lease properties for our offices. Certain lessors have not provided us with valid ownership certificates or authorization of sublease for our leased properties. As a result, there is a risk that such lessors may not have the right to lease such properties to us, in which case the relevant lease agreements may be deemed invalid and we may face challenges from the property owners or other third parties regarding our right to occupy and use the premises.

In addition, we may not be able to extend or renew such leases on commercially reasonable terms, if at all. For instance, we compete with other businesses for premises at certain locations of desirable sizes. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our offices. For the leased sites registered as the address of our PRC subsidiaries, we may face the risk of being included in the list of enterprises with abnormal business operations if we fail to extend such leases or relocate the registered address and file such leases with the local authorities. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations and prospects.

**Any discontinuation, reduction or delay of any government grant, tax refund or preferential tax treatment could have a material and adverse impact on our business.**

For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we received government grants of RMB1.0 million, RMB2.4 million, RMB3.3 million, RMB3.1 million and RMB2.3 million, respectively. During the Track Record Period, we also received certain VAT refunds from the PRC governments, which are non-recurring in nature. Such VAT refunds amounted to RMB22.7 million, RMB21.0 million, RMB22.3 million, RMB29.7 million and RMB14.1 million, respectively, for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022. In addition, we had enjoyed various types of preferential tax treatment during the Track Record Period. For example, the Onshore Holdco has since October 2014 qualified as a “high and new technology enterprise” under the relevant PRC laws and regulations, and therefore has been entitled to a favorable enterprise income tax rate of 15%. We cannot assure you that we will continue to receive such government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatment, in which case our business, financial condition and results of operation may be materially and adversely affected.

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### **We recorded net liabilities and net current liabilities during the Track Record Period.**

We recorded total liabilities during the Track Record Period, which amounted to RMB2,264.4 million, RMB3,436.0 million, RMB4,136.1 million, RMB7,315.1 million and RMB8,065.3 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. In addition, we recorded net current liabilities of RMB53.2 million and RMB3,595.7 million as of March 31, 2020 and 2021, respectively. Our total liabilities and net current liabilities position as of each of these dates was primarily due to the warrants and/or redeemable convertible preferred shares in connection with our [REDACTED] Investments. The foregoing redeemable convertible preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. There is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due. Additionally, there can be no assurance that we will be able to successfully take any of these actions in a timely manner, including prudently managing our working capital, or raising additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary could materially adversely affect our liquidity, results of operations, financial condition and ability to operate.

### **Fair value changes in redeemable convertible preferred shares issued to [REDACTED] Investors and related valuation uncertainty may materially affect our financial condition and results of operations.**

Our Company has historically issued several series of redeemable convertible preferred shares, consisting of Series A, B, B-1, C, D, E and F Preferred Shares, to investors. Upon the completion of this [REDACTED], all of such redeemable convertible preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing [REDACTED] Investors have the right to require us to redeem such redeemable convertible preferred shares if this [REDACTED] is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see the section headed “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information about Our Major [REDACTED] Investors”.

The redeemable convertible preferred shares were recorded on a fair value basis. The discount cash flow method was adopted to determine the fair value of the redeemable convertible preferred shares, and the key valuation assumptions used include discount rate, risk-free interest rate and volatility. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these redeemable convertible preferred shares. To the extent we need to revalue the redeemable convertible preferred shares prior to the closing of the [REDACTED], any change in fair value of redeemable convertible preferred shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic conversion of the redeemable convertible preferred shares into Shares upon the closing of the [REDACTED], we do not expect to recognize any further gains or losses on fair value changes from these redeemable convertible preferred shares in the future.

### **We recorded net operating cash outflows historically and there can be no assurance that we will not have net cash outflow in the future.**

We recorded net cash outflow from operating activities of RMB83.4 million, RMB65.5 million, RMB156.0 million and RMB186.1 million for the fiscal years ended March 31, 2019, 2020 and 2022 and the six months ended September 30, 2022, which were attributable primarily to our operating loss for the same period. Throughout the Track Record Period, we had made substantial initial investment



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in customer acquisition and product development to drive market acceptance of our cloud-based HCM solutions, which resulted in significant operating expenses. Nevertheless, we believe such investment is indispensable in establishing compelling competitive advantages to achieve long-term profitability. See “Business—Business Sustainability.” For a detailed operating cash flow analysis, also see “Financial Information—Liquidity and Capital Resources—Cash Flow Analysis—Net Cash (Outflow) / Inflow from Operating Activities.” We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

### **Fluctuations in the changes in fair value of such financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs would affect our financial results.**

For investments underlying our financial assets at fair value through profit or loss with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include net asset value of underlying investments and discounted cash flows. Valuation techniques are certified by independent and recognized business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the specific data. However, some inputs, such as the probability of redemption of preference shares, require management estimates and assumptions, which are adjusted if necessary. Should any of the estimates and assumptions be changed, it might lead to a change in the fair value of the financial assets.

The fair value of our financial assets at fair value through profit or loss are subject to other factors beyond our control. We are exposed to credit risk in relation to the investments underlying our financial assets at fair value through profit or loss, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our investments underlying financial assets at fair value through profit or loss in the future. If the fair value of our financial assets at fair value through profit or loss were to fluctuate due to these reasons, our business, financial condition and results of operations could be materially adversely affected.

In the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded net fair value gains on financial assets measured at fair value through profit or loss in the amount of RMB3.7 million, RMB4.0 million, RMB13.1 million, RMB17.5 million and RMB21.2 million, respectively.

For details, please see Note 3.3 to the Accountant’s Report in Appendix I to this Document.

### **We are exposed to credit risk from our customers and the recoverability of our contract assets and trade receivables is subject to uncertainties.**

While we typically request our customers to pay upfront before we deliver our cloud-based HCM solutions and professional services, we are exposed to credit risk from our customers to the

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extent we allow them a credit period on a case-by-case basis. Our trade receivables amounted to RMB11.2 million, RMB12.3 million, RMB13.4 million, RMB22.2 million and RMB26.6 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022. The increase in our trade receivables throughout the Track Record Period was attributable primarily to the growing customers’ demand for our solutions and services as we had continued to attract and engage a growing customer base who had increased their usage of our cloud-based HCM solutions. Our trade receivables turnover days were 12.4 days, 9.6 days, 8.7 days, 9.9 days and 13.8 days for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. In addition, we record contract assets, which represent our rights to receive consideration for obligations partially performed and not yet billed under our subscription agreements with customers as such rights are conditioned on our future performance of our remaining obligations under such agreements, such as provision of implementation services. Contract assets are transferred to trade receivables when the rights to receive consideration become unconditional. Our contract assets amounted to RMB1.3 million, RMB3.3 million, RMB1.3 million, RMB2.7 million and RMB2.7 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. For further details, see “Financial Information—Discussion of Certain Key Balance Sheet Items.”

A customer’s ability to make payments on timely basis depend various factors such as general economic and market conditions and the customer’s cash flow position, which are out of our control. Delays in receiving payments from our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. Defaults in making payments to use on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other purposes. There is no assurance that our customers will pay us on a timely basis or at all, which may adversely affect the recoverability of our contract assets and trade receivables, or that we will be able to efficiently manage the level of bad debt arising from staged payments. We recorded a net impairment loss reversal on financial assets and contract assets of RMB118,000 for the fiscal year of 2019. We recorded net impairment losses on financial assets and contract assets of RMB384 thousand, RMB1,026 thousand, RMB1,024 thousand and RMB2,601 thousand for the fiscal years ended March 31, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. However, such provision for impairment of trade receivables and contract assets may not reflect the real recoverability of our contract assets and trade receivables. For further details, see Note 3.1(b) to the Accountant’s Report included in Appendix I to this Document.

### **We may be subject to impairment losses on other receivables and prepayments.**

As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we recorded other receivables and prepayments of RMB30.1 million, RMB21.5 million, RMB29.2 million, RMB40.5 million and RMB40.9 million, respectively. Our other receivables and prepayments consist primarily of rental and other deposits and prepaid services and goods. See “Financial Information—Discussion of Certain Key Balance Sheet Items—Other Receivables and Prepayments” for a detailed discussion of the composition of our other receivables and prepayments during the Track Record Period. We may be subject to impairment losses on other receivables and prepayments if their actual recoverability is lower than the expected level, which could adversely affect our cash flow and our ability to meet our working capital requirements, thereby adversely affecting our business, financial condition and results of operations.

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### **Our contract acquisition costs may be subject to impairment losses.**

We recorded contract acquisition costs during the Track Record Period. Our contract acquisition costs relate to the sales commissions payable by us to our sales personnel for sales of our solutions and services to customers. Our contract acquisition costs are initially capitalized as assets upon customers’ payment of the subscription fees and are subsequently recognized as selling and marketing expenses over an estimated period of benefit. Although there was no impairment to our contract acquisition costs during the Track Record Period, there is no assurance that all the costs incurred in connection with sales of our solutions and services under a particular subscription agreement will not exceed the proceeds received from the relevant customer, which may subject our contract acquisition costs to impairment losses in the future.

### **Share-based payments may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.**

We adopted [REDACTED] Share Option Plan for the benefit of our employees (including Directors) as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see “Appendix IV—Statutory and General Information—D. [REDACTED] Share Option Plan” and “Appendix IV—Statutory and General Information—E. RSU Plan.” For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we incurred share-based payments for ESOP purposes of nil, RMB75.4 million, RMB33.5 million, RMB53.6 million and RMB5.7 million, respectively, in relation to [REDACTED] Share Option respectively. To incentivize our employees, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payments may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

### **We may face risk regarding the recoverability of deferred income tax assets, net.**

As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, our deferred income tax assets, net were RMB31.6 million, RMB17.1 million, RMB0.4 million, RMB13.2 million and RMB17.5 million, respectively. Deferred income tax assets relating to certain temporary differences and tax losses are recognized when we consider it is probable that the future taxable profit will be available against which the temporary differences or tax losses can be utilized. However, the outcome of their actual utilization may be different. While the deferred income tax assets may enable us to reduce future tax payments, our deferred income tax assets may also represent a risk to us as their recoverability depends on our ability to generate future taxable profit. We cannot assure you that our deferred income tax assets can be recovered in the future. In the case that the value of our deferred income tax assets is changed, we may have to write-down the deferred income tax assets, which may materially and adversely affect our financial condition and results of operations.

### **If we are unable to maintain a consistently high level of customer service, this may materially and adversely impact our brand, business and financial results.**

We believe our focus on customer success and service is critical to onboarding new customers and retaining our existing customers and growing our business. As a result, we have invested heavily in the quality and training of our customer success and service teams to ensure that they could maintain a consistently high level of our services. If we are unable to maintain a consistently high level of

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services, we may lose existing customers or fail to increase revenues from existing customers. In addition, our ability to attract new customers is highly dependent on our reputation and on positive recommendations from our existing customers. Any failure to maintain a consistently high level of customer service, or a market perception that we do not maintain high-quality customer service, could adversely affect our reputation and the number of positive customer referrals that we receive.

### **Our business and results of operations may be subject to seasonal fluctuations.**

Our quarterly operating results have fluctuated in the past and may continue to fluctuate depending on a number of factors, many of which are out of our control. We tend to generate higher revenues in the fourth calendar quarter as the demand for our solutions and services are typically higher with customers reviewing expenses against their annual budgets and accelerating spending before year ends. In addition, we also record higher revenues in the first calendar quarter as a result of our ongoing efforts to incentivize sales personnel and drive product sales at the end of our fiscal year. For these reasons, comparing our operating results for different periods may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues in a given period may be significantly different from our historical or projected rates and our operating results in future quarters may fall below expectations.

### **We face risks related to natural disasters, extreme weather conditions, health epidemics, such as the outbreak of COVID-19, and other catastrophic incidents, which could significantly disrupt our operations.**

China has in the past experienced significant natural disasters, including earthquakes, extreme weather conditions, as well as health scares related to epidemic diseases, and any similar event could materially impact our business in the future. If a disaster or other disruption were to occur in the future that affects the regions where we operate our business, our operations could be materially and adversely affected due to loss of personnel and damages to property. Even if we are not directly affected, such a disaster or disruption could affect our operations or financial condition. In addition, our business could be affected by public health epidemics, such as the outbreak of avian influenza, severe acute respiratory syndrome, or, Zika virus, Ebola virus, coronavirus or other disease. If any of our employees is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or otherwise disrupt our business operations and adversely affect our results of operations. Also see “— Our business operations have been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.”

### **The estimates of market opportunity, forecasts of market growth included in this Document may prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.**

Market opportunity estimates and growth forecasts included in this Document are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable companies covered by our market opportunity estimates will purchase our solutions and services at all or generate any particular level of revenue for us. Even if the markets in which we compete meets the size estimates

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and growth forecasted in this Document, our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry.

**We rely on certain key operating metrics to evaluate the performance of our business, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.**

We continually review number of customers, total bookings, subscription revenue retention rate, ARR, ARR per customer and ARR for customers who subscribe for more than one cloud-based HCM solution as a percentage of total ARR to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal data. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring such key metrics, and the methodologies used to measure these metrics may be susceptible to technical errors. If [REDACTED] do not perceive our operating metrics to accurately represent our operating performance, or if we discover material inaccuracies in our operating metrics, our business, financial condition and results of operations may be materially and adversely affected.

### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entity.**

The current industry entry clearance requirements governing the foreign investment activities in the PRC are set out in two categories, namely the Encouraged Industry Catalog for Foreign Investment (2022 version), as promulgated by the National Development and Reform Commission, or the NDRC, and the MOFCOM on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures for Foreign Investment Access (Negative List 2021), or the 2021 Negative List. Industries not listed in these two catalogs are generally deemed “permitted” for foreign investments unless specifically restricted by other PRC laws. According to the 2021 Negative List and other applicable laws and regulations, the industry of internet and other related businesses /value-added telecommunications services (other than the e-commerce, domestic multi-party communications, storage-forwarding, and call center) generally falls into the restricted category.

We are a company incorporated under the laws of the Cayman Islands, and our PRC subsidiaries are considered a foreign-invested enterprises in the PRC, or FIEs. Therefore, neither we nor our FIEs are currently eligible to apply for the required licenses for providing restricted valued-added telecommunication services or conduct other business that foreign-owned companies are prohibited or restricted from doing in China. To comply with PRC laws and regulations, we conduct a portion of our business in China through our Consolidated Affiliated Entity based on the contractual arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of the Onshore Holdco, (ii) receive all of the economic benefits from Onshore Holdco in consideration for the services provided by Beijing WFOE; and (iii) have an exclusive option to purchase all or part of the shares in the Onshore Holdco when and to the extent permitted by PRC law, or request any Registered Shareholders to transfer any or part of the shares in the Onshore Holdco to another person or entity designated by us at any time at our discretion. Because



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of these contractual arrangements, we are the primary beneficiary of the Onshore Holdco and hence treat it as our Consolidated Affiliated Entity, and consolidate its results of operations into ours. Our Consolidated Affiliated Entity holds certain licenses, approvals and assets that are essential to our business operations.

We believe that our corporate structure and contractual arrangements in the PRC comply with the current applicable PRC laws and regulations. Our PRC Legal Advisor, based on its understanding of the relevant laws and regulations, is of the opinion that each of the agreements under the contractual arrangements through which we control the Consolidated Affiliated Entity is valid, binding and enforceable against each party thereto in accordance with its terms and applicable laws and regulations currently in effect. In particular, we are advised by our PRC Legal Advisor that the relevant agreements under the Contractual Arrangements do not contravene the Foreign Investment Law in any material aspect. However, we are further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations that are currently existing or may be promulgated in the future, including the Foreign Investment Law and its implementing rules, and the relevant regulatory measures concerning the internet industry and other industries we are or will be engaged in, and the relevant PRC governmental authorities have broad discretion in determining whether a particular contractual arrangement violates the applicable PRC laws and regulations. As a result, there can be no assurance that the PRC government authorities, including the MOFCOM, the MIIT or other competent authorities would not ultimately take a view contrary to the opinion of our PRC Legal Advisor.

If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign ownership of businesses, or if the PRC government otherwise finds that we or any of our subsidiaries are 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 MIIT, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking the agreement constituting the contractual arrangements;
- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and Consolidated Affiliated Entity may not be able to comply;
- requiring us or our PRC subsidiaries and Consolidated Affiliated Entity to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entity; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of the assets under the name of the shareholders of the Onshore Holdco, including their shares in our Consolidated Affiliated Entity, may be put under court custody in connection with

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litigation, arbitration or other judicial or dispute resolution proceedings against such shareholder. We cannot ensure that such shares will be disposed of in accordance with the Contractual Arrangements. Furthermore, any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entity in our consolidated financial statements, if the PRC governmental authorities find our corporate structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entity that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entity, we may not be able to consolidate the Consolidated Affiliated Entity into our consolidated financial statements in accordance with IFRS.

**Our contractual arrangements may not be as effective in providing operational control as direct ownership. Our Consolidated Affiliated Entity or their shareholders may fail to perform their obligations under our contractual arrangements.**

Due to the PRC restrictions or prohibitions on foreign ownership of internet, value-added telecommunication businesses and other related businesses in China, we operate a portion of our business in China through our Consolidated Affiliated Entity, in which we have no ownership interest. We rely on a series of contractual arrangements with our Consolidated Affiliated Entity and their shareholders to control and operate their business. These contractual arrangements are intended to provide or extend us with effective control over our Onshore Holdco and allow us to obtain economic benefits from it. See the section headed “Contractual Arrangements” for more details about these contractual arrangements.

Although we have been advised by our PRC Legal Advisor, that our contractual arrangements with the Onshore Holdco constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms and applicable laws and regulations currently in effect, these contractual arrangements may not be as effective in providing control over the Consolidated Affiliated Entity as direct ownership. If the Onshore Holdco or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the Onshore Holdco or the Onshore Holdco were to refuse to transfer their shares in or assets of the Onshore Holdco to us or our designee if we exercise the purchase option pursuant to these 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. All of these contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration. These uncertainties could limit our ability to enforce these contractual arrangements. In addition, under PRC law, rulings by arbitrators are final, parties generally 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



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awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entity and may lose control over the assets owned by our Consolidated Affiliated Entity. As a result, we may be unable to consolidate our Consolidated Affiliated Entity in our consolidated financial statements, our ability to conduct our business may be negatively affected.

**The shareholders of our Onshore Holdco may have conflicts of interest with us, which may materially and adversely affect our business.**

The shareholders of the Onshore Holdco include PRC nationals, their controlled entities, and a company established in the PRC, who together hold the entire equity interests in it. These shareholders may have conflicts of interest with us. In particular, Our Onshore Holdco is 47.67% directly and indirectly owned by Mr. Wang, and 43.28% directly and indirectly owned by Mr. Ji. Conflicts of interest may arise between Mr. Wang and Mr. Ji as indirect shareholders and directors of our Company and as shareholders and directors of our the Onshore Holdco. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our Company as a whole and not to place themselves in a position in which there is a conflict between their duties to our Company and their personal interests. PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. Each such individual shareholders of our Onshore Holdco may potentially have a conflict of interest with us, and they may breach their contractual arrangements with us, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts arise, shareholders of our Onshore Holdco will act in the best interest of our Company or that conflicts will be resolved in our favor. These individuals may breach or cause the Onshore Holdco to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations, and adversely affect our ability to control our Onshore Holdco and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings, which may not necessarily be in our favor.

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

Pursuant to the contractual arrangements, Beijing WFOE or its designated person(s) has the exclusive right to purchase all or any part of the shares in the Onshore Holdco at a nominal price, unless relevant government authorities or PRC laws require that another amount should be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement, or, for Mr. Wang and Mr. Ji, the purchase price shall be certain amount equivalent to the aggregate amount of the loan provided to them by Beijing WFOE under certain loan agreements.

The share transfer may be subject to the approvals from and filings with the MIIT, the SAMR and/or their local competent branches. In addition, the share transfer price may be subject to review and tax adjustment by the relevant tax authority. The Registered Shareholders of our Onshore Holdco will return the share transfer price they receive to Beijing WFOE or its designated person(s) under the contractual arrangements. The amount to be received by Beijing WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial.

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**We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entity that are material to our business operations if our Consolidated Affiliated Entity declare bankruptcy or become subject to a dissolution or liquidation proceeding.**

Our PRC Consolidated Affiliated Entity holds certain assets that may be critical to the operation of part of our business. If the shareholders of our Onshore Holdco breach the contractual arrangements and voluntarily liquidate the Onshore Holdco or its subsidiaries, or if our Onshore Holdco or its subsidiaries 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 of our business activities, which could adversely affect our business, financial condition and results of operations. In addition, if our Onshore Holdco or its subsidiaries undergo involuntary liquidation proceedings, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate part of our business, which could adversely affect our business, financial condition and results of operations.

**Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.**

On March 15, 2019, the National People’s Congress adopted the PRC Foreign Investment Law, which has taken effect on January 1, 2020. The Foreign Investment Law has replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Wholly Foreign-Owned Enterprises. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Law on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法實施條例), the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Ventures (中外合資經營企業合營期限暫行規定), the Detailed Rules for Implementing the Law on Sino-Foreign Cooperative Joint Ventures (中華人民共和國中外合作經營企業法實施細則) and the Detailed Rules for the Implementing the Law on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則).

The Foreign Investment Law, together with the Regulations on Implementing the Foreign Investment Law of the PRC stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods as provided by laws and administrative regulations or prescribed by the State Council.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the Onshore Holdco. The Stock Exchange may take enforcement actions against us in the event of the above-mentioned

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unwinding or disposal, which may have a material adverse effect on the trading of our Shares. For details of the Foreign Investment Law, see “Contractual Arrangements—Development in the PRC Legislation”.

**Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated profit and the value of your investment.**

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws and regulations may be interpreted in significantly different ways. Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entity do not represent an arms-length transaction and adjust our Consolidated Affiliated Entity’s income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Onshore Holdco, which could in turn increase their tax liabilities, without a corresponding reduction in the taxable income of our PRC subsidiaries. In addition, the Onshore Holdco had not actually paid any service fees to Beijing WFOE pursuant to the Contractual Arrangements throughout the Track Record Period and Beijing WFOE had not been subject to any tax in this regard. Had the Onshore Holdco been able to generate any net profit and pay the sums to the Beijing WFOE as service fees under the Exclusive Business Cooperation Agreement going forward, the Beijing WFOE would have been subject to additional tax in relation to the service fees. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on our PRC variable interest entities for unpaid or under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

**Our Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder**

The insurance of our Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and our Company has no intention to purchase any insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the operation of the Onshore Holdco, the financial results and financial position of our Group may be adversely affected.

**Beijing WFOE bears economic risks as the primary beneficiary of the Onshore Holdco.**

As the primary beneficiary of the Onshore Holdco, Beijing WFOE will share both profit and loss of the Consolidated Affiliated Entity and bears economic risks which may arise from difficulties in the operation of our PaaS infrastructure. Beijing WFOE may have to provide financial support in the event of financial difficulty of the Consolidated Affiliated Entity. Under these circumstances, our Group’s financial results and financial position may be adversely affected by the worsening financial performance of the Consolidated Affiliated Entity and the need to provide financial support to it.

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**We conduct a part of our business operations in the PRC through the Onshore Holdco and its subsidiaries by way of our contractual arrangements, but certain of the terms of our contractual arrangements may not be enforceable under PRC laws.**

All the agreements that constitute our contractual arrangements with the Onshore Holdco, its subsidiaries and shareholders are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. If we are unable to enforce the contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Onshore Holdco and its subsidiaries, and our ability to conduct a part of our business and our financial condition and results of operations may be adversely affected.

The contractual arrangements contain provisions to the effect that the arbitral body specified in them may award remedies over the equity interest, assets or properties of the Onshore Holdco, its subsidiaries, and/or shareholders; provide compulsory relief (for example, for the conduct of business or to compel the transfer of assets); or order the winding-up of the Onshore Holdco. These agreements also contain provisions to the effect that courts of competent jurisdiction are empowered to grant interim relief to a party when requested, for the purpose of preserving the assets and properties, or grant enforcement measures, subject to the requirements under PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, 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 the assets of or equity interest in the Consolidated Affiliated Entity in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the United States and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws may 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.

Furthermore, the contractual arrangements provide that in the event of a mandatory liquidation required by PRC laws, the shareholders of the Onshore Holdco will gift to Beijing WFOE or the entity designated by it any payments they receive from such transaction, and any profits arising from such a transaction shall be paid to Beijing WFOE, or the entity designated by it. These provisions may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the contractual arrangements by the Onshore Holdco, its subsidiaries and/or shareholders, we may not be able to exert effective control over the Onshore Holdco due to the inability to enforce the contractual arrangements, which could adversely affect our ability to conduct a part of our business.

**There may be a potential impact to our Company if our contractual arrangements with the Consolidated Affiliated Entity, its subsidiaries and shareholders are not treated as domestic investment.**

If the operation of our businesses conducted through the Consolidated Affiliated Entity is subject to any restrictions pursuant to the Negative List 2021, or any successor regulations, and the contractual arrangements are not treated as domestic investment, the contractual arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant

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businesses through the contractual arrangements and would lose our rights to receive the economic benefits of the Onshore Holdco. As a result, we would no longer consolidate the financial results of the Consolidated Affiliated Entity into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such de-recognition.

### **RISKS RELATING TO CONDUCTING BUSINESS IN CHINA**

**Adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.**

All of our revenue was derived from our businesses in the PRC during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the internet service industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

**The inherent uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to our business and our shareholders.**

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new, and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than



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in more developed legal systems. Moreover, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

PRC laws and regulations concerning the software and value-added telecommunications service industry are developing and evolving. The PRC government authorities may promulgate new laws and regulations regulating the software and value-added telecommunications service industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to software and value-added telecommunications service. Moreover, developments in the software and value-added telecommunications service industry may lead to changes in PRC laws, regulations and policies, or in the interpretation and application of existing laws, regulations and policies that may limit or restrict value-added telecommunications service like our PaaS infrastructure, which could materially and adversely affect our business and operations.

### **The successful operations of our business and our growth depend upon the internet infrastructure and telecommunication network in the PRC.**

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet is maintained through state-owned basic telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China’s internet infrastructure. In addition, the internet infrastructure in China may not support the demands associated with continued growth in internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, our profit margins could be adversely affected. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

### **The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements



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in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress which became effective in 2008 and revised in 2022 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by relevant governmental authorities before they can be completed. In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In addition, some government policies and internal rules in China are not published on a timely basis or at all, and may change from time to time and have a retroactive effect for acquisitions. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. For example, although under the PRC Anti-Monopoly Law, companies conducting certain investments and acquisitions relating to businesses in China must file with the anti-monopoly enforcement agency, in advance of any transaction where the parties’ revenues exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party, there have been very few cases in the past where transactions involving companies with a contractual structure have fulfilled such prior filing requirements, namely filing of notification of concentration of undertaking. However, the enforcement of notification of concentration of undertaking filing requirement by companies with a contractual structure has been strengthening recently. Since 2020, the SAMR has fined companies that acquired or merged with or cooperated with onshore or offshore entities, including those operated through Consolidated Affiliated Entity for failure to file prior notification before conducting the mergers or cooperation transactions. Furthermore, in February 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Platform Economy Sector, which included references to companies with contractual structure within the ambit of SAMR’s merger control review. Any failure or perceived failure to comply with the anti-monopoly laws and regulations, as well as the related government policies and guidance relating to investments in or by us may result in governmental investigations or enforcement actions, litigations or claims against us and could have an adverse effect on our business, financial condition and results of operations

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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**We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders, and have a material adverse effect on our results of operations and the value of your investment.**

Under China’s Enterprise Income Tax Law, or the “EIT Law,” and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise, and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular 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 all offshore enterprises. 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 the PRC, (ii) decisions relating to the enterprise’s financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC, (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC, and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

The tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our Company, and/or our offshore subsidiary, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company and/or our offshore subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals, if such gains or dividends are deemed to be from PRC sources. Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether non-PRC shareholders of our Company would in practice be able to obtain 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.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government’s policies, 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

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impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government’s controls on currency conversion.

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. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE’s approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

### **The PRC government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.**

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

In light of the flood of capital outflows from China in 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies, and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process are in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may, at its discretion, further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

Under PRC laws and regulations, any funds we transfer to our PRC subsidiaries, either as a shareholder loan, or as an increase in registered capital, are subject to approval by, filing with, or

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registration with, relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to registration with SAMR in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated banks, and (ii) each of our PRC subsidiaries may not procure loans, which exceed a statutory limit. Any loan with a term of more than one year to be provided by us to our PRC subsidiaries must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches or designated banks. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or existing or future foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [REDACTED] of the [REDACTED], and to capitalize our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

In August 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Exchange Capital Funds of Foreign Invested 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算管理有關業務操作問題的通知), or SAFE Circular 142, providing that the Renminbi capital converted from foreign exchange capital funds of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investment within the PRC.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement 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), or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015, and replaced SAFE Circular 142. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises, which allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (關於改革和規範資本項目結匯管理政策的通知), or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capitals for expenditure beyond their business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use, except for real estate developers. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net [REDACTED] from the [REDACTED], which may adversely affect our business, financial condition and results of operations.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business. On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (國家外匯管理局關

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於進一步促進跨境貿易投資便利化的通知), or SAFE Circular 28, according to which a non-investment foreign-invested enterprise is permitted to make domestic equity investments with its capital funds provided that such investments do not violate the Negative List and the target investments are genuine and in compliance with laws. On April 10, 2020, the SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (關於優化外匯管理支持涉外業務發展的通知), or SAFE Circular 8, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing, without providing the evidentiary materials concerning authenticity of each expenditure in advance, provided that their capital use shall be authentic, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how they will be implemented, and there can be high uncertainties with respect to its interpretation and implementation by government authorities and banks.

### **We face uncertainty relating to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.**

On February 3, 2015, the SAT issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfer by Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知), or Circular 698, which was previously issued by the SAT in December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

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



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Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Circular 7 contains certain exemptions, including (i) the Public Market Safe Harbor described below; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. However, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the Public Market Safe Harbor or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares that do not qualify for the Public Market Safe Harbor by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market,” or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to the Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (關於非居民企業所得稅管理若干問題的公告). In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed “Information about this Document and the [REDACTED]”, potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

**We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.**

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. Circular on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any



## RISK FACTORS

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material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, Mr. Wang and Mr. Ji, our indirect shareholders and ultimately beneficial owners, had completed their registration under the SAFE Circular 37. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

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## RISK FACTORS

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**The approval of or filing with the CSRC may be required in connection with the [REDACTED] and our future financing activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.**

The M&A Rules require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and the [REDACTED] may ultimately require approval from the CSRC. If the CSRC approval is required, it is uncertain how long it will take us to obtain such approval and any failure to obtain or delay in obtaining the approval for the [REDACTED] would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the aforementioned approval under the M&A Rules of the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours under this Document are subject to the M&A Rules; (ii) our FIEs were incorporated as foreign-invested enterprises without involving acquisition of the equity or asset of a PRC “domestic company,” especially a PRC domestic company owned by beneficial owners who are PRC companies or individuals, as such term is defined under the M&A Rules; and (iii) no provision in the M&A Rules classifies the contractual arrangements under the contractual agreements as a type of acquisition transaction falling under the M&A Rules. However, our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we did, and hence we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in 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 if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (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 companies; and (ii) the main parts of the issuer’s business activities are conducted 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

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initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

At a press conference held for these new regulations, officials from the CSRC clarified that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved. Further, according to the officials from the CSRC, domestic companies that have obtained approval from overseas regulatory authorities or securities exchanges (for example, a contemplated offering and/or listing in Hong Kong has passed the hearing of the Stock Exchange) for their indirect overseas offering and listing prior to the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) but have not yet completed their indirect overseas issuance and listing, are granted a six-month transition period from March 31, 2023. Those who complete their overseas offering and listing within such six months are deemed as Existing Issuers. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as requiring a new hearing of the Stock Exchange), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC. Based on the foregoing, if we can not pass the hearing for the [REDACTED] on or before [REDACTED], or if we pass the hearing for the [REDACTED] on or before [REDACTED] but fail to complete this [REDACTED] and [REDACTED] on or before [REDACTED], our PRC Legal Advisor is of the view that we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED].

In addition, the Overseas Listing Trial Measures also provide that domestic companies must file with the CSRC within three business days for its follow-on offering of securities after it is listed in an overseas market. On February 17, 2023, the CSRC also issued the Notice on Administration of the Filing of Overseas Offering and Listing by Domestic Companies and held a press conference for the release of the Overseas Listing Trial Measures, which, among others, clarified that the Existing Issuers are not required to file with the CSRC immediately, but these companies should complete filing with the CSRC for their refinancing activities in accordance with the Overseas Listing Trial Measure. If we fail to complete such filing with the CSRC, in a timely manner or at all, for any future securities offering or any other financing activities which are subject to the filing requirements under the Overseas Listing Trial Measures, our ability to raise or utilize funds and our operations could be materially and adversely affected.

In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirement on us or otherwise tightening the regulations on companies with contractual arrangements. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for the [REDACTED], we cannot assure you that we could obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial conditions as well as our ability to complete the [REDACTED].

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### **Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

The SAT has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Also, pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. After our company becomes an overseas [REDACTED] company upon completion of the [REDACTED], we and our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 7 to register with SAFE or its local counterparts. We will make efforts to comply with these requirements upon completion of our [REDACTED]. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law.

### **Certain judgment obtained against us by our shareholders may not be enforceable.**

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. In addition, all of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, to bring an action in Hong Kong against us or against these individuals or their assets located in China in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise, or seek to enforce a foreign judgment in Hong Kong courts. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

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### **It may be difficult for overseas regulators to conduct investigation or collect evidence within China.**

Shareholder claims or regulatory investigations that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. There are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside of China, especially in the absence of a bilateral cross-border cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory. While detailed interpretation of or implementation rules under Article 177 are yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigation or collect evidence within China may further increase the difficulties you face in protecting your interests.

### **RISKS RELATING TO THE [REDACTED]**

#### **There has been no prior public market for the Shares and the liquidity and [REDACTED] of our Shares may be volatile.**

Prior to completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market 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] and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our Shares will be traded following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. Moreover, [certain existing Shareholders] expected to enter into to a six-month lock-up agreement, which will restrict these Shareholders from selling their Shares and therefore, reduce the available public float for our Shares during the lock-up period, subject to customary exceptions. As a result, the absence of any sale of Shares by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our Shares. This could affect the prevailing [REDACTED] at which Shareholders are able to sell their Shares.

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

The [REDACTED] and volume 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] for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. 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 trading performance of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance.



## RISK FACTORS

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**You will experience immediate dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the [REDACTED] Share Option Plan.**

As the [REDACTED] of our Shares is higher than the consolidated net tangible assets per share immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution in [REDACTED] adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per share of their shares. 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.

We have adopted the [REDACTED] Share Option Plan on December 31, 2021, for further information, see “Appendix IV—Statutory and General Information—D. [REDACTED] Share Option Plan”. Any newly granted options, or any other share-based compensations that we may grant from time to time may result in an increase in our issued share capital, which in turn may result in a dilution of our shareholders’ shareholding interest in our Company and a reduction in earnings per Share.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and [REDACTED] Investors, 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.

**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 trading market 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 price 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 stock price or trading volume to decline.

**We do not expect to pay dividends in the foreseeable future after the [REDACTED].**

We do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.



## RISK FACTORS

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**We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, the [REDACTED] 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 [REDACTED] may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the 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 rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where [REDACTED] reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

**You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press and media coverage regarding us and the [REDACTED].**

There may be, subsequent to the date of this Document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of the information contained in this Document only and should not rely on any other information.

You should rely solely upon the information contained in this Document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the [REDACTED].

## RISK FACTORS

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

The [REDACTED] of our Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be [five] Business Days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**[REDACTED] should not place undue reliance on facts, forecasts, estimates and other statistics in this Document relating to the economy and our industry obtained from official resources.**

Facts, forecasts, estimates and other statistics in this Document relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisors, nor the [REDACTED], the [REDACTED], Joint Sponsors, [REDACTED], [REDACTED], any of the [REDACTED], or any of their respective directors, supervisors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED], have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this Document may not be consistent with other information available from other sources and therefore, [REDACTED] should not unduly rely on such information in this Document.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**[REDACTED]**



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## WAIVERS AND EXEMPTIONS

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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 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. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Group’s management, business operations and assets are primarily based outside Hong Kong. The headquarters and business operations of our Group are primarily based, managed and conducted in the PRC. Currently, all three executive Directors, two of which also form the entire senior management team of our Company, ordinarily reside in the PRC, and they manage our Group’s business operations from the PRC. Historically, the Directors of our Company typically met in the PRC. As the three executive Directors and the senior management team play very important roles in our Company’s business operations, our Company considers that it is in the best interests of our Company for the executive Directors and the senior management team to be based in the places where the Group has significant operations. As such, our Company does not, and will not for the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We have ensured that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Ms. Liu Xianna (劉憲娜), our executive Director, CFO and joint company secretary, and Ms. Au Wai Ching (區慧晶) (“**Ms. Au**”), our joint company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange based on information provided to the Stock Exchange for the contact details of the authorized representatives. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) we have implemented a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers and email addresses) to each of the authorized representatives and to the Stock Exchange. This will ensure that each of the authorized representatives and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are traveling;
- (c) we have ensured that all Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have retained the services of the compliance adviser being Guotai Junan Capital Limited, in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser,

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## WAIVERS AND EXEMPTIONS

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among other things, will serve as an additional channel of communication in addition to the authorized representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules and will be available to respond to enquiries from the Stock Exchange. We have ensured that the Compliance Adviser has prompt access to our Company’s authorized representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties. The Compliance Adviser will also provide advice to our Company in compliance with Rule 3A.23 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

### WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Liu and Ms. Au as our joint company secretaries. Ms. Au has been an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since December 2016 and meets the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Liu, being our executive Director and CFO, has been responsible for financing, investment and legal matters of our Group since November 2018. She has extensive experience in board and corporate management matters but presently does not possess a qualification stipulated in Rules 3.28 and 8.17 of the Listing Rules. While Ms. Liu may not be able to solely fulfill the requirements as a company secretary of a [REDACTED] issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Ms. Liu as our joint company secretary due to her thorough understanding of the internal administration and business operations of our Group.

Accordingly, while Ms. Liu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Liu may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that Ms. Au, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Liu in the discharge of her duties as a joint company secretary and in gaining the relevant company secretary

## WAIVERS AND EXEMPTIONS

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experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Au’s professional qualifications and experience, she will be able to explain to both Ms. Liu and our Company the relevant requirements under the Listing Rules. She will also assist Ms. Liu in organizing board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Au is expected to work closely with Ms. Liu, and will maintain regular contact with Ms. Liu, the Directors and the senior management of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. The waiver will be revoked immediately if Ms. Au ceases to provide assistance to Ms. Liu as the joint company secretary for the three-year period after [REDACTED]. In addition, Ms. Liu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED].

In the course of preparation of the [REDACTED], Ms. Liu attended a training seminar on the respective obligations of the directors and senior management and our Company under the relevant Hong Kong laws and the Listing Rules provided by our Company’s Hong Kong legal advisor, Davis Polk & Wardwell, and has been provided with the relevant training materials. Our Company will further ensure that Ms. Liu has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, both Ms. Liu and Ms. Au will seek and have access to advice from our Company’s Hong Kong legal and other professional advisors as and when required. Our Company has appointed Guotai Junan Capital Limited as the Compliance Adviser upon our [REDACTED] pursuant to Rule 3A.19 of the Listing Rules, which will act as our Company’s additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and its joint company secretaries in compliance with the Listing Rules and all other applicable laws and regulations. Prior to the end of the three-year period, the qualifications and experience of Ms. Liu and the need for on-going assistance of Ms. Au will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Liu, having benefited from the assistance of Ms. Au for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the “relevant experience” within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary. See “—Directors and Senior Management” for further information regarding the qualifications of Ms. Liu and Ms. Au.

### WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with Chapter 14A of the Listing Rules. See “Connected Transactions” for further information.

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## WAIVERS AND EXEMPTIONS

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

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

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

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

As of the Latest Practicable Date, our Company had granted options under the [REDACTED] Share Option Plan to [403] grantees, including (i) [three] Directors, Ms. Liu, Mr. Wang and Mr. Ji, who are also members of the senior management, (ii) [two] connected persons, namely, Mr. He, who was our Director in the last 12 months and Ms. Zhou who is an employee of our Company and the spouse of Mr. Wang, and (iii) [397] other employees and one former consultant of our Group, to acquire an aggregate of after taking into account the [REDACTED], [REDACTED] Shares (representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED], assuming (i) [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan (the “Assumptions”), of which a portion of the options corresponding to [23,761,790] Shares have been exercised (the “Exercised Options”)<sup>(1)</sup>, representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED], assuming the Assumptions. As at the date of this Document, it is expected that among these [23,761,790] Shares to be issued immediately after the [REDACTED] and the [REDACTED], [6,975,000] Shares will be issued to an Employee Shareholding Platform the beneficiaries of which are grantees comprising (i) [one] Director, namely Ms. Liu, who is also a member of the senior management, and (ii) [two] connected persons, namely, Mr. He who was our Director in the last 12 months and Ms. Zhou, who is an employee of our Company and the spouse of Mr. Wang, upon [REDACTED]. Among these [23,761,790]

## WAIVERS AND EXEMPTIONS

Shares, [16,786,790] Shares will be issued to an Employee Shareholding Platform the beneficiaries of which are our employees other than our Directors, senior management and connected persons of our Group upon [REDACTED]. Save for the foregoing, no other Shares will be issued pursuant to the [REDACTED] Share Option Plan before and upon [REDACTED].

In addition, as of the Latest Practicable Date, [398] grantees who are not Director, members of the senior management and other connected person of the Company held options that represent an aggregate of [50,574,490] underlying Shares (after taking into account the [REDACTED]) that were still outstanding and unexercised. These [50,574,490] options will be exercisable in accordance with their vesting schedules after [REDACTED]. For further details of our [REDACTED] Share Option Plan, see “Statutory and General Information—D. [REDACTED] Share Option Plan”.

*Note:*

As of the Latest Practicable Date and taking into account the [REDACTED] :

- (1) three grantees comprising (i) [one] Director, namely, Ms. Liu, who is also a member of the senior management, and (ii) [two] connected persons, namely, Mr. He, who was our Director in the last 12 months and Ms. Zhou, who is an employee of our Company and the spouse of Mr. Wang have been granted the options. Among these three grantees, [4,460,600] options, [2,843,150] options, and [2,060,570] options have been granted to Mr. He, Ms. Liu and Ms. Zhou, respectively, and 4,460,600 options, 1,730,990 options and 783,410 options have been exercised by Mr. He, Ms. Liu and Ms. Zhou, respectively. Accordingly, 460,600 Shares, 1,730,990 Shares and 783,410 Shares will be issued to an Employee Shareholding Platform, upon [REDACTED], pursuant to the terms and conditions of the [REDACTED] Share Option Plan. [398] grantees who are not Directors, members of senior management or other connected persons of the Company have been granted [67,361,280] options. Amongst these options, [16,786,790] options have been exercised and [16,786,790] Shares will be issued to an Employee Shareholding Platform, upon [REDACTED] according to the number of Shares underlying the options which they have exercised. The remaining [50,574,490] options remained outstanding and unexercised and will be exercisable in accordance with their vesting schedules after [REDACTED].

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

- (a). since the outstanding options under the [REDACTED] Share Option Plan were granted to a total of [403] grantees involved, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the Document will require substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED] and would significantly increase the cost and timing for information compilation and Document preparation;
- (b). key information of the options granted under the [REDACTED] Share Option Plan to the Directors, members of senior management and connected persons of our Company has already been disclosed in the section headed “Statutory and General Information—D. [REDACTED] Share Option Plan” in Appendix IV to this Document;
- (c). the key information of the [REDACTED] Share Option Plan as disclosed in the section headed “Statutory and General Information—D. [REDACTED] Share Option Plan” in Appendix IV to this Document is sufficient to provide [REDACTED] with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the [REDACTED] Share Option Plan in their [REDACTED] decision making process;



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## WAIVERS AND EXEMPTIONS

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- (d). with respect to the other grantees, such number of Shares (representing only approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED], assuming (i) [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan) is not material in the circumstances of our Company, and the exercise in full of such share options will not cause any material adverse change in the financial position of our Company; and
- (e). the lack of full compliance with such disclosure requirements will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the [REDACTED].

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

- (a). the following information will be clearly disclosed in this Document:
  - i. on individual basis, full details of all the options granted by our Company under the [REDACTED] Share Option Plan to each of the Directors, members of the senior management and connected persons, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;
  - ii. in respect of the options granted by our Company to the grantees other than those referred to in sub-paragraph (i) above:
    - a. the aggregate number of the grantees and the number of Shares subject to the options;
    - b. the consideration paid for and the date of the grant of the options; and
    - c. the exercise period and the exercise price for the options;
  - iii. the dilution effect and impact on earnings per Share upon full exercise of the [50,574,490] outstanding options granted (taking into account the [REDACTED]) under the [REDACTED] Share Option Plan;
  - iv. the aggregate number of Shares subject to the outstanding options granted by our Company under the [REDACTED] Share Option Plan and the percentage of our Company’s issued share capital of which such number represents;
  - v. a summary of the [REDACTED] Share Option Plan;
  - vi. the particulars of the waiver will be disclosed in this Document;
  - vii. the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
  - viii. the list of all the grantees (including the persons referred to in paragraph (ii) above), containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the



## WAIVERS AND EXEMPTIONS

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Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies and Available on Display—Documents Available on Display” in Appendix V to this Document.

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

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

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

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## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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### DIRECTORS

Name	Address	Nationality
<b>Executive Directors</b>		
Mr. Wang Zhaohui (王朝暉)	No. 58 Qianmachang Hutong Xicheng District, Beijing PRC	Chinese
Mr. Ji Weiguo (紀偉國)	Room 801, Unit 1, Building 4, Ruyuan South Lane Yongfeng Road Haidian District, Beijing PRC	Chinese
Ms. Liu Xianna (劉憲娜)	Room 1102, Unit 1, Building 1, TEDA Park Yong’an Road Hexi District, Tianjin PRC	Chinese
<b>Independent Non-executive Directors</b>		
Mr. Du Kui (杜葵)	No. 24, Unit 1, Building 2 No.4 Xibianmenwai Avenue Xicheng District, Beijing PRC	Chinese
Mr. Zhao Hongqiang (趙宏強)	No. 1101, Unit 3, Building 3, No. 3 Yard Jingda Road Chaoyang District, Beijing PRC	American
Mr. Ge Ke (葛珂)	Room 9, Unit 3, Floor 212, No. 57 Yongding Road Haidian District, Beijing PRC	Chinese

For details with respect to our Directors, see “Directors and Senior Management”.

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Joint Sponsors, [REDACTED] and  
[REDACTED]**

**Morgan Stanley Asia Limited**  
Level 46, International Commerce Center  
1 Austin Road West, Kowloon, Hong Kong

**China International Capital Corporation Hong Kong  
Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**[REDACTED]**

**Legal Advisers to our Company**

*As to Hong Kong law and United States law*

**Davis Polk & Wardwell**  
10/F, The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to PRC law*

**Han Kun Law Offices**

9<sup>th</sup> Floor, Office Tower C1, Oriental Plaza1 East Chang An  
Ave, Dongcheng District  
Beijing  
PRC

*As to Cayman Islands law*

**Maples and Calder (Hong Kong) LLP**

26th Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

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

*As to Hong Kong law and United States law*

**Paul Hastings**

22/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

*As to PRC law*

**King & Wood Mallesons**

18th Floor, East Tower  
World Financial Center  
1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing  
PRC

**Reporting Accountant and Auditor**

**PricewaterhouseCoopers**

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

**Industry Consultant**

**China Insights Industry Consultancy Limited**

10F, Block B, Jing’an International Center  
88 Puji Road, Jing’an District  
Shanghai  
PRC

**[REDACTED]**

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## CORPORATE INFORMATION

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<b>Registered Office</b>	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
<b>Headquarters and Principal Places of Business in the PRC</b>	03001-03006, Level 3, Building 3 No. 688 Middle Tianfu Avenue Chengdu High-tech Zone Pilot Free Trade Zone, Sichuan Province PRC  Room 710, Building 1 No. 35 Shangdi East Road Haidian District, Beijing PRC
<b>Principal Place of Business in Hong Kong</b>	40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong
<b>Company’s Website</b>	www.beisen.com <i>(The information contained in this website does not form part of this Document.)</i>
<b>Joint Company Secretaries</b>	<b>Ms. Liu Xianna</b> (劉憲娜) Room 1102, Unit 1, Building 1, TEDA Park Yong’an Road Hexi District, Tianjin PRC  <b>Ms. Au Wai Ching</b> (區慧晶) <i>ACG(CS, CGP), ACS(CS, CGP)</i> 40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong
<b>Authorized Representatives</b>	<b>Ms. Liu Xianna</b> (劉憲娜) Room 1102, Unit 1, Building 1, TEDA Park Yong’an Road Hexi District, Tianjin PRC  <b>Ms. Au Wai Ching</b> (區慧晶) <i>ACG(CS, CGP), ACS(CS, CGP)</i> 40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong

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## CORPORATE INFORMATION

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<b>Audit Committee</b>	<b>Mr. Zhao Hongqiang</b> (趙宏強) ( <i>Chairman</i> ) <b>Mr. Ge Ke</b> (葛珂) <b>Mr. Du Kui</b> (杜葵)
<b>Remuneration Committee</b>	<b>Mr. Ge Ke</b> (葛珂) ( <i>Chairman</i> ) <b>Mr. Ji Weiguo</b> (紀偉國) <b>Mr. Du Kui</b> (杜葵)
<b>Nomination Committee</b>	<b>Mr. Wang Zhaohui</b> (王朝暉) ( <i>Chairman</i> ) <b>Mr. Ge Ke</b> (葛珂) <b>Mr. Du Kui</b> (杜葵)
<b>Compliance Adviser</b>	<b>Guotai Junan Capital Limited</b> 27/F, Low Block, Grand Millennium Plaza 181 Queen’s Road Central Hong Kong  [REDACTED]
<b>Principal Banks</b>	<b>Sichuan branch, Bank of China Limited</b> NO. 35, Middle Renmin Road (2 Duan) Qingyang District Chengdu, Sichuan Province  <b>Chaoyang branch in Beijing, Bank of China Limited</b> Block B, Jiacheng Building, No. 18 Xiaguang Lane, Dongsanhuan North Road Chaoyang District Beijing



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## INDUSTRY OVERVIEW

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*The information that appears in this Industry Overview contains information and statistics on the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report prepared by China Insights Industry Consultancy Limited (“CIC”), an Independent Third Party which we commissioned. The information from official government sources has not been independently verified by us, the [REDACTED], the [REDACTED], Joint Sponsors, [REDACTED], [REDACTED], any of the [REDACTED], any of our or their respective directors, supervisors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED] and no representation is given as to its accuracy.*

### SOURCES OF INFORMATION

This section contains information extracted from the China Insights Consultancy Report (“**CIC Report**”) prepared by CIC independently, which is commissioned by us, for this [REDACTED] document. We expect to pay CIC a total of RMB980,000 for the CIC Report and our use of the report. CIC is a consulting company which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries. CIC undertook both primary and secondary research using various resources to construct this report. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the PRC National Bureau of Statistics, and China Internet Network Information Center. The information and data collected by CIC have been analyzed, assessed, and validated using CIC’s in-house analysis models and techniques.

CIC prepared its report on the following basis and assumptions for historical data and projections: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) the Chinese economy is expected to grow steadily during the forecast period, and (iii) there will be no extreme unforeseen events, including regulations and government policies, which may materially affect the market during the forecast period.

## INDUSTRY OVERVIEW

### HCM MARKET IN CHINA

#### Overview

Human capital management, or HCM, encompasses a set of solutions and related professional services that enterprises use for recruiting, managing, developing, retaining and optimizing their workforces. The HCM market is highly complex with a number of modules addressing a variety of use cases, as illustrated by the following chart.

Modules of HCM	Key functions
Recruitment	<ul style="list-style-type: none"> <li>Talent screening, talent referral, interview management, applicant tracking, background check, talent acquisition</li> </ul>
Assessment	<ul style="list-style-type: none"> <li>Talent evaluation, talent potential measurement</li> </ul>
Core HCM	<ul style="list-style-type: none"> <li>Human resources: on-boarding and off-boarding, probation management, position transfer management, organization structure, contract management, personnel management</li> <li>Attendance management: attendance, scheduling, labour allocation</li> <li>Payroll: salary accounting and payment, compensation structure optimization, social insurance and tax treatment, flexible benefits, commercial insurance</li> </ul>
Performance	<ul style="list-style-type: none"> <li>Performance measurement and review, performance improvement</li> </ul>
Succession	<ul style="list-style-type: none"> <li>Talent calibration, workforce analytics, critical roles identifying</li> </ul>
E-learning and others	<ul style="list-style-type: none"> <li>On-board training, professional skill training, course and exam management, learning plan and process management</li> </ul>

Source: CIC Report

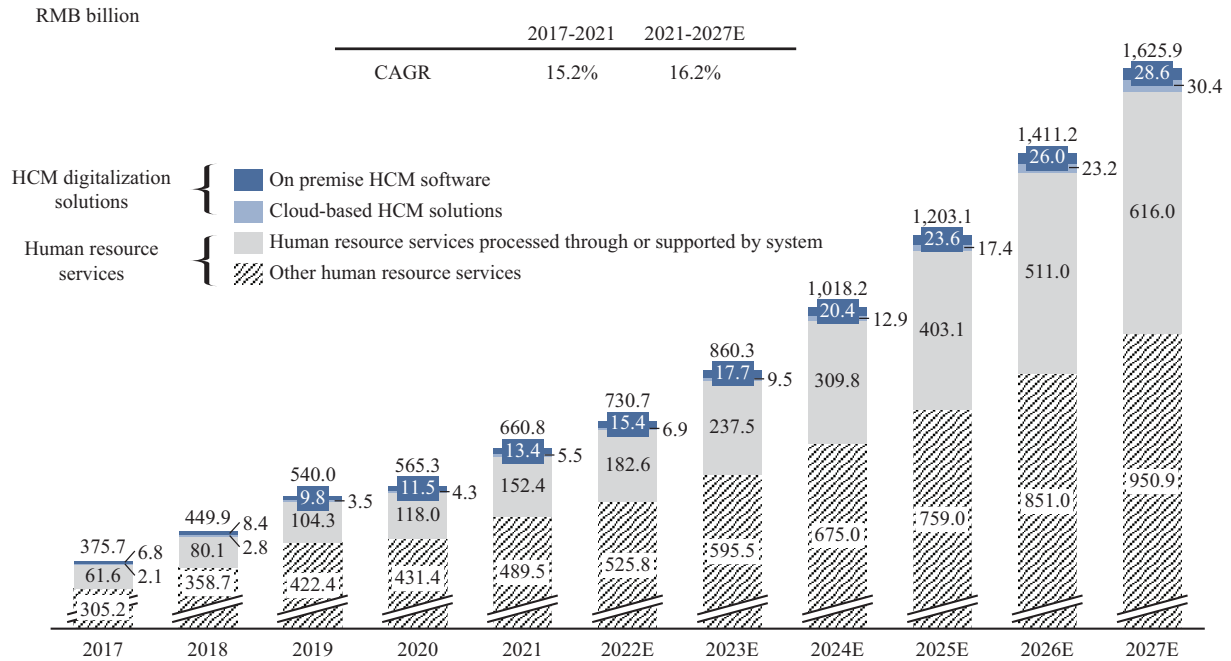
The HCM market in China has experienced a steady growth in recent years. According to CIC, the size of China’s HCM market increased from RMB375.7 billion in 2017 at a CAGR of 15.2% to RMB660.8 billion in 2021, and expected to reach RMB1,625.9 billion in 2027, representing a CAGR of 16.2% between 2021 and 2027.

Enterprises in China have in recent years continued to grow in number, driven by the growing macro economy and continued transformation and structural upgrades across industries. The increasing number of enterprises and their growing expenditures have been and will continue to be the main driver for growth of China’s HCM market. According to CIC, the number of enterprises in China grew from 30.3 million in 2017 to 48.4 million in 2021, and is expected to reach 87.1 million by 2027 representing a CAGR of 10.3% between 2021 and 2027. This will outpace China’s expected nominal GDP growth at a CAGR of 6.7% between 2021 and 2027 according to CIC.

## INDUSTRY OVERVIEW

The following chart illustrates the size of China’s HCM market in terms of revenue for the periods indicated:

**Market size of the HCM industry in terms of revenue, China, 2017-2027E**



Note: Calculation of the size of the HCM market includes revenues generated from human resource outsourcing services.

Source: CIC Report

In terms of business model, the HCM market can be categorized into HCM digitalization solutions market (with a size of RMB18.9 billion in 2021) and traditional human resource services market (with a size of RMB641.9 billion in 2021). HCM digitalization solutions, including cloud-based HCM solutions (with a size of RMB5.5 billion in 2021) and on premise HCM software (with a size of RMB13.4 billion in 2021), are mainly designed to streamline and optimize enterprises’ internal HCM process. In contrast, traditional human resources services, consisting primarily of outsourcing services, employee recruiting services, corporate training services, personnel management services and payroll processing and benefit administration services, are designed to allow enterprises to outsource their in-house HR functions.

### Competitive Landscape

According to CIC and the Ministry of Human Resources and Social Security of the PRC, China’s HCM market is fragmented with a variety of verticals. In 2021, there were approximately 59,100 players in this market. The major types of market players in China’s HCM digitalization market are SaaS companies and enterprise software companies. As opposed to the HCM digitalization market, the major types of players in China’s traditional human resource services market are professional HR services companies such as recruiting firms and platforms, staffing agencies, payroll processing and benefit administration service providers, and corporate training service vendors.

### Major Industry Transformations

For the past almost two decades, China’s HCM market has undergone several major transformations, switching from traditional, paper-based HCM processes to digital HCM solutions represented by on-premise software, further to smarter and more efficient cloud-based HCM solutions, and to the more recent emergence

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of integrated, all-in-one HCM solutions. The table below demonstrates the distinct industry landscape and Beisen’s strategic focus at each stage of development along these transformations.

Stage of Development	Industry Landscape	Beisen’s Strategic Focus
Before 2010	<p>In China, advanced technologies that later enabled cloud-based HCM solutions, such as data analytics, AI and cloud computing, were at the nascent stage of development. Therefore, substantially all of the major players in China’s HCM market were still focused on providing (i) traditional on-premise software, such as enterprise resource planning solutions, or ERP solutions, and (ii) traditional human resource services, such as payroll services and recruitment process outsourcing services. In China, traditional human resource services appeared after 1978, and then traditional on-premise software emerged in the 2000s.</p>	<ul style="list-style-type: none"> <li>• During this period, Beisen’s research and development efforts and investments were mainly focused on building and evolving employee assessment software running on different infrastructure.</li> <li>• Historically, Beisen had been primarily focused on offering non-SaaS digital assessment tools, helping enterprises identify qualified job candidates and existing employees with substantial growth potential. These non-SaaS digital assessment tools are web-based applications designed to run on a web browser. Unlike cloud-based SaaS products, these non-SaaS digital assessment tools require reliable and stable web servers and internet connection to function, and are usually limited in scalability and uptime.</li> <li>• In addition, Beisen has continued to invest heavily in technology innovation and pioneered the industry’s first cloud-based assessment module delivered via a SaaS model, according to CIC.</li> </ul>
2010 – 2015	<p>As the demand for cloud-based HCM solutions increased over time, an increasing number of peers kicked start the development of their own cloud-based HCM solutions, yet at a relatively slower pace as compared to Beisen. In the meantime, many market leaders that had predominated China’s HCM market remained focus on on-premise ERP solutions</p>	<ul style="list-style-type: none"> <li>• This period has witnessed the emergence of cloud-based HCM solutions in China as technological advancement and digital transformation accelerated.</li> <li>• Beisen has pioneered the industry in the development and commercialization of cloud-based HCM solutions and have gained tremendous first-mover advantages as compared to its main peers.</li> <li>• During this period, Beisen has strategically made substantial R&amp;D investments in expanding its product portfolio to cover recruitment, performance management and succession planning modules. The goal of these investments was to capture tremendous market opportunities driven by the growing customer demands for cloud-based HCM solutions to achieve sustainable growth in the long term. In particular, Beisen’s Recruitment Cloud, being one of its key products to date, has achieved initial commercialization with a scalable customer base since 2013, driven by its continued R&amp;D and marketing efforts. According to CIC, Beisen pioneered commercializing the recruitment module, which has become the most popular recruitment software product in China with the largest customer base since 2013.</li> <li>• To improve product development efficiency, Beisen also developed an application</li> </ul>

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Stage of Development	Industry Landscape	Beisen’s Strategic Focus
2016 – 2020	<p>Due to continuous technology innovation, accelerated digital transformation and growing customer demands, China’s cloud-based HCM solutions market had experienced rapid growth during this stage of development. The size of the cloud-based HCM solutions market in China in terms of revenue grew from RMB1.4 billion in 2016 to RMB4.3 billion in 2020, representing a CAGR of 32.7%, according to CIC. Driven by this emerging industry trend, leading software providers tapped into China’s cloud-based HCM solutions market with increasingly diversified product portfolios, and certain fast-movers also sought to build a complete suite of cloud-based HCM solutions.</p>	<p>programming interface, which allows unified data storage across software modules.</p> <ul style="list-style-type: none"> <li>• During this period, a vast majority of the then existing market players offered incomplete product suites that deliver only a portion of the capabilities needed by enterprises. To cater to the increasingly complex business use cases, China’s enterprises had to use standalone modules from multiple vendors, which led to increased costs, reduced operational efficiency, suboptimal user experience, and data segregation across different system.</li> <li>• To meet customers’ unaddressed demand for an all-in-one HCM solution, Beisen continued to: <ul style="list-style-type: none"> <li>• invest in building a comprehensive suite of cloud-based HCM solutions that cover enterprises’ HCM needs throughout the entire employee lifecycle, and</li> <li>• devote substantial financial and R&amp;D resources in building a unified and open PaaS infrastructure to strengthen the foundation for an integrated, all-in-one HCM solution.</li> </ul> </li> </ul>
2020 Up to Now		<ul style="list-style-type: none"> <li>• Building upon the strong PaaS infrastructure, Beisen launched its iTalentX platform in 2020, which is synonymous with its holistic approach to address customers’ HCM needs, from proprietary cloud-based HCM solutions to expertise and know-how in people science that are deeply integrated with such solutions, and further to data insights informing customers’ decision-making.</li> <li>• iTalentX set another milestone along Beisen’s path towards a fully integrated HCM solution, and Beisen started marketing its cloud-based HCM solutions by offering multiple modules as one bundled package, which has allowed Beisen to improve its sales and marketing efficiency during the Track Record Period. This unique holistic approach also creates significant monetization opportunities.</li> <li>• Substantial R&amp;D investments were also made to enhance the capacity of its PaaS infrastructure and expand product offerings. E-learning Cloud was developed in-house and launched during this period.</li> <li>• Beisen has continued to invest heavily in enhancing product functionality and technology capabilities and broadening customer base, while seeking to capitalize on these attractive monetization opportunities to improve its profitability.</li> </ul>

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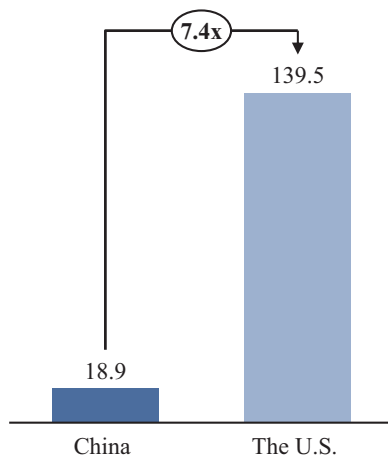
### HCM DIGITALIZATION SOLUTIONS MARKET IN CHINA

#### Overview

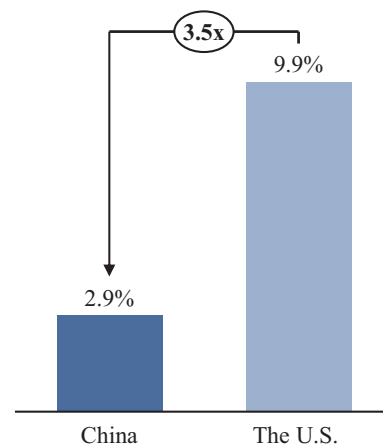
China’s HCM market has long been characterized by low level of digitalization. While China has achieved an internet penetration rate largely comparable with that of the United States, China’s HCM market has remained significantly less digitalized than that of the United States, the world’s largest market for enterprise software solutions. According to CIC, China’s HCM digitalization rate, calculated by dividing the size of the digitalized HCM solutions market by the total HCM market size, was only 2.9% in 2021, significantly lower than that of 9.9% for the United States. The lack of digitalization, combined with organizations’ significant demand for HCM solutions, suggests that there is substantial room for future growth of digitalized HCM solutions.

The following chart illustrates the size of the HCM digitalization solutions market and HCM digitalization rates of China and the United States in 2021:

HCM digitalization solutions market size (RMB billion)



HCM digitalization solutions market size and as a % of total HCM market (%)



*Note:* The calculation of the size of the HCM digitalization solutions market includes revenues from human resource outsourcing services.  
*Source:* CIC Report

Organizations and their workforces have diverse HCM needs, as a result of their different sizes, organizational structures, and industries in which they operate. However, many existing HCM vendors only offer single, standalone solution that is not scalable or easily customizable to meet such needs. This has led to the rise of integrated cloud-based HCM solutions, as discussed in further detail below.

#### Market Size and Growth Potential

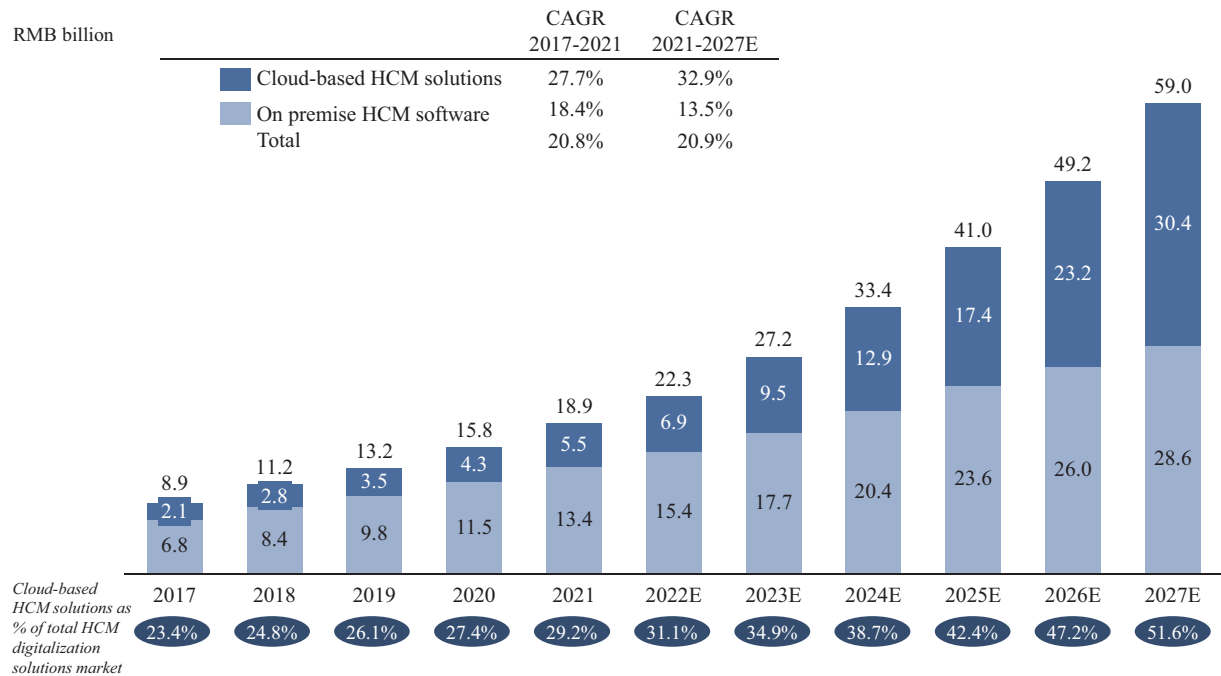
According to CIC, the size of China’s HCM digitalization solutions market has grown significantly in recent years, from RMB8.9 billion in 2017 to RMB18.9 billion in 2021. Driven by technology advancements, increasing awareness of digital transformation and strong demands for digitalized solutions in part due to the COVID-19 pandemic, the size of China’s HCM digitalization solutions market as a percentage of the total HCM market is estimated to grow from 2.9% in 2021 to 3.6% in 2027 according to CIC. According to the same source, the market for HCM digitalization solutions in China is expected to continue to grow rapidly and reach RMB59.0 billion in 2027, representing a CAGR of 20.9% between 2021 and 2027.



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The following chart illustrates the market size of China’s HCM digitalization market:

### Market size of the HCM digitalization industry by delivery model, in terms of revenue, China, 2017-2027E



Note: For the purpose of the chart above, the calculation of the size of cloud-based HCM solutions market includes subscription fee, implementation service fee, and customized product development service fee (i.e. fees paid by customers for customization of existing solutions for their specific needs), and the calculation of the size of the on premise HCM software market includes license fee, installation fee, maintenance fee, and customized product development service fee.

Source: CIC Report

### The Rise of Cloud-based HCM Solutions

In terms of delivery model, HCM digitalization solutions can be divided into two categories: on premise HCM software and cloud-based HCM solutions. On premise HCM software has long been the mainstream delivery model in China’s HCM market with a market share of 70.8% in 2021. In contrast, the cloud-based model has become the market norm in the United States with a market share of 69.3% in 2021.

The proliferation of cloud-based technologies and enterprises’ growing need for flexible, easy-to-use and affordable HCM services have led to the rise of cloud-based HCM solutions. By leveraging leading technologies such as big data, AI, and cloud computing, cloud-based HCM solutions have significant advantages over on premise HCM software in improving organizations’ efficiency, cost-saving and productivity. Cloud-based HCM solutions are more adaptable and scalable than on premise HCM software, with easy-to-use features and strong data analytics tools that the latter does not offer. Compared to legacy on premise HCM software, cloud-based HCM solutions are built to be more easily accessed by employees via mobile and PC devices with rich functions and easy-to-navigate interfaces, delivering a more friendly and intuitive user experience. Additionally, cloud-based HCM solutions require a significantly less upfront investment in initial implementation than on premise HCM software. Furthermore, the cloud-based delivery model also provides service providers with significant cross-selling opportunities as organizations prefer to integrate various HCM functions onto one cloud-based platform for better synergy and cost-saving. As a result of these benefits, an increasing number of

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Chinese organizations are looking to replace their legacy systems and adopt cloud-based HCM solutions to improve operational efficiency and better serve their employees.

### **Snapshots of Development of A SaaS Company**

As cloud-based HCM solutions are delivered via a SaaS model, market players offering primarily cloud-based HCM solutions are essentially SaaS companies. A SaaS company typically experiences three development stages from its “start-up” to “growth and scaling-up” and further to “maturity:”

#### ***Start-up***

A typical SaaS company invests substantially in the construction of its own cloud infrastructure and purchasing services from public cloud service providers, as well as development and continuous upgrades of its products and services as a starting point. In the meantime, substantial selling and distribution expenses are incurred for acquisition of new customers, which is usually challenging for a start-up company delivering new products and services.

At the start-up stage, the rapid increase in revenue primarily depends on the acquisition of new customers. Even after obtaining its first batch of customers, a SaaS company is nevertheless unlikely to quickly recover its initial investments, especially in R&D and customer acquisition, as under the subscription model, most of the potential values of customers are not monetized immediately upon engagement of such customer, but rather realized gradually over the entire lifetime of subscriptions.

At this stage, a SaaS company usually tends to prioritize “proof of concept” of its products (innovations and product development), and customer acquisition (focusing on locating targeted customer groups and reference clients in particular), over short-term profitability. The annual revenue retention rate for a SaaS company is generally 70% to 90% at this stage.

#### ***Growth and Scaling-up***

At this stage, a SaaS company has relatively mature products and a sizable customer base. It continues to invest in R&D and marketing activities, but the proportion of selling and distribution expenses to its total revenues starts to stabilize gradually. The growth rate of the number of new customers and the proportion of the total revenue contributed by new customers will gradually stabilize or decline. Long-term stable revenue growth is largely supported by additional purchases from existing customers.

Therefore, at this stage, a SaaS company tend to focus more on upselling and cross-selling to existing customers and enhancing product experience while keeping a balance of acquiring new customers in a cost-effective manner. Upselling and cross-selling as well as quality services will enhance customer stickiness and reduce churn, receive more revenue from an existing customer with a lower customer acquisition cost. At this stage, a healthy SaaS company has a gradually increasing average selling price per customer, high existing customer retention rate with increasing recurring revenue, and annual revenue retention rate exceeding 100%. As customer acceptance and stickiness continue to increase, the SaaS company benefits from improved customer acquisition efficiency. As a result, R&D and selling and distribution expenses as percentages of revenues start to stabilize gradually, resulting in its improved profitability profile. Nevertheless, even a healthy SaaS company is usually loss-making at this stage.

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### *Maturity*

At this stage, a SaaS company’s products are more mature. Its high existing customer retention rate contributes to stable revenues from continuing subscriptions, while its products and services which are standardized are highly scalable and therefore start to benefit from economies of scales.

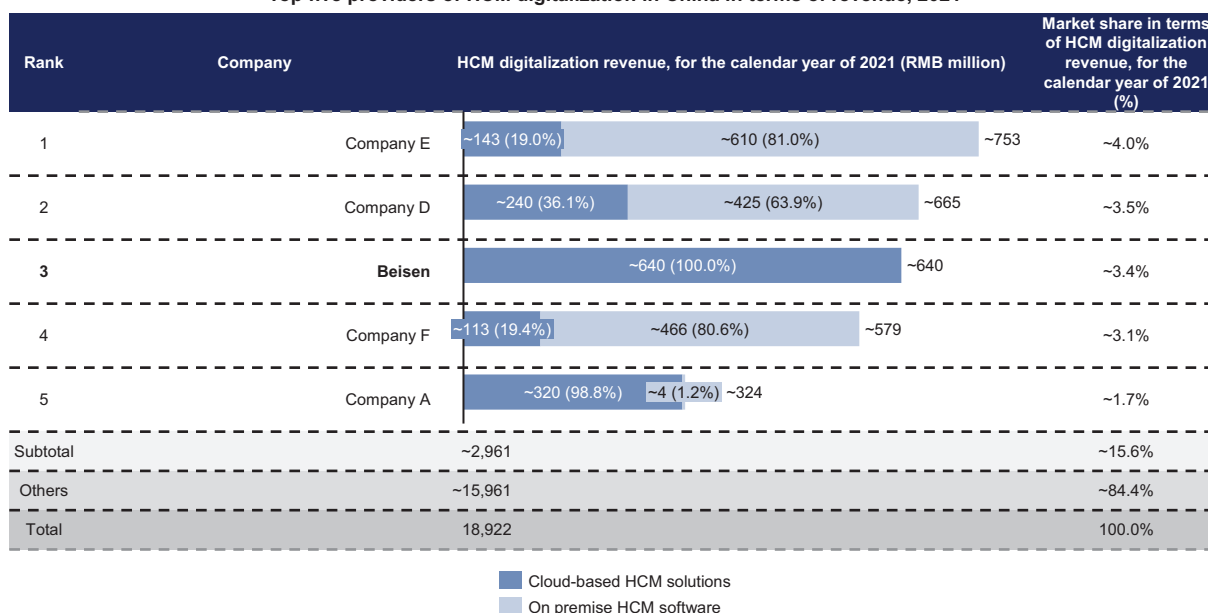
In terms of costs and expenses, a SaaS company’s R&D and selling and distribution expenses as percentages of total revenues and customer acquisition costs will decrease, as it already has mature products and services (without having to continuously make high level of R&D investments as in previous stages), a sizable and stable customer base contributing recurring revenue and established brand name to attract new customers without incurring high marketing or selling expenses.

As a result, a SaaS company will be able to achieve break-even during this stage. It may enjoy a sustained and stable profit that primarily comes from renewals of subscriptions and additional purchases from existing customers. Depending on the level of competition and company’s targeted market share or growth objectives, this stage can be reached earlier or later.

### **Competitive Landscape**

According to CIC, as of 2021, there were over 500 market participants in China’s HCM digitalization market. China’s HCM digitalization market is relatively fragmented, with the top five players taking up approximately 15.6% market share in 2021. Beisen ranked the third in terms of revenues in 2021 in China’s HCM digitalization market, with a market share of 3.4%. According to CIC, among the top five players in China’s HCM digitalization market, Beisen is the only one that generates revenues solely from cloud-based HCM solutions and ancillary professional services. In contrast, cloud-based HCM solutions and ancillary professional services only accounted for approximately 35% of the combined revenues of the other four players in 2021.

Top five providers of HCM digitalization in China in terms of revenue, 2021



*Notes:*

Company E is a Chinese software company offering ERP and cloud services. It was founded in 1988 and is listed on Shanghai Stock Exchange.

Company D is a Chinese software company serving enterprises of different scales with HCM, ERP, finance software, etc. It was founded in 2003 and is listed on the Hong Kong Stock Exchange.

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Company F is a Chinese software company in the enterprise application software sector. It was founded in 1993 and is listed on Hong Kong Stock Exchange.

Company A, founded in 1972, is an international software company that has over 100 thousand employees across more than 140 countries and regions. Company A is primarily engaged in offering HCM, CRM and ERP software. Company A entered the Chinese market in 1992. In 2012, it entered the cloud-based HCM solutions market by acquiring a cloud-based business.

Source: CIC Report

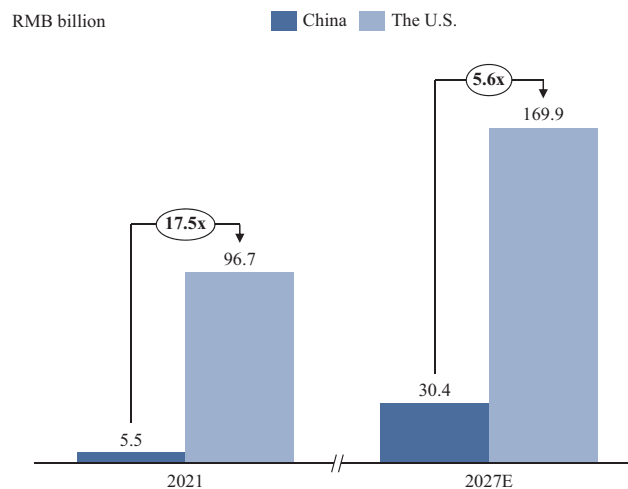
### CLOUD-BASED HCM SOLUTIONS MARKET IN CHINA

#### Market Size and Growth Potential

According to CIC, the market for cloud-based HCM solutions in China is expected to grow at a CAGR of 32.9% from 2021 and 2027, more than doubling the CAGR of 13.5% of on premise HCM software. CIC expects the market share of cloud-based HCM solutions to exceed that of on premise HCM software and reach 51.6% in 2027.

Despite its recent rapid growth, China’s cloud-based HCM solutions market remains much smaller in size than that of the United States, suggesting significant room for future growth. According to CIC, cloud-based HCM solutions market size in terms of revenue in the United States is 17.5 times larger than that of China in 2021. The gap is expected to narrow quickly to only 5.6 times in 2027, as illustrated by the chart below.

#### Cloud-based HCM solutions market size in terms of revenue, China and the United States, 2021/2027E



Source: CIC Report

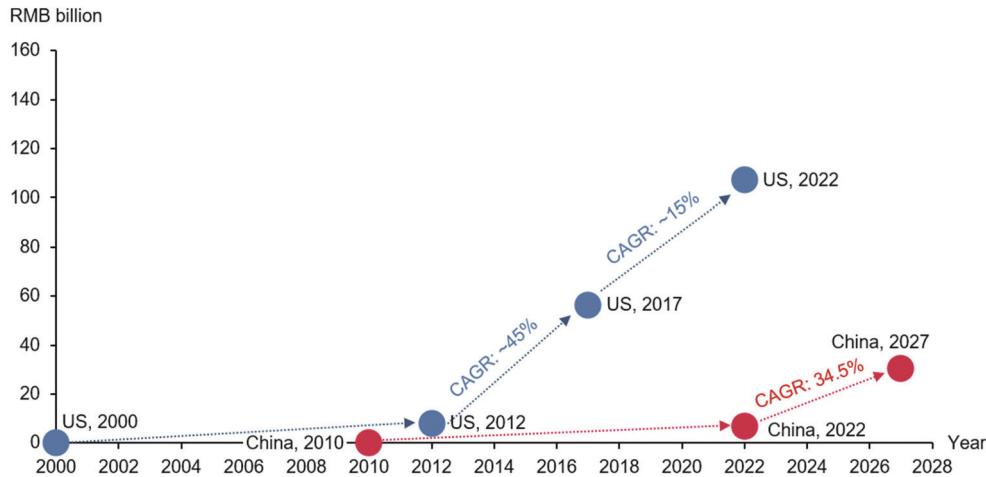
According to CIC, in the United States, where the largest cloud-based HCM solutions market is located, it is observed that the enterprises providing integrated cloud-based HCM solutions are taking up an increasing market share, which can be attributed to the growing customer demand as well as the emerging trend of market consolidation by enterprises offering integrated cloud-based HCM solutions. Chinese market, as a less developed market and a follower, is likely to replicate the trend in the United States.

This can be exemplified by similar historical growth trajectories of the two different markets. For example, the U.S. cloud-based HCM solutions market emerged in early 2000s, and reached a market size of approximately RMB8 billion in 2012. In contrast, the cloud-based HCM solutions

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market in China emerged in early 2010s, and is expected to reach a market size of RMB7 billion in 2022, close to the U.S. market size ten years ago.

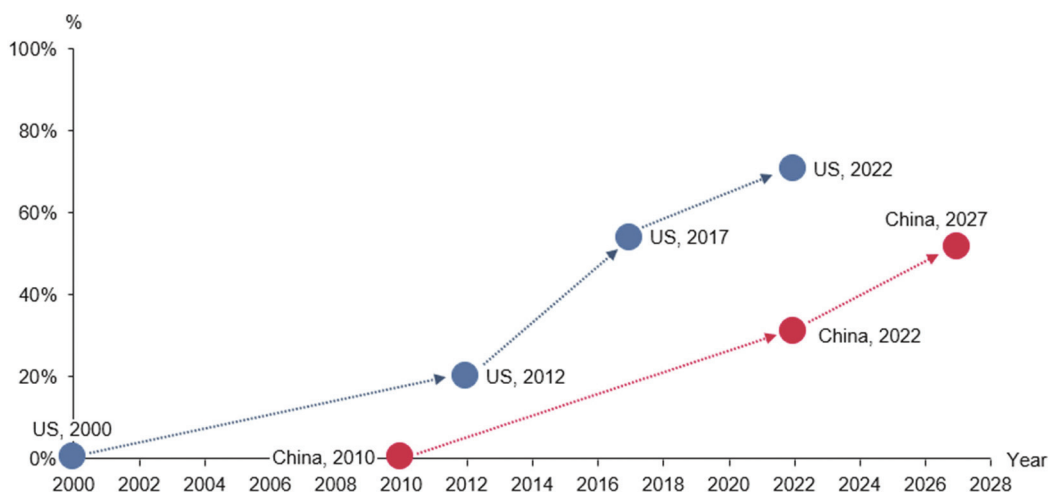
### Cloud-based HCM solutions market size in terms of revenue, China and the United States



In addition, China’s cloud-based HCM solutions market size as a percentage of nominal GDP in 2022 (0.006%) is close to the same figure of the U.S. (0.008%) in 2012, indicating a similar development trajectory. The Chinese market is expected to further grow to reach RMB30 billion in 2027, as compared to RMB56 billion in 2017 in the United States.

Furthermore, the U.S. cloud-based HCM solutions market accounted for 20%- 30% of its HCM digitalization market in 2012, and that percentage figure in China reached 31.1% in 2022, which was similar to the United States ten years ago. That percentage figure in China is expected to further grow to reach 51.6% in 2027, close to that of 54.0% in the United States in 2017.

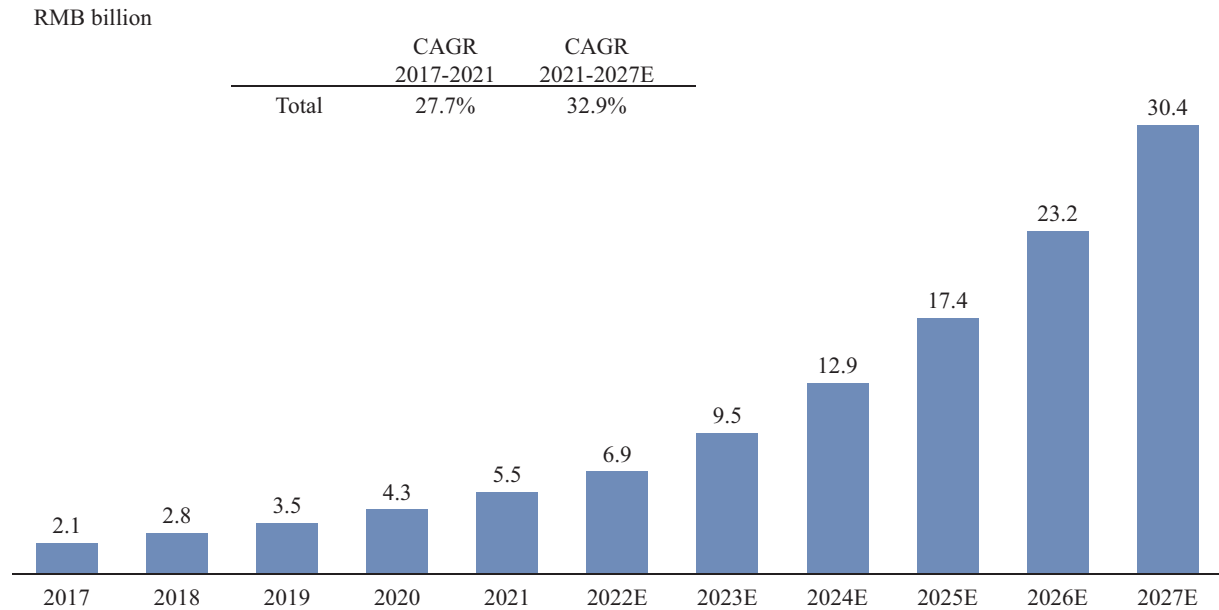
### Cloud-based HCM solutions market size as a percentage of the total HCM digitalization market, China and the United States



According to CIC, China’s cloud-based HCM solutions market grew at a CAGR of 27.7% from RMB2.1 billion in 2017 to RMB5.5 billion in 2021 and is expected to grow further to RMB30.4 billion in 2027, representing a CAGR of 32.9% between 2021 and 2027, as illustrated by the chart below.

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### Market size of the cloud-based HCM solutions industry, in terms of revenue, China, 2017-2027E



*Note:* For the purpose of the chart above, the calculation of the size of the cloud-based HCM solutions market includes subscription fee, implementation service fee, and customized product development service fee (i.e. fees paid by customers for customization of existing solutions for their specific needs).

*Source:* CIC Report

### Key Growth Drivers

The fast growth of cloud-based HCM solutions in China is and will continue to be driven by the following factors:

- *Organizations’ growing demand for scalable, flexible and efficient HCM solutions that facilitate their transition to talent-intensive business model.* Organizations in China are demanding scalable, flexible and configurable HCM solutions that align with their specific business processes and workflows. They are increasingly adopting cloud-based HCM solutions that can automate their internal processes to drive efficiency, cost-saving and productivity. In particular, many Chinese enterprises are seeking HCM solutions that facilitate their transition from a labor-intensive business model to one that relies more on talent management for long-term growth. Their needs to improve efficiency, streamline operations and better management talents will continue to drive the demand for cloud-based HCM solutions.
- *Increasingly complex and fast-changing regulatory landscape.* The regulatory landscape for payroll, social insurance and tax in China is highly complex and fast evolving and could vary significantly from one region to another, presenting significant operational and compliance challenges to organizations. This is expected to drive the adoption of cloud-based HCM solutions that help organizations, especially those with geographically dispersed workforce, better navigate the shifting regulatory environment.
- *Employees’ expectation for hassle-free, intuitive experience.* Members of Generation-Z are beginning to enter the workforce. This demographic is generally fluid, mobile and tech-savvy, driving the demand for cloud-based HCM solutions that can deliver more hassle-free and employee-centric user experience with intuitive, easily navigable and accessible



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interfaces and functionality. Cloud-based infrastructure outperforms other solutions in terms of user interface, security, and more frequent iteration, which generates better customer experience and in return contributes to growth.

- *Accelerated digital transformation, in part due to COVID-19.* Organizations in China have been undergoing a significant digital transformation to make their business more intelligent, agile and cost effective. This trend has been significantly accelerated by the COVID-19 pandemic, resulting in more employees working remotely and more organizations shifting away from offline manual HCM processes toward cloud-based solutions that improve collaboration and foster employee engagement even in remote working environments.

### Rise of “Integrated” Cloud-based HCM Solutions

Cloud-based HCM solutions can be further divided into two business models, namely “integrated” cloud-based HCM solutions and those that are considered to be non-integrated. Cloud-based HCM solutions are considered integrated when all modules are built upon a unified PaaS infrastructure and accessible via a single platform, making it possible to integrate data across the entire employment lifecycle to generate insights into organizations’ HCM and broader business operations.

Integrated cloud-based HCM solutions have substantial advantages over the traditional non-integrated solutions in terms of functionality, flexibility for customization and user experience, resulting in significantly lower customer churn than non-integrated solutions. Due to these advantages, integrated solutions have become an industry trend in the cloud-based HCM solutions market in the United States since 2000s. It is expected that China’s cloud-based HCM solutions market will follow largely the same development trajectory, according to CIC. The following table summarizes the major advantages of integrated cloud-based HCM solutions as compared to non-integrated cloud-based HCM solutions.

	<u>Integrated Cloud-based HCM Solutions</u>	<u>Non-Integrated Cloud-based HCM Solutions</u>
<b>Functionality</b>	<ul style="list-style-type: none"> <li>• Cover all major HCM use cases across the entire employment lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>• Cover only selected HCM use cases</li> </ul>
<b>Flexibility for customization</b>	<ul style="list-style-type: none"> <li>• Can be customized more easily at lower cost for specified HCM needs and use cases than non-integrated solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of flexibility and higher costs for customization</li> </ul>
<b>Accessibility, level of integration and user experience</b>	<ul style="list-style-type: none"> <li>• Fully integrated solutions accessible on a single one-stop platform, delivering better user experience than non-integrated solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Solutions are less integrated, resulting in lack of synergies and mediocre user experience</li> </ul>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Higher revenue per customer than non-integrated solutions with greater cross-selling opportunities and higher customer value contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Limited cross-selling opportunities, and lower customer value contributions generating relatively less revenue per customer</li> </ul>

Source: CIC Report

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### Competitive Landscape

According to CIC, the cloud-based HCM solutions market in China is relatively fragmented, with the top five players accounting for approximately 31.0% of the market in 2021. Among these top five cloud-based HCM solutions providers, Beisen is the largest in terms of revenue in 2021 with a 11.6% market share which is larger than the second and third players combined.

### Top five providers of cloud-based HCM solutions in China in terms of revenue, 2021

Rank	Company	Cloud-based HCM solutions revenue, for the calendar year of 2021 (RMB million)	Market share in terms of cloud-based HCM solutions revenue, for the calendar year of 2021 (%)
1	Beisen	~640	~11.6%
2	Company A	~320	~5.8%
3	Company B	~260	~4.7%
4	Company C	~250	~4.5%
5	Company D	~240	~4.3%
Subtotal		~1,710	~31.0%
Others		~3,811	~69.0%
Total		5,521	100.0%

#### Notes:

- Cloud-based HCM solutions revenue (including the cloud-based HCM solutions revenue used in the numerator and denominator in calculating the market shares) in the table includes the revenue generated from both cloud-based HCM solutions subscriptions and related professional services such as implementation service and customized product development service. According to CIC, it is consistent with the industry norm to include revenues generated from these professional services when determining the size of the cloud-based HCM solutions and the rankings of market players, on the basis that these professional services are designed to enable and optimize cloud-based HCM solutions, which is also an integral part of a market player’s capability to serve customers comprehensively.
- For all the numbers of revenues presented in the table, we use data for the calendar year of 2021 to make the comparison between cloud-based HCM solutions providers meaningful.
- Company A, founded in 1972, is an international software company that has over 100 thousand employees across more than 140 countries and regions. Company A is primarily engaged in offering HCM, CRM and ERP software. Company A entered the Chinese market in 1992. In 2012, it tapped into the cloud-based HCM solutions market by acquiring a cloud-based business. Company B was founded in 2004 with the headquarters located in Shanghai. It offers employee-centric HCM services in China and overseas, including workforce management service and cloud-based HCM solutions. Company B had more than 1,000 employees as of May 31, 2022. Company B’s revenue in the table includes revenue from both cloud-based HCM solutions and end-to-end HCM services (excluding workforce management services), which is accounted for as a whole and inseparable as Company B’s services are provided and charged as a comprehensive package. Company C, founded in 2008, is an HCM service provider headquartered in Shanghai. It primarily offers cloud-based HCM solutions and human resources services such as headhunting and outsourcing staffing services and consulting services, etc. With more than 900 employees in China, it serves customers of all sizes in manufacturing, internet, pharmaceuticals and other industries. Company D is a software company serving enterprises of different scales with HCM, ERP, finance software, etc. It was founded in 2003 and listed on the Hong Kong Stock Exchange. As of June 30, 2022, Company D had more than 7,000 employees.

Source: CIC Report

The shift towards SaaS is not only happening in China’s HCM digitalization solutions market, but also the traditional human resource services market. Cloud-based HCM solutions, plus the human resource services processed through or supported by SaaS, are part of the broader SaaS-based HCM market. In 2021, the size of China’s SaaS-based HCM market was RMB157.9 billion, and Beisen ranked the fifth among China’s SaaS-based HCM Platforms in terms of revenue.

Furthermore, according to CIC, Beisen is the only integrated cloud-based HCM solutions provider in China covering all major HCM use cases, and is the only cloud-based HCM solutions

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provider in China that has built a unified and open PaaS infrastructure synchronizing all functions to offer integrated solutions. According to the same source, among these top five cloud-based HCM solutions providers, Beisen is the only one whose solutions are fully “cloud-native”, meaning that all of its solutions are built to be accessed via the cloud, as opposed to being implemented on premise or manually.

The following table sets forth a comparison of the offerings of the top five cloud-based HCM solutions providers in China, including Beisen:

Rank	Company	Cloud-native	Modules of cloud-based HCM solutions								Unified and open PaaS platform
			Recruitment	Assessment	Core HCM			Performance	Succession	E-learning and others	
					Human resources	Attendance management	Payroll				
1	Beisen	√	√	√	√	√	√	√	√	√	√
2	Company A		√		√	√	√	√	√	√	
3	Company B		√		√	√	√	√		√	
4	Company C		√	√	√	√	√	√		√	
5	Company D		√		√	√	√	√		√	

Source: CIC Report

Additionally, Beisen has established competitive edges which allows it to compete effectively against various market participants within China’s cloud-based HCM market:

- *Competition against cloud-based HCM solutions providers in China.* Currently, other local cloud-based HCM solutions providers in China mainly offer single-module or less comprehensive products, and it is expected to take at least 3 to 5 years for these local players to develop an integrated layout. In addition, it is estimated that Beisen’s local peers will have to take at least 5 to 6 years to build a PaaS capability as Beisen.
  - Beisen’s product modules are comprehensive and mature. These cloud-native products and the construction ability and iterative upgrade ability of the unified open PaaS platform form the integration barrier of Beisen;
  - All modules of Beisen are built on a single PaaS infrastructure, and the integration of data and functions is stronger than other local peers. This enables Beisen to have the ability to serve a large and diverse customer base and build Beisen’s scale barriers;
  - Over 70% of Fortune China 500 are customers of Beisen. The HCM demands of these leading companies in each of their respective industry categories may represent the next industry trends, and Beisen’s unique access to and insights from these customer demands have allowed it to better address the pain points across industries; and
  - Beisen’s integrated cloud-based HCM solutions can reduce other operational and maintenance costs. Therefore, the price of Beisen’s integrated cloud-based HCM solutions is lower than the price of different modules bundled together offered by other local peers, which allows Beisen’s price advantages over other local peers.

## INDUSTRY OVERVIEW

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- *Competition against global cloud-based HCM solutions providers.*
  - Beisen’s Core HCM Solutions can directly connect with official websites of various Chinese governmental authorities, such as China’s national tax system, which allows it to update its software algorithms in real time in response to policy changes, whereas its global peers may find it hard to achieve this due to policy restrictions in China;
  - Beisen can provide more localized e-learning content, while it is difficult for global peers to provide training content with local features that cater to Chinese customers’ need;
  - Global peers’ cloud-based HCM solutions are often highly standardized, making it difficult to meet local needs of Chinese companies; and
  - The services provided by global peers within the Chinese market are often constrained by geopolitical relations and their own regulatory compliance obligations across jurisdictions.
  
- *Competition against enterprise software providers in China.* Beisen’s cloud-based HCM solutions are superior in terms of scalability and flexibility, user experience and cost-effectiveness, as compared to traditional HCM software offered by these local enterprise software providers.
  - By utilizing leading technologies such as data analytics, artificial intelligence and cloud computing, Beisen’s cloud HCM solutions provide powerful data analytics tools to effectively improve enterprises’ operational efficiency;
  - Cloud-based HCM solutions offered by Beisen have versatile functionalities and an easier-to-understand interface than on premise HCM software, and can be easily accessed by employees through mobile or PC devices, offering a friendlier and intuitive user experience. Additionally, the update speed of cloud-based HCM solutions is faster; and
  - The upfront investment required for initial implementation of cloud-based HCM solutions is much lower than on premise HCM software, and the cloud-based delivery model can present significant cross-selling opportunities as enterprises prefer to consolidate various HCM functions onto a single cloud-based platform, to achieve better synergies and cost savings.
  
- *Competition against technology giants.* Compared with these technology giants, Beisen has been focused on human capital management over decades, which has allowed it to accumulate profound industry know-how and expertise as well as deep understanding of customers’ HCM needs, and these valuable insights are not likely to be amassed in short term. Beisen’s extensive experience tackling pain points of customers across different industries have also enabled it to continuously optimize its solutions to better address the diverse business needs of customers operating in complex business environments.

## INDUSTRY OVERVIEW

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### Key Success Factors

The following trends are expected to drive the development of the market for cloud-based HCM solutions in China, and companies that adapt to these trends quickly are expected to compete more effectively.

- *Increasing popularity of one-stop HCM solutions providers.* Companies that serve as a one-stop-shop of solutions addressing a variety of HCM needs that deliver superior user experience are more likely than their peers to engage and grow customers. Offering integrated HCM solutions also benefits the solutions providers themselves by creating attractive cross-selling and upselling opportunities.
- *Well-designed HCM functionalities and services.* With extensive industry knowledge and well-designed HCM functionalities, solutions providers with better services to optimize customers’ HCM process distinguish themselves from their competitors and are better positioned to achieve long-term success.
- *The ability to provide industry-specific solutions to address customer demands.* HCM solutions providers that are able to dive into the industries of their customers and fully comprehend the demands in the corresponding operation scenarios are more likely to build their reputation and win the competition in vertical industries.
- *The ability to build an open platform and a large, diverse customer base.* HCM solutions providers that have built an open platform and a large, diverse customer base comprising high-quality organizations from a variety of sectors are better positioned than their peers to develop sophisticated solutions that meet customer needs for customization. This in turn helps the solutions providers build long-term customer relationships and loyalty.
- *The ability to deliver better workplace experience.* With Generation Z and millennials becoming the majority of the workforce, companies that offer HCM solutions enabling more intuitive, engaging and collaborative workplace experience and facilitate flexible employment relationships are expected to achieve greater growth potentials in the future.

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## REGULATIONS

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This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our business operations.

### REGULATIONS AND POLICIES ON COMPUTER SOFTWARE

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

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

The Several Policies on Further Encouraging the Development of the Software and the Integrated Circuit Industries (進一步鼓勵軟件產業和集成電路產業發展的若干政策) which was promulgated by the State Council on January 28, 2011 and came into effect on the same date specifies a series of policies on tax preference, promotion of investment, scientific research, talent support, intellectual properties for the software industry. Furthermore, the Several Policies on Promoting the High-quality Development of the Integrated Circuit Industries and the Software Industries in the New Era (新時期促進集成電路產業和軟件產業高質量發展若干政策) which was promulgated by the State Council on July 27, 2020 and came into effect on the same date sets forth further policies on tax preference, promotion of investment, research and development, import and export, talent support, intellectual properties for the software industry.

### REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

#### *Foreign Investment Industrial Policy*

Investments activities in China by foreign investors are principally governed by the Encouraged Industries Catalog for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalog**”) which was promulgated by the MOFCOM and the NDRC on October 26, 2022 and became effective on January 1, 2023 and the Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), which was promulgated by the MOFCOM and the NDRC on December 27, 2021 and became effective on January 1, 2022. The Catalog and the Negative List (2021) set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

According to the Negative List (2021), the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party



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communication, storage and forwarding and call center) must not exceed 50%. In addition, pursuant to the Negative List (2021), providing software solutions in the field of human resource does not fall within the “prohibited” or “restricted” category. The Negative List (2021) further provides that domestic companies engaged in foreign investment prohibited business and intend to offer and list securities in overseas markets shall obtain approval from relevant government authorities. The PRC Legal Advisor is of the view that as of the Latest Practicable Date, the business operated by our Consolidated Affiliated Entity and PRC-incorporated subsidiaries does not fall within any foreign investment prohibited business listed in the Negative List (2021). Therefore, our PRC Legal Advisor is of the view that the foregoing provision in the Negative List (2021) shall not apply to us.

### *PRC Foreign Investment Law and its Implementation Rules*

On March 15, 2019, the National People’s Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》), which came into effect on January 1, 2020 and replaced the previous major laws and regulations governing foreign investment in the PRC, including the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》), and the Law on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. According to the PRC Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Regulations on Implementing the Foreign Investment Law of PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”) which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法實施條例》), the Provisional Regulations on the Duration of Sino-Foreign Equity Joint Ventures (《中外合資經營企業合營期限暫行規定》), the Detailed Rules for Implementing the Law on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法實施細則》) and the Detailed Rules for the Implementing the Law on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》). According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules shall prevail. The Implementation Rules also set forth that, foreign investors that invest in sectors on the Negative List (2021) in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List (2021). Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the Company Law, the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws.

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On December 30, 2019, the MOFCOM and the State Administration for Market Regulation, or the SAMR, jointly promulgated 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, and has replaced the Interim Measures for the Administration of Record-filing of the Establishment and Changes in Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) will be established under the NDRC, who will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target even when it holds less than 50% equity interests in the target, or (iii) has material impact on target’s business decisions, human resources, accounting and technology.

### REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS BUSINESSES

On September 25, 2000, the State Council promulgated the Telecommunications Regulations of the People’s Republic of China (《中華人民共和國電信條例》), or the Telecom Regulations, which was amended on July 29, 2014 and February 6, 2016. The Telecom Regulations is the primary PRC law governing telecommunications services and sets out the general regulatory framework for telecommunications services provided by PRC companies. The Telecom Regulations distinguishes between “basic telecommunications services” and “value-added telecommunications services.” The Telecom Regulations defines value-added telecommunications services as telecommunications and information services provided through public network infrastructures. Pursuant to the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT, or its provincial level counterparts.

The Catalog of Telecommunications Business (《電信業務分類目錄》), or the Catalog, which was issued as an attachment to the Telecom Regulations and most recently amended on June 6, 2019, further categorizes value-added telecommunications services into two classes: Class 1 value-added telecommunications services and Class 2 value-added telecommunications services. Internet data center (IDC) services including internet resource collaboration service fall within Class 1 value-added telecommunications services.

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On July 3, 2017, the MIIT issued the Measures on the Administration of Telecommunications Business Operating Permits (《電信業務經營許可管理辦法》), or the Telecom License Measures, which became effective on September 1, 2017, to supplement the Telecom Regulations and further regulate the telecommunications business permits. The Telecom License Measures sets forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. The Telecom License Measures also provides that an operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an operator providing value-added services in one province is required to obtain an intra-provincial license. Any telecommunication services operator must conduct its business in accordance with the specifications in its license. We engage in business activities that are value-added telecommunications services as defined in the Telecom Regulations and the Catalog. To comply with the relevant laws and regulations, the Onshore Holdco has obtained the value-added telecommunication business operation license for the offering of internet resource collaboration service, or the IDC license, for the PaaS services it conducts which will remain effective until February 15, 2028.

### REGULATIONS ON FOREIGN DIRECT INVESTMENT IN VALUE-ADDED TELECOMMUNICATIONS COMPANIES

According to the Negative List (2021), the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party communication, storage and forwarding and call center) must not exceed 50% and the industry of value-added telecommunications services we currently operate falls into the restricted category.

Foreign direct investment in telecommunications companies in China is governed by the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, February 6, 2016 and April 7, 2022. According to the Negative List (2021) and the 2022 FITE Regulations, as for the value-added telecommunications business types which fall within China’s commitment to the WTO (except for e-commerce, domestic multi-party communication, storage and forwarding and call center), the foreign equity interest shall not exceed 50%, and foreign investment is generally not permitted in the types of value-added telecommunications business that do not fall within China’s commitment to the WTO to open up, which include the internet data center services, internet access services, domestic internet virtual private network services, except that qualified telecommunication service providers incorporated in Hong Kong or Macau may hold up to 50% equity interest in such entities according to the Mainland and Hong Kong Closer Economic Partnership Agreement or the Mainland and Macao Closer Economic Partnership Agreement, respectively. The 2022 FITE Regulations among others, removed relevant qualification requirements (i.e., a good track record and experience in operating value-added telecommunications business) for foreign investors that hold equity interest in PRC companies conducting value-added telecommunication business as set out in its previous version.

On July 13, 2006, the Ministry of Information Industry, or the MII, which was the predecessor to the MIIT, released the Notice on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), or the MII Notice, pursuant to which, for any foreign investor to invest in telecommunications businesses in China, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the relevant telecommunications business operation

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licenses. Furthermore, under the MII Notice, domestic telecommunications enterprises may not rent, transfer or sell a telecommunications business operation license to foreign investors in any form, and they may not provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the internet domain names and registered trademarks used by a value-added telecommunication service operator shall be legally owned by such operator or its shareholders.

In view of these restrictions on foreign direct investment in value-added telecommunications services under which our business may fall, we have established domestic consolidated affiliated entity to engage in value-added telecommunications services. Due to the lack of interpretative guidance from the relevant PRC governmental authorities, there are uncertainties regarding whether PRC governmental authorities would consider our corporate structure and contractual arrangements to constitute foreign ownership of a value-added telecommunications business. See “Risk Factors—Risks Relating to Our Contractual Arrangements—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entity.” In order to comply with PRC regulatory requirements, we operate a PaaS infrastructure which falls into the value-added telecommunication services as the foreign investment restricted industry through our Consolidated Affiliated Entity, which we have contractual relationships with but we do not have actual ownership interests in. If our current ownership structure is found to be in violation of current or future PRC laws, rules or regulations regarding the legality of foreign investment in value-added telecommunications services, we could be subject to severe penalties.

### REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The Standing Committee of the National People’s Congress, China’s national legislative body, enacted the Decisions on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000 and amended them on August 27, 2009 that may subject persons to criminal liabilities in China for any attempt to use the internet to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections(《計算機信息網絡國際聯網安全保護管理辦法》) which was amended in 2011 and prohibits using the internet to leak state secrets or to spread socially destabilizing materials.

On July 1, 2015, the Standing Committee of the National People’s Congress issued the National Security Law (《國家安全法》), which became effective on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

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 Standing Committee of the National People’s Congress on August 29, 2015,



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effective on November 1, 2015, any internet services provider that fails to fulfill the obligations related to internet content security as required by applicable laws and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users’ personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

The PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which was promulgated on November 7, 2016 by the Standing Committee of the National People’s Congress, or the SCNPC and came into effect on June 1, 2017, provides that network operators shall meet their cyber security obligations and shall take technical measures and other necessary measures to protect the safety and stability of their networks. Under the PRC Cybersecurity Law, network operators are subject to various security protection-related obligations, including: (i) network operators shall comply with certain obligations regarding maintenance of the security of internet systems; (ii) network operators shall verify users’ identities before signing agreements or providing certain services such as information publishing or real-time communication services; (iii) when collecting or using personal information, network operators shall clearly indicate the purposes, methods and scope of the information collection, the use of information collection, and obtain the consent of those from whom the information is collected; (iv) network operators shall strictly preserve the privacy of user information they collect, and establish and maintain systems to protect user privacy; (v) network operators shall strengthen management of information published by users, and when they discover information prohibited by laws and regulations from publication or dissemination, they shall immediately stop dissemination of that information, including taking measures such as deleting the information, preventing the information from spreading, saving relevant records, and reporting to the relevant governmental agencies. In addition, the PRC Cyber Security Law requires that critical information infrastructures operators generally shall store, within the territory of the PRC, the personal information and important data collected and produced during their operations in the PRC and their purchase of network products and services that affect or may affect national securities shall be subject to national cybersecurity review.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which became effect in September 2021. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the PRC Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Cybersecurity Review Measures (網絡安全審查辦法), or the Review Measures, which became effective on February 15, 2022. The Review

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Measures has replaced its previous version promulgated on April 13, 2020. According to the Review Measures, (i) when the purchase of network products and services by a critical information infrastructures operator or the data processing activities conducted by a network platform operator affect or may affect national security, a cybersecurity review shall be conducted pursuant to the Review Measures. The aforesaid operators shall file for a cybersecurity review with Cybersecurity Review Office under the CAC if their behavior affects or may affect national security; (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; and (iii) the relevant PRC governmental authorities may initiate a 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. Cybersecurity reviews focus on assessing the following national security risks factors associated with relevant objects or circumstances: (i) the risk of illegal control, interference or destruction of critical information infrastructure, arising from the purchase and utilization of network products and services; (ii) the harm on the business continuity of critical information infrastructure incurring from a disruption of network products and services supply; (iii) the safety, openness, transparency, diversity of sources of network products and services; the reliability of suppliers; and the risk of supply disruption due to political, diplomatic, trade and other reasons; (iv) the level of compliance with the PRC laws, administrative regulations and ministry rules of the suppliers of network products and services; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally exited the country; (vi) the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the network information security risk in relation to listing abroad; and (vii) other factors that may harm critical information infrastructure, cyber security and/or data security.

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructures (《關鍵信息基礎設施安全保護條例》), which took effect on September 1, 2021 and provide that “critical information infrastructures” shall mean any important network facilities or information systems of important industries or fields such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, and any other important network facilities or information systems which may 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, or Protection Departments, shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or field. The operators shall be informed about the final determination as to whether they are categorized as critical information infrastructure operators. The regulations further require critical information infrastructures operators, among others, (i) to report to the competent Protection Departments in a timely manner when the identification result may be affected due to material changes in the critical information infrastructures; (ii) to plan, construct or put into use the security protection measures and the critical information infrastructures simultaneously; and (iii) to report to the competent Protection Departments in a timely manner in the event of merger division or dissolution, and deal with critical information infrastructures as required by the competent Protection Departments. Operators in violation of the regulations may be ordered to rectify, subject to warnings, fines and other administrative penalties or even criminal liabilities, and the directly responsible personnel in charge may also be imposed on fines or other liabilities.



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Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), which was issued by the SCNPC and took effect in December 2012, and the Order for 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》), which was issued by the MIIT in 2013, any collection and use of a user’s personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An internet content 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. A telecommunication services provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the internet content service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

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, specified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. On May 28, 2020, the National People’s Congress adopted the Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), published by the Ministry of Public Security on December 13, 2005 and became effective on March 1, 2006, requires internet service providers to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the PRC Cybersecurity Law, network operators must also report any instances of public dissemination of prohibited content. If a network operator fails to comply with such requirements, the PRC government may revoke its license and shut down its websites.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law, which took effect from November 1, 2021. Pursuant to the PRC Personal Information Protection Law, personal information refers to the information related to an identified or identifiable individual recorded electronically or by other means, excluding the anonymized information, and processing of personal information includes among others, the collection, storage, use, handling, transmission, provision, disclosure, deletion of personal information. The PRC Personal Information Protection Law explicitly sets forth the circumstances where it is allowed to process personal information, including (i) the consent from the individual has been obtained; (ii) it is necessary for the conclusion and performance of a contract under which an individual is a party, or it is necessary for human resource management in accordance with the labor related rules and regulations and the collective contracts formulated or concluded in accordance with laws; (iii) it is necessary to perform statutory duties or statutory obligations; (iv) it is necessary to respond to public health emergencies, or to protect the life, health and property safety of individuals in emergencies; (v) carrying out news reports, public opinion supervision and other acts for the public interest, and processing personal information within a

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reasonable scope; (vi) processing personal information disclosed by individuals or other legally disclosed personal information within a reasonable scope in accordance with this law; or (vii) other circumstances stipulated by laws and administrative regulations. In addition, this law emphasizes that individuals have the right to withdraw their consent to process their personal information, and the processors must not refuse to provide products or services on the grounds that the individuals do not agree to the processing of their personal information or withdraw their consent, unless processing of personal information is necessary for the provision of products or services. Before processing the personal information, the processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) the purpose of processing personal information, processing method, type of personal information processed, and the retention period; (iii) methods and procedures for individuals to exercise their rights under this law; (iv) other matters that should be notified according to laws and administrative regulations. Furthermore, the law provides that personal information processors who use personal information to make automated decisions should ensure the transparency of decision-making and the fairness and impartiality of the results, and must not impose unreasonable differential treatment on individuals in terms of transaction prices and other transaction conditions.

In addition to the aforementioned general rules, the PRC Personal Information Protection Law also introduces the rules for processing sensitive personal information, which refers to the personal information that, once leaked or illegally used, can easily lead to the infringement of the personal dignity of natural persons or harm personal and property safety, including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts and other information, as well as personal information of minors under the age of fourteen. Personal information processors can process sensitive personal information only if they have a specific purpose and sufficient necessity, and take strict protective measures. In addition, the law provides rules for cross-border provision of personal information. In particular, it is provided that the operators of critical information infrastructures and the personal information processors that process personal information up to the number prescribed by the national cyberspace administration shall store personal information collected and generated within the PRC. If it is really necessary to provide such personal information overseas, they shall pass the security assessment organized by the national cyberspace administration, except as otherwise stipulated by laws, administrative regulations and the national cyberspace administration. Any processor in violation of this law may be subject to administrative penalties including rectifications, warnings, fines, confiscation of illegal gains, suspension of the apps illegally processing personal information or suspension of the relevant business, revocation of business operation permits or business licenses, civil liabilities or even criminal liabilities. The directly responsible personnel in charge and other directly responsible personnel may be imposed with fines and prohibited from serving as directors, supervisors, senior management personnel and personal information protection officers of related companies within a certain period of time.

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad, including the following circumstances: (i) important data will be provided overseas by any data processor; (ii) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (iii) personal information will be provided overseas by

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any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of last year; and (iv) other circumstances where the security assessment is required as prescribed by the CAC. The security assessment requirement also applies to any transfer of important data outside of China.

On November 14, 2021, the CAC publicly solicited opinion 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)》) or the Draft Data Security Regulations, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) the merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people intends to be listed abroad; (iii) the data processor intends to be listed in Hong Kong, which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also provide that the operators of large Internet platforms that set up headquarters, operation centers or R&D centers overseas shall report to the national cyberspace administration and other competent authorities.

Our Directors and our PRC Legal Advisor are of the view that we are able to comply with the Review Measures and the Draft Data Security Regulations (if implemented in its current forms) in all material aspects, on the basis that (i) we have implemented comprehensive measures to ensure privacy protection and data security and to comply with applicable cybersecurity and data privacy laws and regulations as disclosed in “Business—Data Privacy and Security,” (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, notice, warning, or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC, or any other relevant governmental authority, (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data privacy laws or regulations, (iv) we have notified with relevant CAC branch regarding our proposed [REDACTED] on the Stock Exchange, and (v) we have been closely monitoring and assessing applicable regulatory developments regarding cybersecurity and data privacy laws, and enhancing our data processing practices in a timely manner to ensure compliance once new regulations came into effect.

While we take measures to comply with all applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of the measures undertaken by us and business partners. As certain laws and regulations, including the PRC Data Security Law and the PRC Personal Information Protection Law, were recently promulgated, we may be required to make further adjustments to our business practices to comply with these laws and regulations. See “Risk Factors—Risks Relating to Our Business and Industry—Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.”

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### REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

#### *Copyright*

The Copyright Law of the PRC (《中華人民共和國著作權法》), or the Copyright Law, which took effect on June 1, 1991 and was latest amended on November 11, 2020 and effective on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. The Copyright Law as revised in 2001 extends copyright protection to internet activities and products disseminated over the internet. In addition, Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Center, or the CPCC. According to the Copyright Law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. Infringers of copyright may also subject to fines and/or administrative or criminal liabilities in severe situations.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), or the Software Copyright Measures, promulgated by the National Copyright Administration on April 6, 1992 and amended on May 26, 2000 and February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and assignment agreements. The National Copyright Administration, or the NCA administers software copyright registration and the CPCC, is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which meet the requirements of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例(2013修訂)》).

#### *Patent*

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

#### *Trademark*

Trademarks are protected by the Trademark Law of the PRC (Revised in 2019) (《中華人民共和國商標法(2019年修訂)》) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019 respectively as well as by the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council in 2002 and as most recently amended on April 29, 2014. The Trademark Office of the SAMR handles trademark registrations. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for

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another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the Trademark Office for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

### *Domain Name*

The MIIT promulgated the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》), or the Domain Name Measures, on August 24, 2017, which took effect on November 1, 2017 and replaced the Administrative Measures on China Internet Domain Names (《中國互聯網絡域名管理辦法》) promulgated by MII on November 5, 2004. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names shall provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

## REGULATIONS ON FOREIGN EXCHANGE

### *General Administration of Foreign Exchange*

Under the PRC Foreign Exchange Administration Rules (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by SAFE, and other relevant PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for capital account items, such as direct equity investments, loans, and repatriation of investment, requires the prior approval from SAFE or its local office.

Pursuant to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which was promulgated by SAFE on November 19, 2012, became effective on December 17, 2012, and was further amended on May 4, 2015, October 10, 2018, and December 30, 2019, approval of SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. The SAFE Circular 59 also simplifies foreign exchange-related registration required for foreign investors to acquire equity interests of PRC companies and further improve the administration on foreign exchange settlement for FIEs.

The Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13, which became effective on June 1, 2015 and was amended on December 30, 2019,



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cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The SAFE Circular 19, promulgated on March 30, 2015, came into effective on June 1, 2015, and last amended on December 30, 2019, provides that a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to the SAFE Circular 19, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The SAFE Circular 16, promulgated by the SAFE and became effective on June 9, 2016, provides that enterprises registered in the PRC may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Circular 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in the PRC.

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

On October 23, 2019, the SAFE released the SAFE Circular 28, which permits non-investment foreign invested enterprises to use their capital funds to make equity investments in the PRC, with genuine investment projects and in compliance with effective foreign investment restrictions and other applicable laws. However, as the SAFE Circular 28 was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practice.

Based on SAFE Circular 13 and other laws and regulations relating to foreign exchange, when setting up a new foreign-invested enterprise, the foreign invested enterprise shall register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including without



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limitation any increase in its registered capital or total investment, the foreign invested enterprise shall register such changes with the bank located at its registered place after obtaining the approval from or completing the filing with competent authorities.

Based on the forgoing, if we intend to provide funding to our wholly foreign owned subsidiaries through capital injection at or after their establishment, we shall register the establishment of and any follow-on capital increase in our wholly foreign owned subsidiaries with the SAMR or its local counterparts, file such and register such with the local banks for the foreign exchange related matters.

### *Loans by the Foreign Companies to their PRC Subsidiaries*

A loan made by foreign investors as shareholders in a foreign invested enterprise is considered to be foreign debt in China and is regulated by various laws and regulations, including the PRC Foreign Exchange Administration Rules (《中華人民共和國外匯管理條例》), the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》), the Statistical Monitoring of Foreign Debts Tentative Provisions (《外債統計監測暫行規定》), the Detailed Rules for the Implementation on Statistical Monitoring of Foreign Debt (《外債統計監測實施細則》), and the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》). Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign invested enterprise, or Total Investment and Registered Capital Balance.

Pursuant to the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise, or the Provisions on Ratio of the Registered Capital to the Total Investment, promulgated by SAIC on February 17, 1987 and effective on the same date, with respect to a Sino-foreign equity joint venture, the registered capital shall be (i) no less than 7/10 of its total investment, if the total investment is US\$3 million or under US\$3 million; (ii) no less than 1/2 of its total investment, if the total investment is ranging from US\$3 million to US\$10 million (including US\$10 million), provided that the registered capital shall not be less than US\$2.1 million if the total investment is less than US\$4.2 million; (iii) no less than 2/5 of its total investment, if the total investment is ranging from US\$10 million to US\$30 million (including US\$30 million), provided that the registered capital shall not be less than US\$5 million if the total investment is less than US\$12.5 million; and (iv) no less than 1/3 of its total investment, if the total investment exceeds US\$30 million, provided that the registered capital shall not be less than US\$12 million if the total investment is less than US\$36 million.

On January 11, 2017, the People’s Bank of China, or the PBOC, promulgated the Notice of the People’s Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or the PBOC Notice No. 9. Pursuant to the PBOC Notice No. 9, within a transition period of one year from January 11, 2017, the foreign invested enterprises may adopt the currently valid foreign debt management mechanism, or Current Foreign Debt Mechanism, or the mechanism as provided in the PBOC Notice No. 9, or Notice No. 9 Foreign Debt Mechanism, at their own discretion. The PBOC Notice No. 9 provides that, enterprises may conduct independent cross-border financing in RMB or foreign currencies as required. Pursuant to the PBOC Notice No. 9, the

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outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach, or Risk-Weighted Approach, and shall not exceed the specified upper limit, namely: risk-weighted outstanding cross-border financing  $\leq$  the upper limit of risk-weighted outstanding cross-border financing. Risk-weighted outstanding cross-border financing =  $\sum$  outstanding amount of RMB and foreign currency denominated cross-border financing \* maturity risk conversion factor \* type risk conversion factor +  $\sum$  outstanding foreign currency denominated cross-border financing \* exchange rate risk conversion factor. Maturity risk conversion factor shall be 1 for medium- and long-term cross-border financing with a term of more than one year and 1.5 for short-term cross-border financing with a term of less than one year. Type risk conversion factor shall be 1 for on-balance-sheet financing and 1 for off-balance-sheet financing (contingent liabilities) for the time being. Exchange rate risk conversion factor shall be 0.5. The PBOC Notice No. 9 further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises shall be 200% of its net assets, or Net Asset Limits. Enterprises shall file with SAFE in its capital item information system after entering into the relevant cross-border financing contracts and prior to three business day before drawing any money from the foreign debts.

Based on the foregoing, if we provide funding to our wholly foreign owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the Net Asset Limits and we will need to file the loans with SAFE in its information system in the event that the Notice No. 9 Mechanism applies. According to the PBOC Notice No. 9, after a transition period of one year from January 11, 2017, the PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of the PBOC Notice No. 9. As of the date of this document, neither PBOC nor SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard. It is uncertain which mechanism will be adopted by PBOC and SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC subsidiaries.

### ***Offshore Investment***

Under the SAFE Circular 37, effective on July 4, 2014, PRC residents are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle, or SPV, which is defined as an offshore enterprise directly established or indirectly controlled by PRC residents for offshore equity financing of the enterprise assets or interests they hold in China. An amendment to registration or subsequent filing with the local SAFE branch by such PRC resident is also required if there is any change in basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment regarding the procedures for SAFE registration under the SAFE Circular 37, which became effective on July 4, 2014 as an attachment of Circular 37.

Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular No. 37 may result in restrictions on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliates, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

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On February 13, 2015, the SAFE promulgated the Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), effective from June 1, 2015, which further amends SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

### REGULATIONS ON DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the PRC (《中華人民共和國公司法》), as amended in 2004, 2005, 2013 and 2018, the Foreign Investment Law and the Implementation Rules. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. A PRC company 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.

### REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

#### *Labor Contract Law*

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), or the Labor Contract Law, which took effect on January 1, 2008 and was amended on December 28, 2012, is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between employers and the employees. Employers are prohibited from forcing employees to work above certain time limit and employers shall pay employees for overtime work in accordance to national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and shall be paid to employees timely.

#### *Social Insurance and Housing Provident Fund*

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the PRC Social Insurance Law (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended in 2018, employers are required to provide their employees in the PRC with welfare benefits covering basic pension insurance, unemployment insurance, maternity insurance, labor injury insurance and basic medical insurance.

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In accordance with the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002 and 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees’ housing provident funds. Employer and employee are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. See “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.”

### *Employee Stock Incentive Plan*

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《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》), or SAFE Circular 7, which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the State Administration of Taxation, or the SAT, has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock option or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

## REGULATIONS ON TAX

### *Enterprise Income Tax*

On March 16, 2007, the SCNPC promulgated the Law on Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which was amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), which came into effect on January 1, 2008 and was amended on April 23, 2019. Under the EIT Law and its implementing regulations, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but who have established institutions or premises in the PRC or income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if their permanent establishment or premises in



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the PRC have no actual relationship to the relevant income derived in the PRC, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

Pursuant to the EIT Law, Enterprises qualified 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. According to the Announcement of Issuing the Revised Measures for Handling Enterprise Income Tax Preferences (revised in 2018) (企業所得稅優惠政策事項辦理辦法 (2018修訂)), which was promulgated by the SAT and came into effect on April 25, 2018, enterprises enjoying enterprise income tax preferences shall adopt the handling methods of “making independent judgment, declaring for enjoyment and retaining the relevant materials for future reference”. An enterprise shall, according to its operating condition and related tax provisions, independently determine whether it satisfies the conditions required for enterprise income tax preferences. Those who meet the conditions may independently calculate the tax deductions or exemptions according to the time listed in the Catalog for the Administration of Enterprise Income Tax Preferences (Revision 2017) (企業所得稅優惠事項管理目錄 (2017年版)), and enjoy tax incentives by filing enterprise income tax returns. Meanwhile, they shall, in accordance with the relevant provisions, collect and retain the relevant materials for future reference.

### *Value-Added Tax*

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009 and amended on February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》(2011修訂)) was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, or collectively, VAT Law. On November 19, 2017, the State Council promulgated The Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), or the Notice, was promulgated on April 4, 2018 and came into effect on May 1, 2018. The Notice adjusted the VAT tax rates of 17% and 11% to 16% and 10%, respectively. According to 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》), with effect from April 1, 2019, the VAT tax rate of 16% and 10% are changed into 13% and 9%, respectively. Notice of the MOF and SAT on VAT Policies for Software Products (《財政部、國家稅務總局關於軟件產品增值稅政策的通知》) specified that if general VAT taxpayers sell self-developed and produced software products, after VAT has been collected at a tax rate of 17%, the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%.

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### *Dividend Withholding Tax*

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

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《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》), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise self-assesses that it satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), or the SAT Circular 81, issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the SAT and took effect on April 1, 2018, when determining the applicant’s status as a “beneficial owner” with respect to the tax treatment of dividends, interest or royalties under certain tax treaties, several factors, including whether the applicant is obligated to pay more than 50% of his or her income over a twelve-month period to residents of a third country or region, whether the business operated by the applicant constitutes actual business activities; and whether the counterparty country or region to the tax treaty does not levy any tax, exempts the relevant income from tax or levies tax at an extremely low rate, will be taken into account and be analyzed according to the actual circumstances of specific cases. The Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Treaties (《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 intend 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.

### *Tax on Indirect Transfer*

On February 3, 2015, the SAT issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7. Pursuant to Circular 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by a non-PRC resident enterprise, may be recharacterized 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. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from



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PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investments in China, or whether its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries that directly or indirectly hold PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. According to Circular 7, where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Circular 7 does not apply to sales of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On October 17, 2017, the SAT issued the Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax (《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》), or SAT Circular 37, which was amended on June 15, 2018. SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of Circular 7. Circular 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

### REGULATIONS ON LEASING

According to the Law of the PRC on the Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on August 26, 2019 and came into effect on January 1, 2020, a written lease contract shall be concluded between the lessor and the lessee for leasing a building and shall agree on the terms and conditions such as the term, purpose and price of leasing and liability for maintenance and repair, etc. as well as other rights and obligations of both parties, and such contract shall be filed for registration and record with the real estate administration department.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, within 30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate) administrative department of the people’s government of a municipality directly under the central government of the PRC, city or county where the house leased is located. The relevant parties may entrust others in writing to complete the house leasing registration and filling. If the relevant parties fail to make registration, they may be ordered to make corrections within a specified time limit by the construction (real estate) administrative department of the people’s government of a municipality directly under the central government of the PRC, city or county. If any individual fails to do so, a fine of less than RMB1,000 will be imposed, while if any entity fails to do so, a fine not less than RMB1,000 and not more than RMB10,000 will be imposed.

### REGULATIONS ON ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY

According to the PRC Anti-unfair Competition Law (《中華人民共和國反不正當競爭法》), which was adopted by the SCNPC on September 2, 1993, became effective as of December 1, 1993, and last amended on April 23, 2019, unfair competition refers to the production and operating activities where the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market

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transactions. Operators in violation of the Anti-unfair Competition Law may be subject to civil, administrative or criminal liabilities depending on the specific circumstances.

On August 17, 2021, the State Administration for Market Regulation issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), under which business operators should not use data or algorithms to hijack traffic or influence users' choices, or use technical means to illegally capture or use other business operator' data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) employ marketing practices such as fake reviews or use coupons or “red envelopes” to entice positive ratings.

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》) was promulgated by SCNPC on August 30, 2007, took effect on August 1, 2008 and was amended on June 24, 2022 and such amendment took effect on August 1, 2022, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council and it prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition. The revised Anti-monopoly Law provides, among others, that business operators shall not use data, algorithms, technology, capital advantages and platform rules to exclude or limit competition, and also requires relevant government authorities to strengthen the examination of concentration of undertakings in areas related to national welfare and people's wellbeing, and enhances penalties for violation of the regulations regarding concentration of undertakings.

### ***Monopoly Agreement***

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the PRC Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or up to RMB5,000,000 if no sales revenue was made from the previous year, or RMB3,000,000 if the intended monopoly agreement has not been performed).

On March 24, 2022, the SAMR further issued the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》) which took effect on May 1, 2022 and supersedes its previous version issued by the SAMR.

### ***Abuse of Dominant Market Position***

A business operator with a dominant market position may not abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year).

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On March 24, 2022, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) which took effect on May 1, 2022 and supersedes its previous version issued by the SAMR.

### *Concentration of Undertakings*

Where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to 10% of sales revenue from the previous year, or up to RMB5,000,000 if the concentration of undertakings does not have an effect of excluding or limiting competition.

Furthermore, on February 7, 2021, the Anti-Monopoly Committee of the State Council promulgated the Anti-Monopoly Guidelines for the Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), or the Anti-Monopoly Guidelines, aiming to provide guidelines for supervising and prohibiting the monopolistic conducts in connection with the internet platform business operations and further elaborate on the factors for recognizing such monopolistic conducts in the internet platform industry. In particular, pursuant to the Anti-monopoly Guidelines, the methods of an internet platform collecting, using the privacy information of the internet users may also be one of the factors to be considered for analyzing and recognizing the monopolistic conducts in the internet platform industry. For example, whether the relevant business operator compulsorily collects unnecessary user information may be considered to analyze whether there is a bundled sale or additional unreasonable trading condition, which is one of the behaviors constituting the abuse of dominant market position. In addition, the factors including, among other things, based on the big data and algorithms, whether differentiated transaction prices or other transaction conditions are implemented for consumers with different payment ability, consumption preferences and usage habits, may be used to analyze whether there is a differentiated treatment, which is also one of the behaviors constituting abuse of dominant market position. Furthermore, whether the relevant business operators are required to “choose one” among the internet platform and its competitive platforms may be considered to analyze whether such internet platform operator with dominant market position abuses its dominant market position and excludes or restricts market competition, etc.

### **M&A RULES AND OVERSEAS LISTING**

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the China Securities Regulatory Commission, or the CSRC, promulgated the M&A Rules, governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revised on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals, or PRC citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC citizens, such acquisition must be submitted to the MOFCOM for approval. The M&A Rules also requires that an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC citizens shall obtain the approval of the CSRC

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prior to overseas listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the July 2021 Opinions. The July 2021 Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems will be taken to deal with risks and incidents of China-based overseas listed companies, and cybersecurity and data privacy protection requirements and etc. The July 2021 Opinions and any related implementing rules to be enacted may subject us to compliance requirement in the future.

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023.

The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in 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 both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (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 companies; and (ii) the main parts of the issuer’s business activities are conducted 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 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

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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.

At a press conference held for these new regulations, officials from the CSRC clarified that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers, or the Existing Issuers. Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved. Further, according to the officials from the CSRC, domestic companies that have obtained approval from overseas regulatory authorities or securities exchanges (for example, a contemplated offering and/or listing in Hong Kong has passed the hearing of the Stock Exchange) for their indirect overseas offering and listing prior to the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) but have not yet completed their indirect overseas issuance and listing, are granted a six-month transition period from March 31, 2023. Those who complete their overseas offering and listing within such six months are deemed as Existing Issuers. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as requiring a new hearing of the Stock Exchange), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC. Based on the foregoing, if we can not pass the hearing for the [REDACTED] on or before [REDACTED], or if we pass the hearing for the [REDACTED] on or before [REDACTED] but fail to complete this [REDACTED] and [REDACTED] on or before [REDACTED], our PRC Legal Advisor is of the view that we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED].



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OVERVIEW

Our history can be traced back to May 2005, when our Onshore Holdco, being one of our major operating entities in the PRC was co-founded by the Co-founders, who are both seasoned veterans in China’s HCM industry. For details relating to Mr. Wang and Mr. Ji’s biographies and working experiences, see “Directors and Senior Management — Directors”. Since the establishment of our Onshore Holdco, we have been dedicated to providing cloud-based HCM solutions for Chinese enterprises to efficiently recruit, evaluate, manage and retain talents.

Our Company was incorporated in the Cayman Island on April 6, 2018. In preparation for the [REDACTED], we also undertook the Reorganization. See “Reorganization” in this section below for details.

### OUR BUSINESS MILESTONES

The following sets forth certain key business development milestones of our Group:

Year	Milestone
2005	Established our Onshore Holdco, formerly known as Beijing Beisen Evaluation Technology Co., Ltd* (北京北森測評技術有限公司)
2010	Launched Recruitment Cloud, Succession Cloud and Performance Management Cloud
2015	Launched PaaS infrastructure and Core HCM Solutions
2019	Opened the PaaS infrastructure to certain selected customers and launched a third-party application store
2020	Launched integrated cloud-based HCM solutions and E-learning

### OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The following entities are of strategical importance to us or have made material contributions to our results of operations during the Track Record Period:

#### 1. Onshore Holdco

During the Track Record Period, our businesses were primarily operated through our Onshore Holdco. Our Onshore Holdco was established as a limited liability company ultimately held by Mr. Wang and Mr. Ji on May 17, 2005, and is principally engaged in the operation of PaaS infrastructure. The Onshore Holdco was established with an initial registered capital of RMB5 million, contributed as to (i) 90% by the Co-founders in their personal capacities in equal split, through an intellectual property investment comprising a non-patented technology co-developed by the Co-founders and valued by an independent valuer on April 30, 2005 and (ii) 10% in cash by a company owned by the Co-founders in equal split. On September 21, 2015, our Onshore Holdco was converted from a limited liability company to a joint stock company in preparation for its listing on the NEEQ. Between April 5, 2016 and April 27, 2018, our Onshore Holdco was listed on the NEEQ, see “— Listing and Delisting of Our Onshore Holdco on the NEEQ” in this section below for details. At the beginning of Track Record Period, the board of directors of our Onshore Holdco consisted of Mr. Wang, Mr. Ji, Mr. He, Mr. Zhang, Mr. Quan Le (權樂), Mr. Zuo Lingye (左凌燁) and Ms. Wang Zixuan (王子暄). As the Group’s plan to simplify and adjust structure and composition of the board of directors of our Group members following the Reorganization (the “**Board Structure Simplification**”), on June 18, 2021, four out of seven then directors of our Onshore Holdco ceased to be the directors of our Onshore Holdco, among which (i) Mr. Quan Le, Mr. Zuo Lingye and Ms. Wang Zixuan were directors appointed by the relevant [REDACTED] Investors who played non-executive roles and



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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were not involved in the day-to-day management of our Onshore Holdco, and (ii) Mr. Zhang, in his then capacity as the chief technology officer of the Onshore Holdco at the relevant time, was considered a key management of the Group, and he ceased to be the director of our Onshore Holdco on June 18, 2021 due to both our Group’s plan of Board Structure Simplification and his personal career consideration. On the even date, Ms. Liu and Mr. Sun Jiang (孫江) were appointed as the directors of our Onshore Holdco. On November 30, 2022, Mr. He resigned as a director, the chief operating officer and president of our Onshore Holdco due to health reasons. During the Track Record Period and up to the Latest Practicable Date, each of Mr. Zhang and Mr. He did not have any dispute with the Group or its shareholders.

We have adopted the Contractual Arrangements with our Beijing WFOE, our Onshore Holdco and its Registered Shareholders, pursuant to which our Company is able to exercise effective control over the operations of, and become entitled to all the economic benefits derived from the operation of our Onshore Holdco and our Onshore Holdco’s subsidiaries. See “Contractual Arrangements” for details.

### 2. Chengdu WFOE

On January 3, 2019, Chengdu WFOE was established as a limited liability company in the PRC as a direct wholly-owned subsidiary of Beisen HK and therefore an indirect wholly-owned subsidiary of our Company. Chengdu WFOE is principally engaged in (i) the cloud-based HCM solutions and (ii) professional services business. Mr. Ji served as the sole director of Chengdu WFOE from January 3, 2019 to November 18, 2020. Mr. Wang has served as the sole director of Chengdu WFOE since November 19, 2020.

On August 28, 2021 and October 20, 2021, Chengdu WFOE entered into a series of trademark, software, copyright and intellectual property transfer agreements with our Onshore Holdco, pursuant to which, our Onshore Holdco transferred its material intellectual property assets with respect to the provision of cloud-based HCM solutions and professional services business to Chengdu WFOE. See “— Reorganization — Onshore Reorganization — 8. Restructuring of our non-restricted business” in this section below for details.

## MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 6, 2018. Upon incorporation, our Company had an authorized share capital of US\$50,000.00 divided into 500,000,000 ordinary Shares of a par value of US\$0.0001 each. On the same day, our Company allotted and issued 8,011,937 ordinary Shares of a par value of US\$0.0001 each to each of Xiasen Limited and Xisen Limited, respectively.

Our Onshore Holdco and the Company have attracted a series of [REDACTED] Investments since their respective establishments. See “[REDACTED] Investments” in this section below for details. See also “Statutory and General Information — A. Further Information about our Group — 2. Changes in share capital of our Company” in Appendix IV to this Document for details of changes in the share capital of our Company during the two years immediately preceding the date of this Document.

On July 26, 2021, Xiasen Limited entered into a share transfer deed with Zhaosen Holding Limited (“**Zhaosen**”), a company incorporated indirectly by a family trust established by Mr. Wang where Mr. Wang served as the sole director. Pursuant to such share transfer deed, Xiasen Limited

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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transferred all of its 7,977,937 ordinary Shares, 102,500 Series C Preferred Shares and 25,000 Series D Preferred Shares in our Company to Zhaosen. On the same day, Xisen Limited entered into a share transfer deed with Weisen, a company incorporated indirectly by a family trust established by Mr. Ji where Mr. Ji served as the sole director. Pursuant to such share transfer deed, Xisen Limited transferred all of its 7,961,937 ordinary Shares and 102,500 Series C Preferred Shares in the Company to Weisen. Upon completion of such share transfers, Xiasen Limited and Xisen Limited ceased to be our direct Shareholders while Zhaosen and Weisen became the direct shareholders of our Company.

In addition, we will issue an aggregate of 23,761,790 Shares pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and after taking into account the [REDACTED], to the Employee Shareholding Platforms. See “Appendix IV — Statutory and General Information — D. [REDACTED] Share Option Plan” for details.

### MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Saved as disclosed in “— Disposal and deregistration of certain subsidiaries” in this section, we have not conducted any acquisitions, disposals or mergers since our inception that we consider material to us during the Track Record Period.

### ACTING IN CONCERT ARRANGEMENTS

To streamline and optimize the shareholding structure and to ensure the stable ownership and business development of our Group, the Co-founders and the relevant Shareholders have entered into certain acting-in-concert agreements before and during the Track Record Period.

#### *Onshore Acting-in-concert Agreement*

In September 2015, the Co-founders, Beisen Zongheng and Beisen Investment (collectively, the “**Onshore AIC Parties**”), entered into an acting-in-concert agreement (the “**Onshore Acting-in-concert Agreement**”), pursuant to which, (i) they had and would continue to, for so long as they remain directly interested in the shares of our Onshore Holdco, consult each other and reach a consensus before voting at the board meetings and shareholders’ meetings of our Onshore Holdco; (ii) in case the parties fail to reach a consensus, they shall vote pursuant to the opinion of the party who holds the most voting powers among them; and (iii) in case there are two parties or more hold equal voting powers, they shall vote pursuant to the opinion of Mr. Wang. Since the date of the Onshore Acting-in-concert Agreement, no other party to the Onshore Acting-in-concert Agreement has been holding more voting powers in our Onshore Holdco than that of Mr. Wang. Each of Beisen Zongheng and Beisen Investment is a limited partnership established in the PRC on October 10, 2013 and April 17, 2015 respectively with Beisen Asset, an investment vehicle owned and controlled by Mr. Wang and Mr. Ji as to 50% and 50%, respectively, acted as their general partner and thus ultimately controlled by Mr. Wang and Mr. Ji.

#### *Offshore Acting-in-concert Agreement*

The Offshore AIC Parties entered into an acting-in-concert agreement on December 31, 2021 and a supplemental confirmation to such acting-in-concert agreement on January 8, 2022 (collectively, the “**Offshore Acting-in-concert Agreement**”), pursuant to which, among others, the Offshore AIC Parties have acknowledged and confirmed that, to mirror the acting-in-concert arrangement sets out in

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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the Onshore Acting-in-concert Agreement, they have been acting-in-concert since the incorporation of our Company, being the holding company of our Group, and they further agreed that each of them shall (i) reach a consensus beforehand and vote at the shareholders’ meetings of the members of the Group pursuant to the opinion of Mr. Wang in relation to all matters put before the shareholders of the relevant members of the Group; (ii) reach a consensus beforehand and vote (when any of the Offshore AIC Parties is a director) or cause the director appointed by the Offshore AIC Parties to vote pursuant to the opinion of Mr. Wang in relation to all matters put before the board of directors of the relevant members of the Group. Senyan is an employee shareholding platform incorporated in BVI with limited liability on July 16, 2019 of which Xiasen Limited, which is wholly owned by Mr. Wang, acts as its general partner and controls all of its voting rights.

### LISTING AND DELISTING OF OUR ONSHORE HOLDCO ON THE NEEQ

The NEEQ is a popular listing platform in China as evidenced by the substantial increase in the number of companies listed on it. As compared with other stock exchanges or listing platforms in the PRC, the NEEQ offers a more time and cost efficient listing process to applicants, broader coverage of industries and more flexible conditions on disposal and transfer of shares after listing. As such, our Onshore Holdco applied to the NEEQ for the listing of its shares in 2016, and on April 5, 2016, shares of our Onshore Holdco were listed on the NEEQ under the stock code of 836393 (the “**NEEQ Listing**”). The NEEQ Listing helped our Onshore Holdco to gain access to a more active and effective platform of corporate financing and to strengthen corporate governance in pursuit of long-term business development.

During our Onshore Holdco’s listing on the NEEQ, Mr. Zhang Jianmin (章健敏), Ms. Gong Yan (貢燕), Mr. Zhang Hao (張浩), Mr. Meng Fanzhong (孟繁忠) and Mr. Tu Yonggang (屠永鋼), all of whom are individual investors, (collectively, the “**NEEQ Shareholders**”) traded the securities of our Onshore Holdco with then shareholders of our Onshore Holdco, which were conducted through the trading system of the NEEQ based on arm’s length negotiations between the parties thereof with references to (i) the then publicity available financial information of our Onshore Holdco as disclosed in accordance with the relevant rules of the NEEQ; and (ii) the then trading price of the shares of our Onshore Holdco, and/or (iii) the original purchase price of the shares of our Onshore Holdco, where applicable.

To the best knowledge of the our Directors, (i) saved as Ms. Gong Yan and Mr. Zhang Jianmin, who held 4,000 shares and 19,000 shares, of our Onshore Holdco on behalf of our founders, respectively, each of the NEEQ Shareholders was an Independent Third Party; and (ii) there was no dispute, litigation or legal proceeding between our Group or the Co-founders and the NEEQ Shareholders in relation to their then equity interests in our Onshore Holdco. Ms. Gong and Mr. Zhang were business associates of the Co-founders and the shares held by Ms. Gong and Mr. Zhang as nominees for the Co-founders were originally intended to be transferred to them as incentives for their potential business contribution to the Group which didn’t materialize.

Subsequently, in 2018, having considered that the trading activity and brand awareness on the NEEQ may not be able to meet our expectation, in particular, the directors of our Onshore Holdco consider that international investors are relatively more familiar with our Onshore Holdco’s industries, business and our HCM solutions, such that the fair value of our Group can be identified and established by seeking the [REDACTED] on the Stock Exchange. Having taken into account our long-term business development plan (including to explore potential opportunities for our overseas expansion and

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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to have greater access to diverse and global [REDACTED]), necessity to improve our financing efficiency and simplify our corporate structure to decrease capital expenses and improve decision-making efficiencies, our Directors consider the Stock Exchange, as an internationally recognized and reputable stock exchange, to be a more appropriate [REDACTED] venue that provides us with a good platform to access the international equity market and expand our business. In particular, certain of the comparable companies in our Group’s industries are listed on the Stock Exchange, and the Directors believe that [REDACTED] on the Stock Exchange will enable us to have better access to investors on the international market who are more familiar with our Group’s industries and business model. Therefore, as part of the plan, on April 27, 2018, our Onshore Holdco was delisted from NEEQ (the “**NEEQ Delisting**”) by way of its voluntary application for delisting.

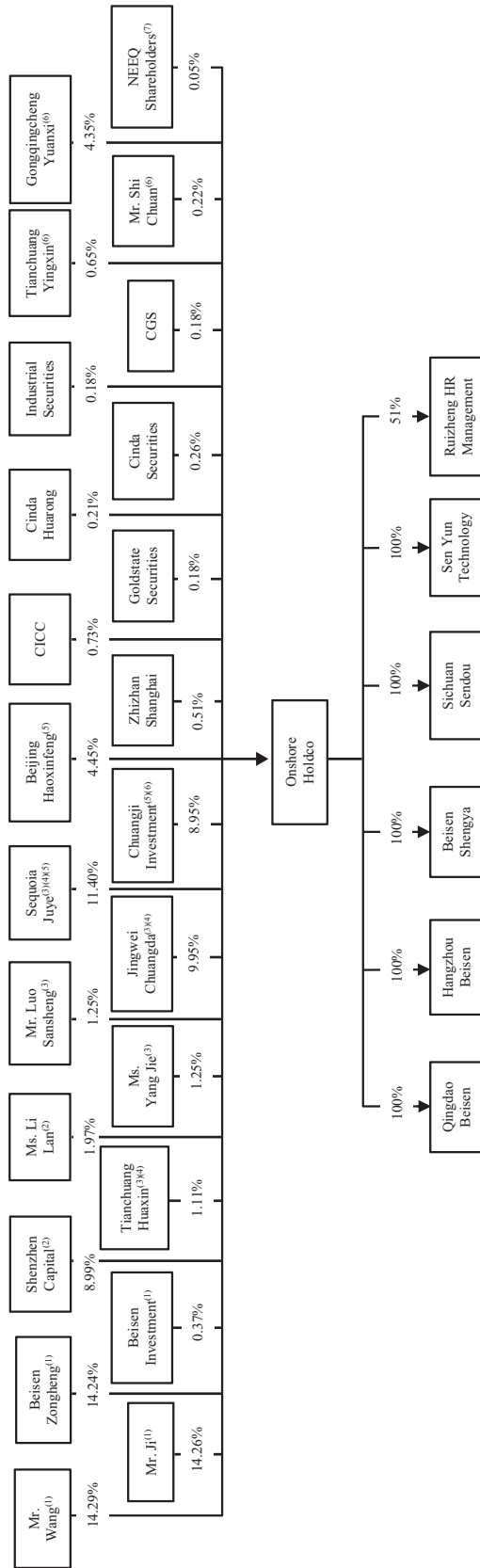
Our Directors were of the view that the NEEQ Delisting was commercially sensible and in line with our Group’s development needs and long term strategic planning in the equity market. Our Directors have confirmed that during the period that our Onshore Holdco was listed on NEEQ, it was in material compliance with all applicable laws, regulations and the listing rules of NEEQ. Our Directors have further confirmed that except with respect to matters set out in a regulatory advice letter issued by the Listing Division of the NEEQ to our Onshore Holdco on January 8, 2018 (the “**NEEQ Regulatory Advice Letter**”), none of our Onshore Holdco, its shareholders or directors has been subject to any investigations or disciplinary actions in connection with our Onshore Holdco by any regulatory authority or committed any material breach in connection with our Onshore Holdco of the relevant rules governing the listing on NEEQ. The NEEQ Regulatory Advice Letter specified a historical advance made by our Onshore Holdco to Mr. Wang and Mr. Ji, who are the ultimate controllers of our Onshore Holdco, which was in breach of certain rules governing the listing on NEEQ. The relevant advance was made in respect of social security payments with an aggregate amount of not more than RMB17,000, and was fully repaid by Mr. Wang and Mr. Ji at the end of 2015 prior to the NEEQ Listing. The NEEQ Regulatory Advice Letter also included reminders and guidance to our Onshore Holdco to fully comply with the relevant rules governing the listing on NEEQ to prevent recurrence of such incident. To the best of the knowledge of our Directors, no further disciplinary action was taken by any competent authorities in relation to the aforesaid incident. The Directors have also confirmed that there is no further matter in relation to the NEEQ Listing and NEEQ Delisting that needs to be brought to the attention of the Stock Exchange or our Shareholders.

Based on the due diligence works conducted by the Joint Sponsors, nothing has come to their attention that would cause them to disagree with the Directors’ views mentioned above in relation to the compliance record of our Onshore Holdco, its shareholders and directors during the NEEQ Listing and NEEQ Delisting, or that need to be brought to the attention to the Stock Exchange or our Shareholders.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

In preparation for the [REDACTED], we also undertook the Reorganization. The following chart sets forth our Group’s corporate and shareholding structure immediately prior to the commencement of the Reorganization.



#### Notes:

- (1) Mr. Wang, Mr. Ji, Beisen Zongheng and Beisen Investment, each a party of the Onshore Acting-in-concert Agreement, held in aggregate 43.16% of the registered capital in our Onshore Holdco. For details of the Onshore Acting-in-concert Agreement, see “—Acting in Concert Arrangements—Onshore Acting-in-concert Agreement” in this section above.
- (2) Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司, “Shenzhen Capital”) and Ms. Li Lan (李蘭) are [REDACTED] investors, each of which subscribed for certain registered capital of our Onshore Holdco between May 2010 to May 2011, during our Series A investments. See “—[REDACTED] investments” in this section below for details.
- (3) Mr. Luo Sansheng (羅三生), Ms. Yang Jie (楊潔), Jingwei Chuangda (Hangzhou) Venture Capital Investment L.P. (經緯創達 (杭州) 創業投資合夥企業 (有限合夥)), “Jingwei Chuangda”, Tianjin Sequoia Juye Equity Investment Partnership (Limited Partnership) (天津紅杉聚業股權投資合夥企業 (有限合夥)), “Sequoia Juye” and Tianjing Tianchuang Huaxin Venture Capital Partnership Enterprise (Limited Partnership) (天津天創華鑫現代服務產業投資合夥企業 (有限合夥)), “Tianchuang Huaxin” are Series B Investors of our Onshore Holdco, each of which subscribed for or acquired certain registered capital of our Onshore Holdco between December 2011 and February 2013. See “—[REDACTED] investments” in this section below for details. Mr. Luo Sansheng held 1.25% of the registered capital in our Onshore Holdco on behalf of Mr. Guo Fei (郭斐), an Independent Third Party, as his nominee.
- (4) Jingwei Chuangda, Sequoia Juye and Tianchuang Huaxin are Series B-1 Investors of our Onshore Holdco, each of which subscribed for certain registered capital of our Onshore Holdco in December 2014. See “—[REDACTED] investments” in this section below for details.
- (5) Shanghai Chuangji Investment Center L.P. (上海創稷投資中心 (有限合夥)), “Chuangji Investment”, Beijing Haoxinfeng Asset Management Co., Ltd. (北京浩鑫峰資產管理有限公司, “Beijing Haoxinfeng”) and Sequoia Juye are Series C Investors of our Onshore Holdco, each of which subscribed for or acquired certain registered capital of our Onshore Holdco in July 2015. See “—[REDACTED] investments” in this section below for details.
- (6) Tianjin Tianchuang Yingxin Venture Investment Partnership (Limited Partnership) (天津天創盈鑫創業投資合夥企業 (有限合夥)), “Tianchuang Yingxin”, Mr. Shi Chuan (史船), Chuangji Investment and Gongqingcheng Yuanxi Investment Management Partnership (LLP) (共青城元熙投資管理合夥企業 (有限合夥)), “Gongqingcheng Yuanxi” are Series D Investors of our Onshore Holdco, which entered into the share purchase agreements between January 2017 to June 2017 with the then shareholders of our Onshore Holdco. See “—[REDACTED] investments” in this section below for details.
- (7) Mr. Zhang Jianmin, Ms. Gong Yan, Mr. Zhang Hao, Mr. Meng Fanzhong and Mr. Tu Yonggang, who traded the securities of our Onshore Holdco with then shareholders of our Onshore Holdco, held 0.0338%, 0.0071%, 0.0036%, 0.0018% and 0.0018% of the share capital of our Onshore Holdco respectively, prior to the commencement of the Reorganization. See “—Listing and Delisting of Our Onshore Holdco on the NEEQ”. On January 2, 2019, Mr. Zhang Jianmin and Ms. Gong Yan, each holding shares on behalf of Mr. Wang and Mr. Ji, transferred all of their shares of our Onshore Holdco to Mr. Wang and Mr. Ji at a nominal price.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Onshore Reorganization*

#### **1. Transfer of shares in Onshore Holdco prior to the NEEQ Delisting**

Prior to the NEEQ Delisting, between March 21, 2018 and May 17, 2018, Mr. Zhang Hao, Cinda Securities Co., Ltd. (信達證券股份有限公司, “**Cinda Securities**”), Huarong Securities Co., Ltd. (華融證券股份有限公司, “**Cinda Huarong**”), Goldstate Securities Co., Ltd. (金元證券股份有限公司, “**Goldstate Securities**”), China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司, “**CGS**”) and Industrial Securities Co., Ltd. (興業證券股份有限公司, “**Industrial Securities**”), together with Cinda Securities, Cinda Huarong, Goldstate Securities and CGS, the “**NEEQ Market Makers**”) transferred all their 565,000 shares in our Onshore Holdco to Mr. Wang, at a total consideration of RMB26,217,480. Such considerations were determined based on the then trading prices of the shares of our Onshore Holdco on the NEEQ and was fully settled on May 24, 2018.

In order to finance such share transfers and attract more investments from professional international institutional investors, on May 2, 2018, Mr. Wang entered into a convertible note purchase agreement (“**Note Purchase Agreement**”) with Genesis Capital I LP (“**Genesis Capital**”), a professional institution investor and an Independent Third Party, pursuant to which (i) Genesis Capital purchased a promissory note from Mr. Wang agreeing to provide a bridge loan of US\$4.5 million, which was later amended to US\$4,140,056.79 according to a loan assignment and assumption agreement dated September 25, 2018, for Mr. Wang to purchase all Onshore Holdco’s shares held by the NEEQ Market Makers; and (ii) Mr. Wang agreed to assign such bridge loan to the Company upon the establishment of the Company in the Cayman Islands. The bridge loan was drawn down by Mr. Wang and the abovementioned share transfers were completed on September 25, 2018. Upon completion of such share transfers, Mr. Zhang Hao and the NEEQ Market Makers ceased to be the shareholders of our Onshore Holdco.

#### **2. Delisting of our Onshore Holdco from the NEEQ**

On April 27, 2018, our Onshore Holdco was delisted from the NEEQ. See “—Listing and Delisting of Our Onshore Holdco on the NEEQ” in this section above for details.

#### **3. Establishment of Beijing WFOE**

On May 30, 2018, Beijing WFOE was established as a limited liability company in the PRC as a direct wholly-owned subsidiary of Beisen HK and therefore an indirect wholly-owned subsidiary of our Company. Beijing WFOE does not qualify as a “high and new technology enterprise”. As such, according to our PRC Legal Advisor, Beijing WFOE is not otherwise entitled to a favorable enterprise income tax rate of 15%, which is applicable to the Onshore Holdco.

#### **4. Establishment of Chengdu WFOE**

On January 3, 2019, Chengdu WFOE was established as a limited liability company in the PRC as a direct wholly-owned subsidiary of Beisen HK and therefore an indirect wholly-owned subsidiary of our Company.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### 5. Share Transfers in our Onshore Holdco

From January 2, 2019 to May 17, 2021, certain then shareholders of our Onshore Holdco transferred all of their shares in our Onshore Holdco to Mr. Wang and Mr. Ji, details of which are set out below:

- On January 2, 2019, Ms. Li Lan, Ms. Yang Jie, Mr. Luo Sansheng, Mr. Shi Chuan, Tianchuang Huaxin and Beijing Haoxinfeng transferred all of their shares in our Onshore Holdco to Mr. Wang and Mr. Ji at a nominal price, which was determined based on arm’s length negotiations among relevant parties in order that the aforementioned investors or their nominees could subscribe for our Shares at a nominal price at the offshore level;
- On January 2, 2019, Mr. Zhang Jianmin and Ms. Gong Yan, each holding shares on behalf of Mr. Wang and Mr. Ji, transferred all of their shares of our Onshore Holdco to Mr. Wang and Mr. Ji at a nominal price;
- From November 2019 to June 2020, Sequoia Juye, Jingwei Chuangda, Chuangji Investment, Gongqingcheng Yuanxi, China International Capital Corporation Limited (中國國際金融股份有限公司, “CICC”), Zhizhan (Shanghai) Venture Capital Center (Limited Partnership) (置展(上海)創業投資中心(有限合夥)), “**Zhizhan Shanghai**”, transferred all of their shares in our Onshore Holdco to Mr. Wang and Mr. Ji at a price equal to the total amount of their investments in our Onshore Holdco, which was determined based on arm’s length negotiations among relevant parties in order that the affiliates of the aforementioned investors could subscribe for our Shares at the same price at the offshore level; and
- On May 14, 2021 and May 17, 2021 respectively, Mr. Tu Yonggang and Mr. Meng Fanzhong transferred all of their shares in our Onshore Holdco to Mr. Wang, each at a cash consideration of RMB142,350, which was determined based on arm’s length negotiation among relevant parties and with reference to the share repurchase price of the Series F Preferred Shares during the same period as neither of them would become our Shareholders at the offshore level.

Upon completion of such share transfers, those shareholders ceased to be the shareholders of our Onshore Holdco.

### 6. Reduction of registered capital of our Onshore Holdco

As to reflect the corresponding change in the shareholding structure of our Company, our Onshore Holdco and Tianchuang Yingxin entered into a capital reduction agreement (“**Onshore Holdco Capital Reduction Agreement**”) on April 9, 2021, the same date on which TJVCM Limited, the offshore shareholding platform of Tianchuang Yingxin, entered into a share repurchase agreement with our Company and ceased to be the shareholder of our Company, details of which are set out in “Reorganization — Offshore Reorganization — 4. Allotment of Shares to the Shareholders” below. Pursuant to the Onshore Holdco Capital Reduction Agreement, Tianchuang Yingxin agreed to reduce its shares in our Onshore Holdco from 366,300 shares to nil at a consideration in RMB equivalent to US\$8,021,970. Such consideration, which was settled on June 18, 2021, was determined based on arm’s length negotiations among relevant parties with reference to the then cost per share of Series F Investment (as defined below) of our Company. Upon completion of such capital reduction, Tianchuang Yingxin ceased to be a shareholder of our Onshore Holdco and the total registered capital of the Onshore Holdco reduced from RMB56,171,503 to RMB55,805,203.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### 7. Disposal and deregistration of certain subsidiaries of our Onshore Holdco

In order to streamline our business, we also disposed and deregister certain subsidiaries certain of our subsidiaries. See “—— Disposal and Deregistration of Certain Subsidiaries” below in this section for details.

### 8. Restructuring of our non-restricted business

For the purpose of consummating the Contractual Arrangements which shall be narrowly tailored in accordance with applicable requirements under HKEx-LD43-3, the Group has been gradually transferring the cloud-based SaaS business, or the non-restricted businesses (e.g., employment contracts, staff accommodations arrangements, etc), to Chengdu WFOE since its establishment in 2019. Chengdu WFOE, among others, entered into a series of trademark, software, copyright and intellectual property transfer agreements with our Onshore Holdco on August 28, 2021, and October 20, 2021, pursuant to which, our Onshore Holdco transferred all their material intellectual property assets (including all corresponding trademarks, softwares, copyrights and other intellectual properties) with respect to its principal business (the “**Material SaaS Assets and Business**”), to Chengdu WFOE at a total consideration of RMB39,117,200, with references to the total value of the Material SaaS Assets and Business provided by an independent third party valuer. Such transaction was completed in November 2021.

Prior to the restructuring of our non-restricted business, our Onshore Holdco already entered into annual service agreements with some customers to provide the cloud-based HCM solutions (inclusive of professional services as applicable) and collect corresponding service fees from these customers. In order to ensure the smooth delivery of the corresponding services and maintain sound client relationship, from July 2021 to November 2021, our Onshore Holdco and Chengdu WFOE also entered into supplemental service agreements with these customers with respect to these existing contracts, pursuant to which Chengdu WFOE replaced our Onshore Holdco to provide the cloud-based HCM solutions (inclusive of professional services as applicable) to these customers, while our Onshore Holdco received the corresponding service fees on behalf of Chengdu WFOE during the remaining contract period of the relevant existing service agreements.

## **HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

The annual service agreements (including their respective supplemental agreements) typically contain the following salient terms:-

Duration:	one-year from the date of activation of the cloud-based HCM solutions for the customer which, in practice, is normally a few days after date of the agreement.
Parties:	the customer, the Onshore Holdco, Chengdu WFOE as applicable.
Service scope:	provision of the cloud-based HCM solutions (inclusive of professional services as applicable) to the customer.
Settlement terms:	Services fees to be settled in whole within three business days from date of invoice.
Inspection:	The customer will inspect and approve the purchased services pursuant to the terms of the agreement.
After-sales services:	distant and online training and technical support in respect of the use of cloud-based HCM solutions.

As of July 1, 2021, there were a total of 1,097 customers who entered into the service agreements with our Onshore Holdco to receive the cloud-based HCM solutions (inclusive of professional services as applicable), with a total contract value amounted to approximately RMB226.40 million, of which RMB68.88 million and RMB11.24 million remained outstanding as of July 1, 2021 and the Latest Practicable Date, respectively. The Company expects that, such outstanding contract values will be gradually settled by the customers in each of the fiscal years ended March 31, 2023 (RMB7.62 million), 2024 (RMB3.26 million), 2025 (RMB0.33 million) and 2026 (RMB24,000), and subsequently be recognized as revenue of the Group in the relevant year in accordance with its accounting policies. Since July 1, 2021, all new contracts in respect of the cloud-based HCM solutions (inclusive of professional services as applicable) were signed directly between the customers and Chengdu WFOE.

The then shareholding structure of our Onshore Holdco upon completion of above Reorganization steps is set out as below:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Approximate percentage of shareholding (%)</u>
Mr. Wang <sup>(1)</sup> .....	21,274,997	38.12
Mr. Ji <sup>(1)</sup> .....	21,272,996	38.12
Beisen Zongheng <sup>(1)</sup> .....	8,000,658	14.34
Beisen Investment <sup>(1)</sup> .....	205,000	0.37
Shenzhen Capital .....	5,051,552	9.05
<b>Total</b> .....	<b><u>55,805,203</u></b>	<b><u>100.00</u></b>

(1) After completion of these transfers, Mr. Wang, Mr. Ji, Beisen Zongheng and Beisen Investment, each a party of Onshore Acting-in-concert Agreement, held in aggregate 90.95% in the registered capital in our Onshore Holdco. For details of the Onshore Acting-in-concert Agreement, see “— Acting in Concert Arrangements — Onshore Acting-in-concert Agreement” in this section.

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### *Offshore Reorganization*

#### 1. Incorporation of BVI Entities

As part of the offshore Reorganization, the Co-founders and certain shareholders of the Onshore Holdco prior to the Reorganization, set up their BVI entities to hold shares in our Company, details of which are set out as below:

<u>Company Name</u>	<u>Date of incorporation</u>	<u>Shareholders</u>	<u>Equity Interests</u>
Xiasen Limited . . . . .	April 4, 2018	Mr. Wang	100%
Xisen Limited . . . . .	April 4, 2018	Mr. Ji	100%
Lotusleaf Limited . . . . .	September 7, 2018	Ms. Li Lan	100%
Oakridge Beisen Limited . .	September 7, 2018	Ms. Yang Jie	100%
Healthy GHY Limited . . . .	September 7, 2018	Mr. Guo Fei	100%
Uohope Limited . . . . .	September 7, 2018	Mr. Shi Chuan	100%
TJ Huaxin Limited <sup>(1)</sup> . . . . .	September 7, 2018	Ms. Song Ci (宋慈) <sup>(1)</sup>	100%
Xinyin Holdings Limited <sup>(2)</sup> . . . . .	September 7, 2018	Ms. Du Yao (杜瑤) <sup>(2)</sup>	100%
TJVCM Limited <sup>(1)</sup> . . . . .	September 7, 2018	Mr. Hong Lei (洪雷) <sup>(1)</sup>	100%

(1) Ms. Song Ci and Mr. Hong Lei, through their shareholding platforms, held shares in our Company on behalf of Tianchuang Huaxin and Tianchuang Yingxin, the then shareholders of our Onshore Holdco immediately prior to the Reorganization, as their respective nominees.

(2) Prior to the Reorganization, Ms. Du Yao held equity interests in our Onshore Holdco through Beijing Haoxfeng, one of the Series C Investors of our Onshore Holdco and is ultimately controlled by Ms. Du Yao.

#### 2. Incorporation of Our Company

On April 6, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and became the ultimate holding company of our Group. Upon incorporation, our Company had an authorized share capital of US\$50,000.00 divided into 500,000,000 ordinary Shares of a par value of US\$0.0001 each. On the same day, our Company allotted and issued 8,011,937 ordinary Shares of a par value of US\$0.0001 each to each of Xiasen Limited and Xisen Limited, respectively.

#### 3. Incorporation of Beisen HK

On April 10, 2018, Beisen HK was incorporated as a limited company in Hong Kong as a direct wholly-owned subsidiary of our Company.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### 4. Allotment of Shares to the Shareholders

In order to reflect the shareholding structure of our Onshore Holdco prior to the Reorganization, the Company entered into a series of investment agreements with the Shareholders, pursuant to which, a total of 48,170,845 Shares were issued and allotted by the Company to the Shareholders. Upon completion of the allotment of such Shares, the percentage of the shareholding held by each Shareholder was equivalent to the percentage of shares held by their corresponding onshore entities in our Onshore Holdco prior to the Reorganization, details of which are set out as below:

Shareholders	Class of Shares	Number of Issued Shares	Approximate percentage of shareholding upon the completion of the Reorganization <sup>(1)</sup> (%)
Xiasen Limited <sup>(2)</sup>	Ordinary Shares	8,027,937	16.67
	Series C Preferred Shares	102,500	0.21
	Series D Preferred Shares	25,000	0.05
Xisen Limited <sup>(3)</sup>	Ordinary Shares	8,011,937	16.63
	Series C Preferred Shares	102,500	0.21
Jingwei Chuangda <sup>(4)</sup>	Series B Preferred Shares	4,789,994	9.94
	Series B-1 Preferred Shares	801,405	1.66
	Series B Preferred Shares	4,195,734	8.71
Max Woods Limited <sup>(5)</sup>	Series B-1 Preferred Shares	696,737	1.45
	Series C Preferred Shares	1,511,519	3.14
	Series C Preferred Shares	3,075,066	6.38
Chuangji Investment <sup>(6)</sup>	Series D Preferred Shares	1,953,601	4.06
	Series D Preferred Shares	2,442,002	5.07
Beis Investment (BVI) Ltd. <sup>(7)</sup>	Series D Preferred Shares	2,442,002	5.07
Zhide One Investment Co. Limited (“Zhide One”) <sup>(8)</sup>	Series D Preferred Shares	699,500	1.45
Lotusleaf Limited <sup>(9)</sup>	Ordinary Shares	1,104,567	2.29
Oakridge Beisen Limited <sup>(10)</sup>	Ordinary Shares	701,604	1.46
Healthy GHY Limited <sup>(11)</sup>	Ordinary Shares	701,604	1.46
Uohope Limited <sup>(12)</sup>	Series D Preferred Shares	122,100	0.25
TJ Huaxin Limited <sup>(13)</sup>	Series B-1 Preferred Shares	622,688	1.29
Xinyin Holdings Limited <sup>(14)</sup>	Series C Preferred Shares	2,499,998	5.19
TJVCMLimited <sup>(15)</sup>	Series D Preferred Shares	366,300	0.76
SCGC Holding Company Limited (“SCGC”) <sup>(16)</sup>	Series A Preferred Shares	5,051,552	10.49
Genesis Capital <sup>(17)</sup>	Series D Preferred Shares	565,000	1.17
<b>Total</b>		<b><u>48,170,845</u></b>	<b><u>100.00</u></b>

(1) The approximate percentage of shareholding upon completion of the Reorganization does not take account of the additional 8,000,658 Shares reserved for ESOP purposes, pursuant to a shareholder resolution of our Company dated September 25, 2018.

(2) Our Company issued and allotted 16,000 ordinary Shares, 102,500 Series C Preferred Shares and 25,000 Series D Preferred Shares on September 25, 2018 and 8,011,937 ordinary Shares on April 6, 2018, respectively, to Xiasen Limited. Upon completion of the allotment of Shares, the approximate percentages of different classes of Shares held by Xiasen Limited in our Company were equivalent to the aggregated percentages of (i) the shares directly held by Mr. Wang in our Onshore Holdco; (ii) the shares indirectly held by Mr. Wang in our Onshore Holdco through Beisen Investment; and (iii) the total shares transferred to Mr. Wang by Mr. Zhang Jianmin, Ms. Gong Yan, Mr. Meng Fanzhong and Mr. Tu Yonggang during the onshore Reorganization.

(3) Our Company issued and allotted 102,500 Series C Preferred Shares on September 25, 2018 and 8,011,937 ordinary Shares on April 6, 2018, respectively, to Xisen Limited. Upon completion of the allotment of Shares, the approximate percentages of different classes of Shares held by Xisen Limited in our Company were equivalent to the corresponding percentages of the shares indirectly held by Mr. Ji in our Onshore Holdco through Beisen Investment.

(4) On September 25, 2018, our Company issued and allotted 4,789,994 Series B Preferred Shares and 801,405 Series B-1 Preferred Shares to Tembusu HZ II Limited, which was incorporated in BVI on March 25, 2015 and is an affiliate of Jingwei Chuangda. On December 6, 2019, Tembusu HZ II Limited transferred all such Shares to Jingwei Chuangda at a cash consideration of RMB32,031,411, which is equivalent to the total amount of investment in our Onshore Holdco by Jingwei Chuangda prior to the Reorganization.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (5) On September 25, 2018, our Company issued and allotted 4,195,734 Series B Preferred Shares, 696,737 Series B-1 Preferred Shares and 1,511,519 Series C Preferred Shares to Max Woods Limited, which was incorporated in the Cayman Islands on July 26, 2018 and wholly owned by Beijing Sequoia Huansen Management Consulting Center (Limited Partnership) (北京紅杉樞森管理諮詢中心(有限合夥), “**Sequoia Huansen**”) and ultimately controlled by Sequoia Huansen’s general partner, Sequoia Capital Equity Investment Management (Tianjin) Co., Ltd. (紅杉資本股權投資管理(天津)有限公司, “**Sequoia Tianjin**”), which also holds controlling position in Sequoia Juye.
- (6) On September 25, 2018, our Company issued and allotted 3,075,066 Series C Preferred Shares and 1,953,601 Series D Preferred Shares to Tembusu Holdings (HK) Limited, which was incorporated in BVI on November 27, 2017 and is an affiliate of Chuangji Investment. On February 28, 2020, Tembusu Holdings (HK) Limited transferred all 3,075,066 Series C Preferred Shares and 1,953,601 Series D Preferred Shares to Chuangji Investment at a cash consideration of RMB129,200,470, which is equivalent to the total amount of investment in our Onshore Holdco by Chuangji Investment prior to the Reorganization.
- (7) On June 1, 2020, our Company issued and allotted 2,442,002 Series D Preferred Shares to Beis Investment (BVI) Ltd., which was incorporated in BVI on August 29, 2018 and wholly owned by Gongqingcheng Yuanxi.
- (8) On September 25, 2018, our Company issued and allotted 699,500 Series D Preferred Shares to Zhide One, which was incorporated in BVI on January 19, 2017 and wholly owned by CICC. Upon completion of the allotment of the Shares, the approximate percentage of the Shares held by Zhide One was equivalent to the percentage of aggregated shares held by CICC and Zhizhan Shanghai in our Onshore Holdco immediately before CICC and Zhizhan Shanghai ceased to be the shareholders of our Onshore Holdco. On April 26, 2021, our Company repurchased 412,000 Series D Preferred Shares from Zhide One at a cash consideration of US\$9,022,800, which was determined based on arm’s length negotiations and fully settled by April 28, 2021, so as to reserve certain Shares for ESOP purposes.
- (9) On November 23, 2018, our Company issued and allotted 1,104,567 ordinary Shares to Lotusleaf Limited, which was incorporated and wholly owned by Ms. Li Lan. On April 4, 2021, our Company repurchased 140,000 ordinary Shares from Lotusleaf Limited at a cash consideration of US\$3,066,000, which was determined based on arm’s length negotiations and fully settled by April 28, 2021, so as to reserve certain Shares for ESOP purposes.
- (10) On November 23, 2018, our Company issued and allotted 701,604 ordinary Shares to Oakridge Beisen Limited, which was incorporated and wholly owned by Ms. Yang Jie.
- (11) On November 23, 2018, our Company issued and allotted 701,604 ordinary Shares to Healthy GHY Limited, which was incorporated and indirectly wholly owned by Mr. Luo Sansheng. On April 4, 2021, our Company repurchased 100,642 ordinary Shares from Healthy GHY Limited at a cash consideration of US\$2,204,059.8, which was determined based on arm’s length negotiations and fully settled by April 28, 2021, so as to reserve certain Shares for ESOP purposes.
- (12) On November 23, 2018, our Company issued and allotted 122,100 Series D Preferred Shares to Uohope Limited, which was incorporated and wholly owned by Mr. Shi Chuan. On April 4, 2021, our Company repurchased 122,100 Series D Preferred Shares from Uohope Limited at a cash consideration of US\$2,673,990, which was determined based on arm’s length negotiations and fully settled by April 28, 2021, so as to reserve certain Shares for ESOP purposes. Since then, Uohope Limited ceased to be a shareholder of the Company.
- (13) On November 23, 2018, our Company issued and allotted 622,688 Series B-1 Preferred Shares to TJ Huaxin Limited, which was incorporated and wholly owned by Tianchuang Huaxin. From September to November 2018, SCC Venture VII Holdco, Ltd. (“**SCC VII**”) and Genesis Capital agreed to acquire 122,331 and 500,357 Series B-1 Preferred Shares held by TJ Huaxin Limited, respectively, and TJ Huaxin Limited ceased to be our shareholders since then, details of which are set out in “[REDACTED] investments” below.
- (14) On November 23, 2018, our Company issued and allotted 2,499,998 Series C Preferred Shares to Xinyin Holdings Limited, which was incorporated and wholly owned by Ms. Du Yao, a private investor and an Independent Third Party.
- (15) On November 23, 2018, our Company issued and allotted 366,300 Series D Preferred Shares to TJVCM Limited, which was incorporated and wholly owned by Tianchuang Yingxin. On April 9, 2021, Tianchuang Yingxin entered into a capital reduction agreement with our Onshore Holdco and ceased to be the shareholder of our Onshore Holdco, see “Onshore Reorganization — Reduction of registered capital of our Onshore Holdco” in this section above. On the same date, TJVCM Limited entered into a share repurchase agreement with the Company, pursuant to which, the Company repurchased all shares held by TJVCM Limited at nil consideration. Since then, TJVCM Limited ceased to be a shareholder of the Company.
- (16) On September 25, 2018, our Company issued and allotted 5,051,552 Series A Preferred Shares to SCGC, which was incorporated in BVI on November 16, 2006 and wholly owned by Shenzhen Capital.
- (17) Pursuant to a loan assignment and assumption agreement dated September 25, 2018 among Genesis Capital, Mr. Wang and our Company, Mr. Wang agreed to, among others, assign all of his rights and obligations under the Note Purchase Agreement to our Company and our Company agreed to assume all Mr. Wang’s rights and obligations under the Note Purchase Agreement. As such, on the same day, the Company issued and allotted an aggregate of 565,000 Series D Preferred Shares to Genesis Capital. Upon completion of the allotment of the Shares, the approximate percentage of the Shares held by Genesis Capital was equivalent to the percentage of aggregated shares held by the NEEQ Market Makers in our Onshore Holdco immediately before they ceased to be the shareholders of our Onshore Holdco.

### 5. Contractual Arrangements

In order to comply with PRC laws and regulations while availing ourselves of capital markets and maintaining effective control over all of our PRC operations, on September 25, 2018, Beijing WFOE entered into the Contractual Arrangements with our Onshore Holdco, its respective registered shareholders, which were restated and amended on August 13, 2020, April 9, 2021 and December 27, 2021. Through the Contractual Arrangements, Beijing WFOE is able to exercise effective control over the operations of, and become entitled to all the economic benefits derived from the operation of our Onshore Holdco and our Onshore Holdco’s subsidiaries. See “Contractual Arrangements” for details.



## **HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

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Our PRC Legal Advisor has confirmed that the share transfers, reorganizations and changes in registered capital as part of the Reorganization in respect of the PRC companies in our Group as described above have been properly and legally completed in all material aspects in accordance with PRC laws and regulations and all material regulatory approvals in relation to the Reorganization have been obtained in accordance with PRC laws and regulations.

**HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

**[REDACTED] INVESTMENTS**

**Principal Terms of the [REDACTED] Investments**

The below table summarizes the principal terms of the [REDACTED] Investments:

	Series Angel	Series A	Series B	Series B-1	Series C	Series D	Series E <sup>(8)</sup>	Series F <sup>(10)</sup>
Cost per Preferred Share paid	RMB8.00	RMB8.00 <sup>(2)</sup>	RMB9.60 <sup>(2)(3)</sup> or RMB22.50 <sup>(3)(4)</sup>	RMB45.00 <sup>(4)(5)</sup>	RMB71.84 <sup>(5)(6)</sup>	RMB40.95 <sup>(6)(7)</sup>	US\$9.59 <sup>(7)(9)</sup>	US\$24.3658 <sup>(9)(11)</sup>
Corresponding post-money valuation of Onshore Holdco (in the case of the Series A to Series D investment) or our Company (in the case of the Series E and Series F Investment)								
(approximation)	RMB45,000,000.00	RMB57,000,000.00	RMB187,000,000.00	RMB410,000,000.00	RMB800,000,000.00 <sup>(6)</sup>	RMB2,300,000,000.00 <sup>(6)</sup>	US\$611,138,913.27	US\$1,860,000,000.00
Date of the agreements	January 2010	March 2010 and December 2010	December 2012 and March 2013	December 2014	July 2015	March 2017 and June 2017	September 2018 and November 2018	April 2021
Funds raised by our Group/ amount of consideration paid (approximation)		RMB5,000,000.00	RMB28,970,042.00	RMB15,674,247.00	RMB98,053,420.00	RMB199,999,923.00	US\$72,677,374.81	US\$260,000,000.00
Date on which the investment was fully settled	February 2010	May 2011	April 2014	February 2015	July 2015	August 2017	November 2018	April 2021
Basis of determination of the consideration								
		The consideration for each round of [REDACTED] Investments was determined based on arm’s length negotiation between the respective [REDACTED] Investors and our Group after taking into consideration the timing of the [REDACTED] Investments and the status of our business operations.						
Lock-up								
Discount to the [REDACTED] (approximation) <sup>(1)</sup>								
Use of [REDACTED] from the [REDACTED] Investments								

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Series Angel	Series A	Series B	Series B-1	Series C	Series D	Series E <sup>(8)</sup>	Series F <sup>(10)</sup>
Strategic benefit from the [REDACTED] Investments to our Group . . . . .	<p>At the time of the [REDACTED] Investments, our Directors were of the view that our Group could benefit from the additional capital that would be provided by the [REDACTED] Investors’ investments in our Group and the [REDACTED] Investors’ knowledge and experience. Our [REDACTED] Investors include well-known investors covering various industries, some of which are especially experienced in information technology industry. Our [REDACTED] Investors who can share their experience on brand building and market expansion as well as their insight on business strategies workplace operations, along with professional institutional investors who can provide us with professional advice on our Group’s corporate governance, financial reporting and internal control. Moreover, our Directors were also of the view that our Company could benefit from the [REDACTED] Investments as the [REDACTED] Investors’ investments demonstrated their confidence in the operations of our Company and served as an endorsement of our Company’s performance, strengths and prospects.</p>							
Conversion rights . . . . .	<p>Each Preferred Share shall be automatically converted into Shares at the then effective applicable conversion price immediately before completion of the [REDACTED].</p>							
Dividends rights . . . . .	<p>Prior and in preference to any declaration or payment of any dividend on the Ordinary Shares, each holder of the Preferred Shares shall be entitled to receive dividends in proportion to the shareholding percentage of such holder in respect of Preferred Shares held by it (calculated on a fully-diluted and as-converted basis) in all the then outstanding Shares of the Company. See Note 31 of the Accountant’s Report set out in the Appendix I to this Document for details.</p>							
Redemption rights . . . . .	<p>In certain event, each Preferred Shares shall be redeemable at the option of each holder of the Preferred Shares, unless such redemption right is suspended or terminated. See “—Special Rights of the [REDACTED] Investors” below in this section and Note 31 of the Accountant’s Report set out in the Appendix I to this Document for details.</p>							
Liquidation preferences . . . . .	<p>Upon any liquidation (including deemed liquidation), dissolution or winding up of the Company and/or any Group member, either voluntary or involuntary, holders of the Preferred Shares shall be entitled to receive distributions in the manner depending on which kind of Preferred Shares they hold. See Note 31 of the Accountant’s Report set out in the Appendix I to this Document for details.</p>							
Voting rights . . . . .	<p>Subject to the memorandum and articles of association of our Company, each Preferred Shares shall carry such number of votes as is equal to the number of votes or Ordinary Shares into which such series of Preferred Shares could be converted. Holders of the Ordinary Shares and Preferred Shares shall vote together and not as separate classes. See Note 31 of the Accountant’s Report set out in the Appendix I to this Document for details.</p>							
<p><i>Notes:</i></p>								
	<p>(1) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], assuming the conversion of the Preferred Shares into Shares on a one-to-one basis have been completed prior to the [REDACTED].</p>							
	<p>(2) The difference between the cost per Preferred Share paid for the Series A Investments and Series B Investments is primarily due to the commencement of our SaaS business by (i) successful releasing of and integrated information transformation between the Recruitment Cloud, Succession Cloud and Performance Management Cloud and (ii) our commencement of the construction of an integrated software for management.</p>							
	<p>(3) The difference between the cost per Preferred Share paid for the Series B Investments is primarily due to our successful release of an integrated talent management cloud platform.</p>							
	<p>(4) In 2011, each of Mr. Wang and Mr. Ji, transferred registered capital of RMB156,250 at a cash consideration of RMB1,500,000 to Ms. Yangjie and Mr. Luo Sansheng, each an Independent Third Party, respectively. The difference between the cost per Preferred Share paid for the Series B Investments and Series B-1 Investments is primarily due to the launch of Recruitment Cloud and our rapid growth to become one of the leading companies in the industry.</p>							
	<p>(5) The difference between the cost per Preferred Share paid for the Series B-1 Investments and Series C Investments is primarily due to (i) the investment in PaaS Core HCM and (ii) the Group’s revenue exceeding RMB100 million for the relevant period.</p>							
	<p>(6) As the registered share capital of the Onshore Holdco increased from RMB11,135,191 to RMB50,000,000 (50,000,000 shares with a nominal value of RMB1 per share) upon the completion of its conversion into joint stock limited company (the “Conversion”), each of its then shareholders subscribed for certain registered share capital in proportion to their then respective interests held in the registered capital of the Onshore Holdco before the Conversion, leading to a notional decline of price per share. In fact, and to the contrary of the notional decline, the post money valuation of our Onshore Holdco increased from RMB800 million after Series C Investments to RMB2,300 million after Series D Investments, mainly attributable to the (i) successful launch of the Core HCM Solutions after Series C round of [REDACTED] Investments, (ii) the Group’s revenue exceeding RMB200 million for the relevant period and (iii) the listing of the Company’s shares on the NEEQ in April 2016.</p>							
	<p>(7) The difference between the cost per Preferred Share paid for the Series D Investments and Series E Investments is primarily due to the (i) improvement of integrity of cloud-based HCM solutions and (ii) the Group’s revenue exceeding RMB300 million.</p>							
	<p>(8) From September to November 2018, our Company attracted Series E investments from several professional investment institutions (“Series E Investments”), among which (i) SCC VII, an Independent Third Party, agreed to subscribe for 987,129 Series E Preferred Shares, representing 1.61% of the enlarged share capital, by way of capital injection for an aggregate cash consideration of US\$9,462,648.17, and agreed to acquire 133,983 ordinary Shares and 122,331 Series B-1 Preferred Shares from Lotusleaf Limited and TJ Huaxin Limited respectively at a cash consideration of</p>							

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US\$956,432.08 and US\$873,257.98 respectively; (ii) Genesis Capital, agreed to subscribe for 4,037,530 Series E Preferred Shares, representing 6.60% of the enlarged share capital, by way of capital injection for an aggregate cash consideration of US\$38,703,869.38, and agreed to acquire 326,454 ordinary Shares and 500,357 Series B-1 Preferred Shares from Lotusleaf Limited, Healthy GHY Limited and TJ Huaxin Limited respectively at a cash consideration of US\$2,330,382.17, US\$1,581,590.40 and US\$3,571,776.35 respectively; and (iii) Matrix Partners China V Hong Kong Limited (“**Matrix HK**”), an Independent Third Party, agreed to subscribe for 2,556,936 Series E Preferred Shares, representing 4.80% of the enlarged share capital, by way of capital injection for an aggregate cash consideration of US\$24,510,857.26, and agreed to acquire 364,521 ordinary Shares, 50,000 ordinary Shares and 50,000 ordinary Shares from Lotusleaf Limited, Healthy GHY Limited, Xiasen Limited and Xisen Limited respectively at a cash consideration of US\$2,602,119.14, US\$1,423,430.65, US\$356,923.08 and US\$356,923.08 respectively. The consideration of Series E investments was determined after arm’s length negotiations among relevant parties with reference to the timing of the investments and the prospect of the business of our Company and was fully settled by December 7, 2018.

- (9) The difference between the cost per Preferred Share paid for the Series E Investments and Series F Investments is primarily due to (i) the official openness of our the PaaS infrastructure to certain selected customers, (ii) the launch of our third-party application store, (iii) the completion of the construction of an integrated product system, (iv) the launch of iTalentX, and (v) the increase in revenues of the Group and the increase in the portion of subscriptions to our cloud-based HCM solutions accounted for therein, for the relevant financial period. For details, see “Financial Information”.
- (10) In April, 2021, our Company attracted Series F investments from several professional investment institutions (“**Series F Investments**”), among which SCGC, SVF II Cortex Subco (DE) LLC (“**SVF Subco**”), Mercer Investment (Singapore) Pte. Ltd. (“**Mercer**”), Bargate Investment Holdings One Limited (“**Bargate**”), Fidelity China Special Situations PLC (“**FCSSP**”), Fidelity Funds, Fidelity Investment Funds, Space Trek L.P., Matrix HK, GC HCM (BVI) Limited (“**GC BVI**”), GC HCM Holdings Limited (“**GC Holdings**”) and SCC Growth VI Holdco E, Ltd. (“**SCC VI**”), each an Independent Third Party, (“**Series F investors**”) agreed to subscribe for, in aggregate, approximately 15.50% of the equity interest in our Company by way of capital injection for an aggregate cash consideration of US\$260,000,000. SCGC, SVF Subco, Mercer, Bargate, FCSSP, Fidelity Funds, Fidelity Investment Funds, Space Trek L.P., Matrix HK, GC BVI, GC Holdings and SCC VI paid a consideration of US\$10,000,000, US\$100,000,000, US\$30,000,000, US\$16,174,219, US\$13,451,629, US\$374,152, US\$20,000,000, US\$10,000,000, US\$8,000,000, US\$5,000,000 and US\$17,000,000 respectively, to subscribe for approximately 0.60%, 5.96%, 1.79%, 1.79%, 0.96%, 0.80%, 0.02%, 1.19%, 0.60%, 0.48%, 0.30% and 1.02% of the equity interest in our Company. The consideration of Series F Investments was determined after arm’s length negotiations among relevant parties with reference to the timing of the investments and the prospect of the business of our Company and was fully settled on April 26, 2021.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Special Rights of the [REDACTED] Investors*

Our Company and, among others, the [REDACTED] Investors entered into a shareholder agreement dated April 9, 2021 and the amendment agreement to the shareholder agreement, dated December 31, 2021 (together, the “**Latest Shareholders Agreement**”), pursuant to which certain shareholder rights were agreed among the parties. Pursuant to the Latest Shareholders Agreement, including relevant amendments, and the then memorandum and articles of association of our Company, certain [REDACTED] Investors have, among other rights, (i) information rights; (ii) the right to elect directors; (iii) redemption rights; (iv) right of first-refusal; (v) right of co-sale; and (vi) prior consent to corporate actions.

The redemption rights under the Latest Shareholders Agreement and the then memorandum and articles of association of our Company have been suspended immediately prior to the date of the Company’s submission of our application for the [REDACTED]. The timeline for the redemption is that any divestment is suspended before the [REDACTED] and it only becomes exercisable if the [REDACTED] does not take place and will be terminated upon [REDACTED]. The redemption rights shall be automatically restored and immediately resume to be exercisable upon the earliest of, among other scenarios, (i) the withdrawal, rejection, return or lapse of the [REDACTED] by our Company; or (ii) occurrence of any event which would render the Company unable to comply with the requirements for [REDACTED]; or (iii) the occurrence of any other events which result in the [REDACTED] not taking place; or (iv) the expiry of 12 months from the day of the application for the [REDACTED]. All other special rights of the [REDACTED] Investors granted under the foregoing documents will be automatically terminated upon the completion of the [REDACTED]. No special rights granted to the [REDACTED] Investors will survive after the [REDACTED].

Under the Latest Shareholders Agreement and other effective constitutional documents of the Company, it has also been agreed among the [REDACTED] Investors and the Company that the [REDACTED] must give an implied pre-money valuation of the Company of US\$[REDACTED] or more. [Based on the information disclosed in the section headed “Structure of the [REDACTED]” in this Document, the Directors of the Company confirm that this [REDACTED] meets the aforesaid criterion.]

### *Information about our [REDACTED] Investors*

The background information of our [REDACTED] Investors is set out below.

**Jingwei Chuangda** is a limited liability partnership established in the PRC with Hangzhou Jingwei Tengchuang Investment Management Partnership (Limited Partnership) (杭州經緯騰創投資管理合夥企業(有限合夥)), whose general partner is Shanghai Jingwei Equity Investment Management Co., Ltd. (上海經為股權投資管理有限公司, “**Shanghai Jingwei**”), acting as its general partner. Jingwei Chuangda has 17 limited partners, none of whom holds more than one third of the partnership interest of Jingwei Chuangda. **Chuangji Investment** is a limited liability partnership established in the PRC with Shanghai Changchuang Investment Management Partnership (Limited Partnership) (上海昶創投資管理合夥企業(有限合夥)), whose general partner is Shanghai Jingsheng Investment Management Co., Ltd. (上海經勝投資管理有限公司, “**Shanghai Jingsheng**”), acting as its general partner. Chuangji Investment has 42 limited partners, none of whom holds more than one third of the partnership interest of Chuangji Investment. Both Shanghai Jingwei and Shanghai Jingsheng are investment companies ultimately controlled by Mr. Zuo Lingye. Jingwei Chuangda and Chuangji Investment will collectively hold more than 10% of the total issued Shares upon the [REDACTED]. Jingwei Chuangda is a venture capital fund with a primary purpose of making investments in the PRC, mainly focusing on companies in SAAS, B2B platforms, advanced technology, mobile internet and healthcare sectors. Chuangji Investment is a venture capital fund with a primary purpose of making investments in the PRC, mainly



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focusing on companies in SAAS, B2B platforms, advanced technology, mobile internet and healthcare sectors.

**Matrix Partners China V, L.P.** (“**Matrix V**”) and **Matrix Partners China V-A, L.P.** (“**Matrix V-A**”), each an exempted limited partnership incorporated under the laws of the Cayman Islands, of which the general partner is Matrix China Management V, L.P., whose general partner is Matrix China V GP GP, Ltd. Matrix V has 52 limited partners, none of whom holds more than one third of the partnership interest of Matrix V. Matrix V-A has 72 limited partners, none of whom holds more than one third of the partnership interest of Matrix V-A. Timothy A. Barrows, David Ying Zhang, David Su and Ho Kee Harry Man are directors of Matrix China V GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Matrix V and Matrix V-A. To the best knowledge of our Directors, each of Matrix V and its limited partners, Matrix V-A and its limited partners, Timothy A. Barrows, David Ying Zhang, David Su and Ho Kee Harry Man is an Independent Third Party. Matrix V and Matrix V-A are venture capital funds with a primary purpose of making investments in the PRC, mainly focusing on companies in the advanced technology, mobile Internet, healthcare and consumer sectors.

**Space Trek L.P.**, an exempted limited partnership incorporated under the laws of the Cayman Islands, of which the general partner is Space Trek Management, L.P., whose general partner is Space Trek GP GP, Ltd. Space Trek L.P. has 5 limited partners, among whom Anatole Partners Master Fund, L.P. holds 54.90% of the partnership interest of Space Trek L.P. and none of the other limited partners holds more than one third of the partnership interest of Space Trek L.P. Ms. Liu Xiaoning and Mr. Yan Xubin are directors of Space Trek GP GP, Ltd. and are deemed to have shared investment voting power over the shares held by Space Trek L.P. To the best knowledge of our Directors, each of Space Trek L.P. and its limited partners, Ms. Liu Xiaoning, Mr. Yan Xubin, Space Trek Management, L.P. and Space Trek GP GP, Ltd. is an Independent Third Party. Space Trek L.P. is a venture capital fund making investment in SAAS sector.

**Genesis Capital** is an exempted limited partnership established in the Cayman Islands in July 2015, whose general partner is Genesis Capital Ltd. Genesis Capital has 42 limited partners, none of whom holds more than one third of the partnership interest of Genesis Capital. Genesis Capital Ltd. is wholly owned by Yuan Capital Ltd. and thus in turn wholly owned by Mr. Peng Zhijian. To the best knowledge of our Directors, each of Genesis Capital and its limited partners, Genesis Capital Ltd., Yuan Capital and Mr. Peng Zhijian is an Independent Third Party. Genesis Capital is primarily engaging in investing in equity and equity-related securities of growth and late stage entities in China.

**Beis Investment (BVI) Ltd.**, a company incorporated in BVI on August 29, 2018 with limited liability, is wholly-owned by Gongqingcheng Yuanxi. The general partner of Gongqingcheng Yuanxi is Gongqingcheng Yuande Investment Management Partnership (Limited Partnership) (共青城元德投資管理合夥企業(有限合夥)), “**Gongqingcheng Yuande**”), with Gongqingcheng Yuansheng Investment Management Co., Ltd. (共青城元生投資管理有限公司) acting as its general partner, is ultimately controlled by Mr. Peng Xueqin and Mr. Peng Honghong. Gongqingcheng Yuanxi has 21 limited partners, none of which holds more than one third of the partnership interest of Gongqingcheng Yuande. To the best knowledge of our Directors, each of Beis Investment (BVI) Ltd., Gongqingcheng Yuanxi and its limited partners, Gongqingcheng Yuande, Gongqingcheng Yuansheng Investment Management Co., Ltd., Mr. Peng Xueqin and Mr. Peng Honghong is an Independent Third Party. Beis Investment (BVI) Ltd. is primarily engaging in investing in equity and equity-related securities of growth and late stage entities in China.



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**Max Woods Limited**, an investment fund incorporated in the Cayman Islands on July 26, 2018, is wholly owned by Beijing Sequoia Huansen Management Consulting Center (Limited Partnership) (北京紅杉桓森管理諮詢中心 (有限合夥)), “**Sequoia Huansen**”) The general partner of Sequoia Huansen is Tianjin Sequoia Juye Equity Investment Partnership (Limited Partnership) (天津紅杉聚業股權投資合夥企業 (有限合夥)), which is ultimately controlled by Sequoia Capital Equity Investment Management (Tianjin) Co., Ltd. (紅杉資本股權投資管理 (天津) 有限公司, “**Sequoia Tianjin**”), which is the sole limited partner of Sequoia Huansen. Sequoia Tianjin is owned as to 70% by Mr. Zhou Kui and 30% by Mr. Zhang Lianqing, each of whom is the ultimate beneficial owner of Max Woods Limited. To the best knowledge of our Directors, each of Max Woods Limited, Sequoia Huansen, Tianjin Sequoia Juye Equity Investment Partnership (Limited Partnership), Mr. Zhou Kui and Mr. Zhang Lianqing is an Independent Third Party.

**SCC VII**, an exempted company with limited liability incorporated in the Cayman Islands, is wholly owned by Sequoia Capital China Venture Fund VII, L.P. (“**Sequoia Venture VII**”), whose general partner is SC China Venture VII Management, L.P. (“**SC Venture VII**”). **SCC VI**, an exempted company with limited liability incorporated in the Cayman Islands, is wholly owned by Sequoia Capital China Growth Fund VI, L.P. (“**Sequoia Growth VI**”), whose general partner is SC China Growth VI Management, L.P. (“**SC Growth VI**”). The general partner of SC Venture VII and SC Growth VI is SC China Holding Limited (“**SC Holding**”), a wholly-owned subsidiary of SNP China Enterprises Limited (“**SNP**”), whose sole shareholder is Mr. Neil Nanpeng Shen. To the best knowledge of our Directors, each of Sequoia Venture VII, SC Venture VII, Sequoia Growth VI, SC Growth VI, SC Holding, SNP and Mr. Neil Nanpeng Shen is an Independent Third Party.

**SCGC**, a company incorporated under the laws of the BVI, is a wholly-owned subsidiary of Shenzhen Capital by holding shares indirectly through Shenzhen Capital (Hong Kong) Company Limited. Shenzhen Capital, one of the registered shareholders of our Onshore Holdco holding 9.05% of equity interests, is a limited liability company established by the Shenzhen Municipal Government with a focus on venture capital investment to nurture entrepreneurship and innovation. The ultimate beneficial owner of SCGC is Shenzhen Municipal Government. To the best knowledge of our Directors, each of SCGC, Shenzhen Capital, Shenzhen Capital (Hong Kong) Company Limited and Shenzhen Municipal Government is an Independent Third Party. SCGC is primarily engaging in venture capital investment in several sectors, such as information technology, intelligence manufacture, internet and biotech.

**Zhide One** is a limited company incorporated in Hong Kong on January 19, 2017 and wholly owned by CICC, a public company listed on both Shanghai Stock Exchange (601995.SH) and Hong Kong Stock Exchange (3908.HK), which, to the best knowledge of our Directors, is an Independent Third Party.

**West Street Global Growth Partners (Singapore) Pte. Ltd.** (“**WS Growth**”), **West Street Global Growth Partners Emp (Singapore) Pte. Ltd.** (“**WS Emp**”) and **Goldman Sachs Asia Strategic II Pte. Ltd.** (“**GS II**”) are private companies limited by shares incorporated in the Republic of Singapore on March 31, 2021, May 20, 2021, and April 4, 2019, respectively. WS Growth, WS Emp and GS II are affiliates of The Goldman Sachs Group, Inc., a company incorporated under the laws of Delaware and whose shares are listed on the NYSE (stock symbol: GS), which, to the best knowledge of our Directors, is an Independent Third Party.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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**FCSSP**, a closed-ended investment company incorporated in England and Wales, **Fidelity Investment Funds**, an open-ended investment company with variable capital incorporated in England and Wales, and **Fidelity Funds**, an open-ended investment company established in Luxembourg as a SICAV (société d’investissement à capital variable), are advised or sub-advised by FIL Investment Management (Hong Kong) Limited, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. To the best knowledge of our Directors, each of FIL Investment Management (Hong Kong) Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is an Independent Third Party. FCSSP invests primarily in securities issued by companies listed in China and Chinese companies listed elsewhere with the investment objective of long-term capital growth. Fidelity Funds invests in securities in different geographical areas and currencies, with the investment objective of capital growth and/or income. Fidelity Investment Funds invests in securities in a wide range of markets with the investment objective of revenue and/or capital growth over the medium to long term.

**SVF II Bandicoot (DE) LLC (“SVF Bandicoot”)**, a company incorporated in Delaware, United States, is directly owned by SVF II Investment Holdings (Subco) LLC. The sole member of SVF II Investment Holdings (Subco) LLC is SVF II Investment Holdings LLC, which is controlled by SVF II Holdings (DE) LLC. The sole member of SVF II Holdings (DE) LLC is SVF II Aggregator (Jersey) L.P., whose general partner is SVF II GP (Jersey) Limited and sole limited partner is SoftBank Vision Fund II-2 L.P., both of which are in turn ultimately wholly owned by SoftBank Group Corp., a company listed on Tokyo Stock Exchange (stock code: 9984). To the best knowledge of our Directors, each of SVF II Investment Holdings (Subco) LLC, SVF II Investment Holdings LLC, SVF II Holdings (DE) LLC, SVF II Aggregator (Jersey) L.P., SVF II GP (Jersey) Limited, SoftBank Vision Fund II-2 L.P. and SoftBank Group Corp. is an Independent Third Party.

**Bargate** is an investment holding company incorporated under the laws of the BVI in March 2021. As of the Latest Practical Date, Bargate is wholly-owned by Primavera Capital Fund III L.P., which is controlled by its general partner, Primavera Capital GP III Ltd. Primavera Capital GP III Ltd. (together with its affiliated companies, “**Primavera Capital Group**”) is controlled by Fred Zuliu Hu, Richard Alvah Ruffer Jr. and Leon Dwayne Rhule. Primavera Capital Group mainly engages in equity investment focusing on high-tech, healthcare, and consumer companies. To the best knowledge of our Directors, each of Bargate, Primavera Capital Fund III L.P., Primavera Capital GP III Ltd., Fred Zuliu Hu, Richard Alvah Ruffer Jr. and Leon Dwayne Rhule is an Independent Third Party.

**GC HCM (BVI) Limited** is a company incorporated in the BVI on March 25, 2021 with limited liability. Quick Idea Investments Limited, a wholly-owned subsidiary of G-Resources Group Limited, owns 100% of the equity interest in GC HCM (BVI) Limited. G-Resources Group Limited is a company with limited liability incorporated under the laws of Bermuda principally engaging in financial services business, principal investment business and real property business, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1051). To the best knowledge of our Directors, each of the GC HCM (BVI) Limited, Quick Idea Investments Limited and G-Resources Group Limited is an Independent Third Party.

**GC HCM Holdings Limited** is an exempted company with limited liability incorporated in the Cayman Islands on March 25, 2021 and wholly-owned by Gaocheng Fund I, L.P. The general partner of Gaocheng Fund I, L.P. is Gaocheng Holdings GP, Ltd, which is ultimately controlled by Ms. Hong Jing. Gaocheng Fund I, L.P. has 56 limited partners, none of whom holds more than one third of the partnership interest of Gaocheng Fund I, L.P. To the best knowledge of our Directors, each of GC

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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HCM Holdings Limited, Gaocheng Fund I, L.P. and its limited partners, Gaocheng Holdings GP, Ltd and Ms. Hong Jing is an Independent Third Party. GC HCM Holdings Limited is primarily engaging in equity investment in enterprise service and technology innovation.

### COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the consideration for the [REDACTED] Investments was settled more than 28 clear days before the date of our first submission of the [REDACTED] in relation to the [REDACTED] to the Stock Exchange; and (ii) the customary special rights granted to the [REDACTED] Investors shall be suspended upon submission of a [REDACTED] and/or will be terminated upon [REDACTED], as the case may be, the Joint Sponsors have confirmed that the [REDACTED] Investments are in compliance with the Interim Guidance (HKEx-GL29-12) and the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange.

### DISPOSAL AND DEREGISTRATION OF CERTAIN SUBSIDIARIES

In order to streamline our business, we also disposed and deregister certain subsidiaries, and details of which are summarized as below. Our Directors confirmed that there were not any material non-compliance, administrative fines or penalty against the following subsidiaries before the disposals and deregistration. Other than Ruizheng HR Management and Beisen Shengya, none of the subsidiaries that were disposed of or deregistered by us during the Track Record Period contributed to more than 5% of our Group’s total revenues in each fiscal year throughout the Track Record Period.

#### *Sen Yun Technology*

Sen Yun Technology was established in May 2017 in the PRC, which is primarily engaged in the provision of OKR software and related services. Sen Yun Technology was a wholly-owned subsidiary of our Onshore Holdco. In July 2018, as part of business reorganization plan to streamline its business, our Onshore Holdco transferred all its equity interests in Sen Yun Technology to Beijing Black Mirror, of which our Onshore Holdco and Mr. Zhang, who served as the director of our Onshore Holdco from April 2013 to June 2021 and the chief technology officer of our Onshore Holdco from November 2009 to May 2018, were then interested in approximately 18% and 82% of its registered capital respectively, at the consideration of RMB1 million. Our Onshore Holdco acquired the said 18% equity interests in Beijing Black Mirror with a cash consideration of RMB2 million. The consideration, which was settled on June 7, 2018, was negotiated on an arm’s length basis with reference to the then registered capital of Sen Yun Technology. Upon completion of the transfer of equity interests, Sen Yun Technology ceased to be a consolidated subsidiary of our Onshore Holdco. As of the Latest Practical Date, our Onshore Holdco holds approximately 10.2% equity interests of Beijing Black Mirror, which operates OKR software and related services business through Sen Yun Technology. We decided to invest in Beijing Black Mirror primarily because we believed it offers products and services and has developed proprietary technologies that are complementary to ours, allowing us to better serve customers and more efficiently tap into our target markets. For details, see “Financial Information—Discussion of Certain Key Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss.”

Our Onshore Holdco designated the remaining 18% equity interests in Beijing Black Mirror as its financial assets measured at fair value through profit or loss.

Our Directors are of the view that Sen Yun Technology did not suffer from any material fluctuation of its financial performance before its disposal, and the disposal of Sen Yun Technology does not have material adverse impact on our business or financial performance.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Ruizheng HR Management*

Ruizheng HR Management was established in October 2009 in the PRC, which is primarily engaged in human resources consulting services. Upon commencement of the Track Record Period, Ruizheng HR Management was interested as to 51% by our Onshore Holdco as its consolidated subsidiary. On August 15, 2019 and May 20, 2020, as part of business reorganization plan to focus on its main cloud-based human capital management solutions business, our Onshore Holdco entered into two equity interests transfer agreements with Tianjin Lingrui Zhengxing Enterprise Management Consulting Center (Limited Partnership) (天津領睿正行企業管理諮詢中心 (有限合夥), “**Tianjin Lingrui**”), a minority shareholder of Ruizheng HR Management which held approximately 6.2% of the shares in Ruizheng HR Management prior to the transfer of equity interests, pursuant to which, Onshore Holdco first transferred its 33% equity interests and then the rest 18% equity interests in Ruizheng HR Management to Tianjin Lingrui at the considerations of RMB4.95 million and RMB2.7 million, respectively. The considerations, which were settled on July 20, 2020, were negotiated on an arm’s length basis with references to the net asset value of Ruizheng HR Management as of October 31, 2019 prepared by an independent valuer. Upon completion of the transfer of equity interests, Ruizheng HR Management ceased to be a subsidiary of our Onshore Holdco. See Note 8(a) of the Accountant’s Report attached in the Appendix I to this Document for details.

Our Directors are of the view that Ruizheng HR Management did not suffer from any material fluctuation of its financial performance before its disposal, and the disposal does not have material adverse impact on our business or financial performance.

### *Beisen Shengya*

Beisen Shengya was established in April 2009 in the PRC, which was primarily engaged in the provision of career planning services. Beisen Shengya was a wholly-owned subsidiary of our Onshore Holdco. On September 6, 2021, as part of business reorganization plan to focus on its main cloud-based human capital management solutions business, our Onshore Holdco transferred 42% and 42% of its equity interests in Beisen Shengya to Hainan Shengya Enterprise Information Consulting Center Limited Partnership (海南笙芽企業信息諮詢中心合夥企業 (有限合夥), “**Hainan Shengya**”) and Hainan Senya Investment Co., Ltd. (海南森涯投資有限公司, “**Hainan Senya**”), both of which are Independent Third Parties, respectively, at a consideration of RMB3,973,158 respectively, RMB7,946,316 in total. The considerations, which were fully settled on January 4, 2022, were negotiated on an arm’s length basis with reference to the then registered capital of Beisen Shengya. Upon completion of the transfer of equity interests, Beisen Shengya ceased to be a consolidated subsidiary of our Onshore Holdco. On June 30, 2022, our Onshore Holdco further transferred its remaining 16% equity interests in Beisen Shengya to Hainan Senya at a consideration of RMB1,520,000, which was negotiated on arm’s length basis with reference to the then registered capital of Beisen Shengya. The relevant registration formalities was completed on July 6, 2022. Since then, our Group ceased to hold any equity interest in Beisen Shengya.

Our Directors are of the view that Beisen Shengya did not suffer from any material fluctuation of its financial performance from the beginning of the Track Record Period and up to the completion of its disposal, and the disposal does not have material adverse impact on our business or financial performance. For details of the impacts on our financial performance as a results of the disposal of Beisen Shengya, see “Financial information—Description of major components of our results of operations”.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Sichuan Sendou*

Sichuan Sendou Traveling Agency Co., Ltd. (四川森豆旅行社有限公司, “**Sichuan Sendou**”) was established in June 2017 in the PRC and was intended to be engaged in the provision of employee benefits services. Sichuan Sendou was a wholly-owned subsidiary of our Onshore Holdco. As part of business reorganization plan to streamline its business, our Onshore Holdco filed the application to deregister Sichuan Sendou with local regulatory authorities, which was approved and completed on January 19, 2021.

Given that Sichuan Sendou had not operated any business since its establishment and up to its deregistration. Accordingly, our Directors are of the view that the deregistration of Sichuan Sendou does not have any adverse impact on our business or financial performance.

### *Zhenjiang Sendou*

Zhenjiang Sendou Traveling Agency Co., Ltd. (鎮江森豆旅行社有限公司, “**Zhenjiang Sendou**”) was established in July 2019 in the PRC and was primarily engaged in the provision of employee benefits services within the Group. Zhenjiang Sendou was a wholly-owned subsidiary of our Onshore Holdco. As part of business reorganization plan to streamline its business, our Onshore Holdco filed the application to deregister Zhenjiang Sendou with local regulatory authorities, which was approved and completed on March 30, 2021.

During the Track Record Period and up to the deregistration of Zhenjiang Sendou, our Group had not recognized any revenue from its business operation. Thus, our Directors are of the view that the deregistration of Zhenjiang Sendou was conducted in order to streamline our business and does not have material adverse impact on our business or financial performance.

### *Hangzhou Beisen*

Hangzhou Beisen was established in July 2014 in the PRC and was primarily engaged in the sales of SaaS products and provision of cloud computing and related technology services. Hangzhou Beisen was a wholly-owned subsidiary of our Onshore Holdco. As part of business reorganization plan to optimize its business, the business and staffs of Hangzhou Beisen were moved to the newly established local branches of our Onshore Holdco and our Onshore Holdco filed the application to deregister Hangzhou Beisen with local regulatory authorities, which was approved and completed on December 8, 2021.

During the Track Record Period and up to the deregistration of Hangzhou Beisen, our Directors noted that there was a trend of decline in the revenue contribution of Hangzhou Beisen to that of the Group, which was primarily attributable to the gradual shifting of business from Hangzhou Beisen to Chengdu WFOE as part of our business reorganization plan to streamline our business structure. Thus, our Directors are of the view that such does not have material adverse impact on our business or financial performance.

### *Qingdao Beisen*

Qingdao Beisen was established in March 2016 in the PRC and was primarily engaged in the sales and provision of cloud computing and related technology services. Qingdao Beisen was a consolidated and wholly-owned subsidiary of our Onshore Holdco. As part of business reorganization



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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plan to optimize its business, the business and staffs of Qingdao Beisen were moved to the Chengdu WFOE and our Onshore Holdco filed the application to deregister Qingdao Beisen with local regulatory authorities, which was approved and completed on December 23, 2021.

Our Directors are of the view that Qingdao Beisen did not suffer from any material fluctuation of its financial performance from the beginning of the Track Record Period and up to the completion of its disposal, prior to which the Group has completed shifting Qingdao Beisen’s business to Chengdu WFOE, and the disposal thereof does not have a material adverse impact on our business or financial performance.

### EMPLOYEE INCENTIVE PLANS

During the Track Record Period, we have adopted the [REDACTED] Share Option Plan on July 15, 2019 and amended it on April 23, 2020, September 26, 2021 and December 31, 2021. We have also adopted the RSU Plan on December 31, 2021 and amended it on March [\*], 2023. The principal terms of the [REDACTED] Share Option Plan and the RSU Plan are summarized in “Appendix IV—Statutory and General Information—D. [REDACTED] Share Option Plan” and “Appendix IV—Statutory and General Information—E. RSU Plan”. The Company will comply with Chapter 14A of, and other applicable rules under the Listing Rules, for Shares to be granted to connected persons under the RSU Plan after [REDACTED].

### [REDACTED] AND REDESIGNATION

On March [\*], 2023, our Shareholders resolved to, among other things, conduct the [REDACTED] pursuant to which each share in our then issued and unissued share capital was [REDACTED] into [REDACTED] shares of the corresponding class with nominal of US\$[REDACTED] each effective upon the conditions of the [REDACTED] being fulfilled. Our Shareholders also resolved to, immediately upon completion of the [REDACTED], conduct the Conversion, pursuant to which each Preferred Share shall be converted into Ordinary Share on a one-to-one basis by way of redesignation. For details, please refer to the section headed “Share Capital” in this Document.

### PUBLIC FLOAT

Upon completion of the [REDACTED] and the [REDACTED] (assuming (i) [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers are set out below:

- Zhaosen, ultimately controlled by Mr. Wang, our executive Director and chairman of the Board, holding 11.26% of the total issued Shares;
- Weisen, ultimately controlled by Mr. Ji, our executive Director and chief executive officer, holding 11.20% of the total issued Shares;
- Senyan, ultimately controlled by Mr. Wang, our executive Director and chairman of the Board, holding 4.26% of the total issued Shares;



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- Jingwei Chuangda and Chuangji Investment, our [REDACTED] investors, ultimately controlled by Mr. Zuo Lingye, collectively holding 14.75% of the total issued Shares; and
- Chunsen Holding Limited, one of the Employee Shareholding Platforms, a company incorporated in the BVI wholly owned by Futu Trustee Limited under the Sen Talent Trust, of which the beneficiaries are (i) Ms. Liu, who is our executive Director and the chief financial officer of our Company, (ii) Mr. He, who was a Director in the last 12 months and (iii) Ms. Zhou Dan, who is the spouse of Mr. Wang, our executive Director and chairman of the Board, holding 0.88% of the total issued Shares.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Save as disclosed above in this section and the section headed “Substantial Shareholders” in this Document, to the best of the Directors’ knowledge, all other Shareholders are not connected persons of our Company. In the view of (i) all other Shareholders are not core connected persons; (ii) all other Shareholders and their respective beneficial owner(s) are independent of and not acting upon or accustomed to take instructions from any core connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its/their name or otherwise held by it/them, nor directly or indirectly, financed by any core connected persons of our Company; and (iii) none of the other Shareholders will become a substantial Shareholder upon [REDACTED], such Shares held by them will constitute part of the public float for the purposes of Rule 8.08 of the Listing Rules. Details of the Company’s public float upon [REDACTED] are listed below:

Shareholder	Shareholding immediately prior to the [REDACTED]	Shareholding immediately following the completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>
	(%)	(%)
Max Woods Limited	9.37	[REDACTED]
Genesis Capital	8.27	[REDACTED]
SCGC	7.99	[REDACTED]
SVF Bandicoot	6.00	[REDACTED]
Matrix V	4.81	[REDACTED]
Xinyin Holdings Limited	3.66	[REDACTED]
Beis Investment (BVI) Ltd.	3.57	[REDACTED]
SCC VII	1.82	[REDACTED]
Bargate	1.80	[REDACTED]
WS Growth	1.40	[REDACTED]
Space Trek L.P.	1.20	[REDACTED]
Oakridge Beisen Limited	1.03	[REDACTED]
SCC VI	1.02	[REDACTED]
FCSSP	0.97	[REDACTED]
Fidelity Funds	0.81	[REDACTED]
Matrix V-A	0.50	[REDACTED]
GC BVI	0.48	[REDACTED]
Zhide One	0.42	[REDACTED]
GC Holdings	0.30	[REDACTED]
GS II	0.27	[REDACTED]
Healthy GHY Limited	0.26	[REDACTED]
Lotusleaf Limited	0.20	[REDACTED]
WS Emp	0.13	[REDACTED]
Fidelity Investment Funds	0.02	[REDACTED]
Qiusen Holding Limited	—	[REDACTED]
Other Public Shareholders	—	[REDACTED]
Total	56.32	[REDACTED]

(1) Assuming the [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CAPITALIZATION OF OUR COMPANY

The following table sets out the shareholding structure of our Company as of the Latest Practicable Date and immediately upon completion of the [REDACTED] and the [REDACTED], assuming (i) the [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and no other Shares are issued pursuant to the [REDACTED] Share Option Plan:

Shareholder <sup>(1)</sup>	Ordinary Shares	Series A Perferred Shares	Series B Perferred Shares	Series B - Perferred Shares	Series C Perferred Shares	Series D Perferred Shares	Series E Perferred Shares	Series F Perferred Shares	Shareholding in our Company as of the Latest Practical Date <sup>(2)</sup>	Shareholding in our Company upon completion of the [REDACTED] and the [REDACTED] <sup>(3)</sup>
Zhaosen	7,977,937	—	—	—	102,500	25,000	—	—	11.86%	[REDACTED]
Weisen	7,961,937	—	—	—	102,500	—	—	—	11.80%	[REDACTED]
Senyan	3,067,035	—	—	—	—	—	—	—	4.49%	[REDACTED]
Lotusleaf Limited	139,609	—	—	—	—	—	—	—	0.20%	[REDACTED]
Oakridge Beisen Limited	701,604	—	—	—	—	—	—	—	1.03%	[REDACTED]
Healthy GHY Limited	180,000	—	—	—	—	—	—	—	0.26%	[REDACTED]
Genesis Capital	548,013	—	—	500,357	—	565,000	4,037,530	—	8.27%	[REDACTED]
SCC VII	133,983	—	—	122,331	—	—	987,129	—	1.82%	[REDACTED]
Matrix V	601,382	—	—	—	—	—	2,316,073	371,750	4.81%	[REDACTED]
Matrix V-A	62,542	—	—	—	—	—	240,863	38,661	0.50%	[REDACTED]
SCGC	—	5,051,552	—	—	—	—	—	410,411	7.99%	[REDACTED]
Jingwei Chuangda	—	—	4,789,994	801,405	—	—	—	—	8.18%	[REDACTED]
Max Woods Limited	—	—	4,195,734	696,737	1,511,519	—	—	—	9.37%	[REDACTED]
Chuangji Investment	—	—	—	—	3,075,066	1,953,601	—	—	7.36%	[REDACTED]
Xinyin Holdings Limited	—	—	—	—	2,499,998	—	—	—	3.66%	[REDACTED]
Beis Investment (BVI) Ltd.	—	—	—	—	—	2,442,002	—	—	3.57%	[REDACTED]
Zhide One	—	—	—	—	—	287,500	—	—	0.42%	[REDACTED]
SVF Bandicoot	—	—	—	—	—	—	—	4,104,113	6.00%	[REDACTED]
Bargate	—	—	—	—	—	—	—	1,231,234	1.80%	[REDACTED]
Space Trek L.P.	—	—	—	—	—	—	—	820,823	1.20%	[REDACTED]
SCC VI	—	—	—	—	—	—	—	697,699	1.02%	[REDACTED]
FCSSP	—	—	—	—	—	—	—	663,808	0.97%	[REDACTED]
Fidelity Funds	—	—	—	—	—	—	—	552,070	0.81%	[REDACTED]
Fidelity Investment Funds	—	—	—	—	—	—	—	15,356	0.02%	[REDACTED]
WS Growth	—	—	—	—	—	—	—	957,157	1.40%	[REDACTED]
WS Emp	—	—	—	—	—	—	—	89,392	0.13%	[REDACTED]
GS II	—	—	—	—	—	—	—	184,685	0.27%	[REDACTED]
GC BVI	—	—	—	—	—	—	—	328,329	0.48%	[REDACTED]
GC Holdings	—	—	—	—	—	—	—	205,206	0.30%	[REDACTED]
Employee Shareholding Platforms <sup>(4)</sup>	—	—	—	—	—	—	—	—	—	[REDACTED]
Other [REDACTED]	—	—	—	—	—	—	—	—	—	[REDACTED]
<b>Total</b>	<b>21,374,042</b>	<b>5,051,552</b>	<b>8,985,728</b>	<b>2,120,830</b>	<b>7,291,583</b>	<b>5,273,103</b>	<b>7,581,595</b>	<b>10,670,694</b>	<b>100.00%</b>	<b>100.00%</b>

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (1) For further details about these Shareholders, see “—Reorganization” and “—[REDACTED] Investments” in this section.
- (2) Based on the assumption that each of the Preferred Shares will be converted into one Share upon the [REDACTED] becoming unconditional.
- (3) Assuming (i) the [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED] Share Option Plan, and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan.
- (4) An aggregate of 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED] to the Employee Shareholding Platforms. For details of the [REDACTED] Share Option Plan, see “Statutory and General Information — D. [REDACTED] Share Option Plan” in Appendix IV to this Document.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### M&A RULES

According to the Regulations on Merger 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 State Taxation Administration, the China Securities Regulatory Commission, the State Administration of Industry and Commerce (currently the SAMR) and SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

As advised by our PRC Legal Advisor, prior CSRC approval under the M&A Rules for this offering is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the [REDACTED] of our Company is subject to the M&A Rules; (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company; and (iii) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

### SAFE Circular 37

In 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. Pursuant to SAFE Circular 37, (i) 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 (ii) 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 No. 37, failure to comply with these registration procedures may result in penalties.

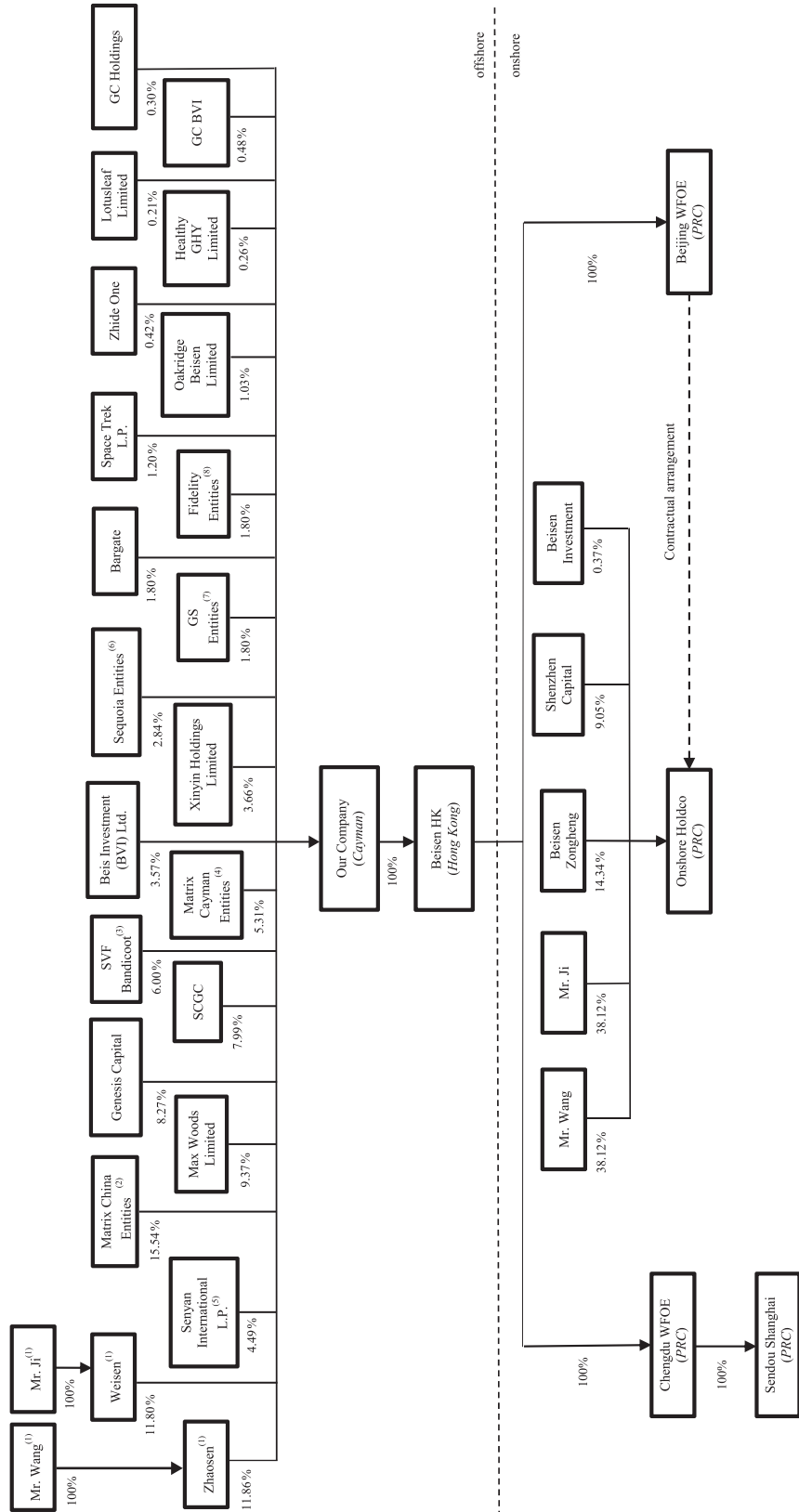
Pursuant to the Notice on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment, or SAFE Circular 13, issued by SAFE and became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisor, Mr. Wang and Mr. Ji, who are PRC residents, have completed their foreign exchange registration of overseas investments as required under SAFE Circular No. 37 in May 2018.

**HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

**OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]**

The following chart sets forth our corporate and shareholding structure immediately prior to the [REDACTED], assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis.



**Notes:**

(1) On August 18, 2021, Zhaosen issued and allotted 19,800 shares to Huisen Holding Limited, a company incorporated in the BVI on July 19, 2021 and wholly owned by Sen Talent Holdings Limited, which is in turn wholly owned by Ark Trust (Singapore) Ltd. as the trustee for a trust established by Mr. Wang (as the settlor and protector) for the benefit of Mr. Wang and his family. Upon completion of such share allotment, Zhaosen is interested as to 99% by Huisen Holding Limited and 1% by Xiasen Limited, a company incorporated in the BVI on July 19, 2021 and wholly owned by Sen Platform Holdings Limited, which is in turn wholly owned by Ark Trust (Singapore) Ltd. as the trustee for a trust established by Mr. Ji (as the settlor and protector) for the benefit of Mr. Ji and his family. Upon completion of such share allotment, Weisen is interested as to 99% by Guosen Holding Limited and 1% by Xisen Limited, respectively.



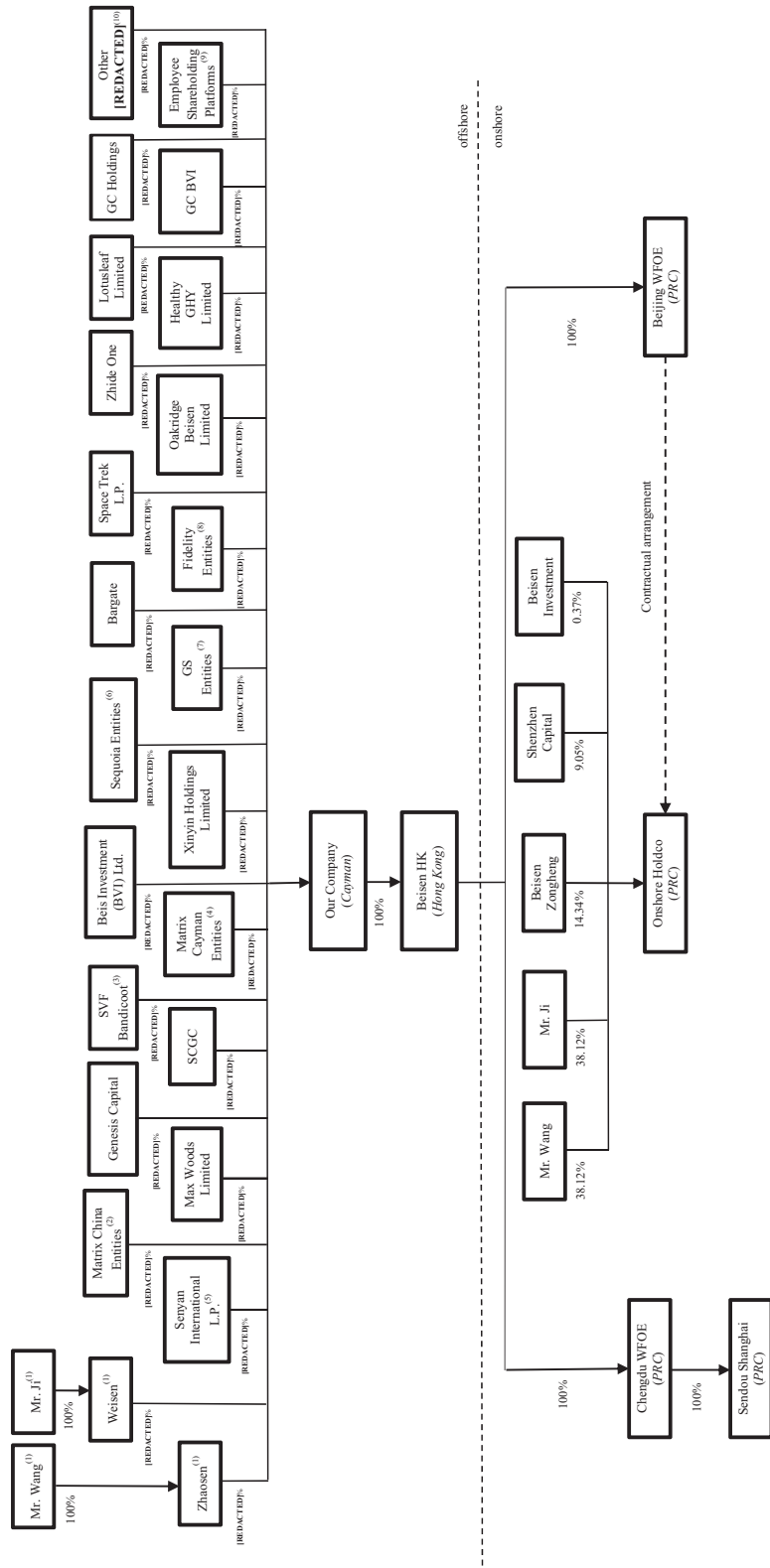
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- Additionally, Mr. Wang, Mr. Ji, Zhaosen, Weisen and Senyan, each a party of Offshore Acting-in-concert Agreement dated December 31, 2021, held in aggregate 28.15% equity interest in our Company. For details of the Offshore Acting-in-concert Agreement, see “—Acting in Concert Arrangements—Offshore Acting-in-concert Agreement” in this section above.
- (2) Matrix China Entities refers to the entities ultimately controlled by Mr. Zuo Lingye, including: (i) Jingwei Chuangda, a limited liability partnership established in the PRC, which holds 8.1806% equity interest in our Company; and (ii) Chuangji Investment, a limited liability partnership established in the PRC, which holds 7.574% equity interest in our Company. See “—[REDACTED] Investments—Information about our major [REDACTED] Investors” for details of our investors.
- (3) On October 22, 2021, SVF Subco transferred 4,104,113 Series F Preferred Shares of our Company to SVF Bandicoot via SVF II Cortex Interim (DE) LLC. Both of SVF Subco and SVF Bandicoot are affiliates of SVF II-2. See “—[REDACTED] Investments—Information about our major [REDACTED] Investors” for details of our investors.
- (4) Matrix Cayman Entities refers to the entities ultimately controlled by Matrix China V GP GP, Ltd., including Matrix V and Matrix V-A, each of which is an exempted limited partnership incorporated under the laws of the Cayman Islands. See “—[REDACTED] Investments—Information about our major [REDACTED] Investors” for details of our investors. On October 22, 2021, Matrix HK transferred 601,382 ordinary Shares, 2,316,073 Series E Preferred Shares and 371,750 Series F Preferred Shares of our Company to Matrix V, which holds 90.58% of the equity interest in Matrix HK, and transferred 62,542 ordinary Shares, 240,863 Series E Preferred Shares and 38,661 Series F Preferred Shares to Matrix V-A, which holds 9.42% of the equity interest in Matrix HK. Upon the completion of such share transfers, Matrix V and Matrix V-A holds 4.81% and 0.50% equity interest in our Company, respectively.
- (5) Senyan was established as a platform for the purpose of holding Shares in the Company for and on behalf of certain employees of the Company, to reflect their then employee’s onshore interests prior to the Reorganization. In October 2019, our Company issued and allotted 3,127,999 ordinary Shares to Senyan. On September 26, 2021, our Company forfeited 60,964 ordinary Shares held by Senyan as a result of the resignation of certain employees, which contributed to our share capital decrease from US\$68,410,091 to US\$68,349,127. On the same date, such 60,964 ordinary Shares have been authorized and reserved for issuance pursuant to the [REDACTED] Share Option Plan, as a result of which an aggregate of 7,972,883 ordinary Shares have been authorized and reserved for issuance pursuant to the [REDACTED] Share Option Plan as of September 26, 2021. Xiasen Limited, which is wholly owned by Mr. Wang, acts as the general partner of Senyan and controls all of its voting rights.
- (6) Sequoia Entities refer to the entities ultimately controlled by Mr. Neil Nampeng Shen, including: (i) SCC VII, a company with limited liabilities incorporated in the Cayman Islands, which holds 1.8192% equity interest in our Company; and (ii) SCC VI, a company with limited liabilities incorporated in the Cayman Islands, which holds 1.0208% equity interest in our Company. See “—[REDACTED] Investments—Information about our major [REDACTED] Investors” for details of our investors.
- (7) GS Entities refer to the entities ultimately controlled by The Goldman Sachs Group, Inc., including WS Growth, WS Emp and GS II. See “—[REDACTED] Investments—Information about our major [REDACTED] Investors” for details of our investors. On June 21, 2021, Mercer Investments (Singapore) Pte. Ltd. transferred 957,157, 89,392 and 184,685 Series F Preferred Shares, respectively, to WS Growth, WS Emp and GS II. Upon the completion of such share transfers, WS Growth, WS Emp and GS II holds 1.40%, 0.13% and 0.27% equity interest in our Company, respectively.
- (8) Fidelity Entities refer to the entities ultimately controlled by FIL Limited, including: (i) FCSSP, an investment fund incorporated in the United Kingdom, which holds 0.97% equity interest in our Company; (ii) Fidelity Funds, an investment fund incorporated in Luxembourg, which holds 0.81% equity interest in our Company; and (iii) Fidelity Investment Funds, an investment fund incorporated in the United Kingdom, which holds 0.02% equity interest in our Company. See “—[REDACTED] Investments—Information about our major [REDACTED] Investors” for details of our investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately following completion of the [REDACTED] and the [REDACTED], assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis and (i) the [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan.



Notes (1) to (8): Please refer to the diagram contained under “Our Structure Immediately Prior to the [REDACTED]” in this section above.  
 Note (9): An aggregate of 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], to the Employee Shareholding Platforms. Futu Trustee Limited, the trustee under the [REDACTED] Share Option Plan, holds the voting rights of each of the Employee Shareholding Platforms, but undertakes that it shall not exercise the voting rights attached to the Shares held by the Employee Shareholding Platforms. For details of the [REDACTED] Share Option Plan, see “Statutory and General Information — D. [REDACTED] Share Option Plan” in Appendix IV to this Document.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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*Note (11):* The expected public float immediately following the completion of the [REDACTED] and the [REDACTED] is approximately 65.21%, assuming (i) the [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), which comprises the shares to be held by the other public Shareholders and the other [REDACTED] Investors who are not core connected persons of the Company.

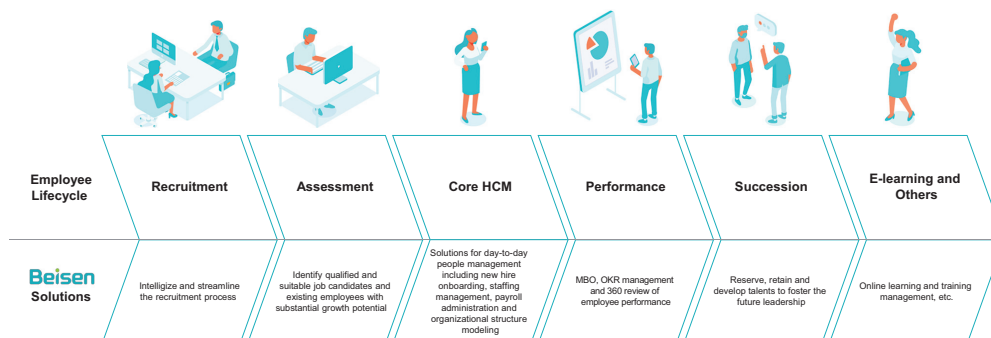
## BUSINESS

### OVERVIEW

We are the largest provider of cloud-based HCM solutions in China in terms of revenues in 2021, according to CIC. Our platform iTalentX delivers cloud-native SaaS products, namely our cloud-based HCM solutions, for enterprises to recruit, evaluate, manage, develop and retain talents efficiently. Our platform is the first and the only in the industry to offer a full suite of cloud-based applications covering organization’s HCM needs throughout the entire employee lifecycle, according to CIC. We offer integrated cloud-based HCM solutions that synchronize use cases and the underlying employee data for our customers. Through effective use case and data integration across our different HCM solutions, we enable customers to leverage such data to gain insights into workforces and inform their HCM and broader business decisions. According to CIC, we are also the only cloud-based HCM solutions provider in China that has built a unified and open PaaS infrastructure, which greatly improves our development efficiency, supports rapid application expansion, and meets customers’ ever-changing needs.

Enterprises in China today have been growing in size and operate in highly competitive environments. To be successful, enterprises’ demand for high-quality talents is rising, but the imbalance between talent supply and demand makes it urgent for them to improve the efficiency and effectiveness of human capital management through digital means. At the same time, with the development of mobile internet and the change of employee demand, enterprises look for comprehensive functionality and ease-of-use HCM solutions that cater to the needs of new generations of users. Enterprises are also looking for ways to develop insights to inform decision-making process. However, these needs haven’t been effectively met due to limitations of existing solutions.

Beisen was created to meet the evolving needs. Our iTalentX is purpose built to offer enterprises comprehensive HCM solutions which are integrated. We offer (i) Recruitment Cloud to intelligize and streamline the recruitment process; (ii) Assessment Cloud for enterprises to identify qualified and suitable job candidates and existing employees with substantial growth potential to foster a strong team, based on our people science expertise and know-how; (iii) Core HCM Solutions for day-to-day people management including new hire onboarding, staffing management, payroll administration and organizational structure modeling; (iv) Performance Management Cloud for tracking of MBO and OKR management and review of employee performance; (v) Succession Cloud to reserve, retain and develop talents to foster the future leadership, as well as other solutions, such as E-learning Cloud, catering to a wide variety of HCM use cases. Our iTalentX enables our customers to not only improve all aspects of people management, but also operate with a complete picture of their organization. We offer data analytics tools powered by our business intelligence and artificial intelligence capabilities to facilitate fast and informed decision-making.



The bedrock of the iTalentX platform is our cloud-based PaaS infrastructure, which enables new applications to be developed easily and efficiently. Our PaaS infrastructure enhances the scalability and adaptability of our HCM solutions more efficiently and at lower cost. For example, the

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out-of-the-box functionality of our PaaS infrastructure eliminates the need to build core modules for applications from scratch. Through the low code or no code development tools our PaaS infrastructure offers, developers can simply drag and drop pre-configured modules and functionality with little to no coding required to quickly build and expand applications as business grows. This enables us and our customers and business partners to conveniently develop tailor-made functionalities for specific use cases, providing them flexibility to adapt to changing business environments. In addition, our PaaS infrastructure provides a shared software development platform that allows developers to build and scale modules quickly without the need to purchase additional compute, storage and networking capacity in anticipation of traffic spikes, as a traditional on-premise business model typically requires.

We strategically focus on medium-to-large sized enterprises as we believe our success lies in a high quality and loyal customer base. Our customer base included over 4,900 players across various large-scale and fast-growing industries as of September 30, 2022, covering a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors. Additionally, over 70% of Fortune China 500 companies are our customers as of September 30, 2022. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.

We derive our revenues primarily from subscription fees charged to customers for our HCM solutions. Subscription model generating recurring revenues not only allows us to facilitate and benefit from our customers’ success and long-term growth but also gives us visibility into our future operating results. In recent years, we have achieved considerable business and financial growth. We generated RMB437.4 million, RMB570.0 million, RMB729.3 million, RMB887.7 million and RMB907.9 million of total bookings for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the trailing twelve months ended September 30, 2022, respectively. Our total revenues increased from RMB382.3 million for the fiscal year ended March 31, 2019 to RMB458.5 million for the fiscal year ended March 31, 2020 and RMB556.3 million for the fiscal year ended March 31, 2021, and further to RMB679.6 million for the fiscal year ended March 31, 2022, and from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022. Revenues generated from subscriptions to our cloud-based HCM solutions amounted to RMB209.0 million, RMB259.4 million, RMB349.1 million, RMB463.5 million and RMB253.3 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, representing approximately 54.7%, 56.6%, 62.7%, 68.2% and 72.2% of our total revenues during the respective periods. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded gross margin of 60.6%, 59.8%, 66.4%, 58.9% and 54.0%, respectively.

## INDUSTRY BACKGROUND AND OPPORTUNITY

According to CIC, China’s HCM market is one of the largest HCM markets in the world, with a market size of RMB660.8 billion in 2021. CIC expects the market to grow to reach RMB1,625.9 billion in 2027, representing a CAGR of 16.2% from 2021 to 2027. The cloud-based HCM solutions penetration rate in the HCM market in China, calculated by dividing the size of the cloud-based HCM solutions market by that of the total HCM market, was only 0.8% in 2021, compared to 6.9% in the United States, representing a tremendous opportunity for cloud-based HCM solutions providers to continue to take market share. According to CIC, the market for cloud-based HCM solutions in China is expected to grow at a CAGR of 32.9% from 2021 to 2027, more than doubling the CAGR of 13.5% of on premise HCM software. CIC expects the market share of cloud-based HCM solutions to exceed that of on premise HCM software and reach 51.6% in 2027.

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There are significant unmet needs of enterprises in China:

- ***Unaddressed demand for digitalized all-in-one HCM solutions***
  - As enterprises have grown larger in size with complex business environments, digitalized HCM solutions have become increasingly important. However, a large number of enterprises have yet to achieve digitalization, which results in low efficiency in their human capital management.
  - Many existing HCM solution providers offer incomplete product suites that deliver only a portion of the capabilities required by enterprises. Enterprises looking to upgrade their HCM systems typically need to use and integrate different solutions from multiple vendors. This leads to discontinuation in business scenarios and business fragmentation, which greatly reduces internal operational efficiency. User experience is also suboptimal as employees have to log into multiple portals to access different product modules.
  - Data is segregated across different systems without tools to integrate them to generate meaningful insights. Customers lack sophisticated and easy-to-use tools needed to access, analyze and act on employee data in real-time and are unable to make critical and informed decisions based on actionable workforce insights.
- ***Lack of a well-designed human capital management process in place***
  - Providers of traditional HCM solutions only provide generic out-of-the-box functionality and do not have the expertise and know-how to give proper advice to the enterprises on how to optimize human capital management process and empower employee career development. Enterprises in China not only look for software solution, but also crave guidance on how to optimize their human capital management process, especially in relation to how to identify, develop and retain talents.
- ***Lack of customization at low cost to meet the needs of medium-to-large sized enterprises***
  - Installed software cannot be upgraded after the initial customization, making it difficult to respond to the evolving business environments such as changes in individual income tax law, electronic signature requirements and personal information protection law.
  - Most existing HCM solutions are built on inflexible, closed technology architectures. Changes to their standard solutions are particularly difficult and take long delivery time at high development cost.
- ***Lack of solutions under specific industry scenarios***
  - Nowadays, most cloud-based software only provides a set of general solutions for customers, without in-depth understanding of vertical industries, such as shift scheduling management in the manufacturing industry and store management in the retail chain industry, and is unable to meet customer needs in specific industry scenarios.
- ***Lack of satisfying employee user experience***
  - Traditional HCM solutions are more focused on human resources than employees. With the Generation Z, who are more focused on achievement and capability



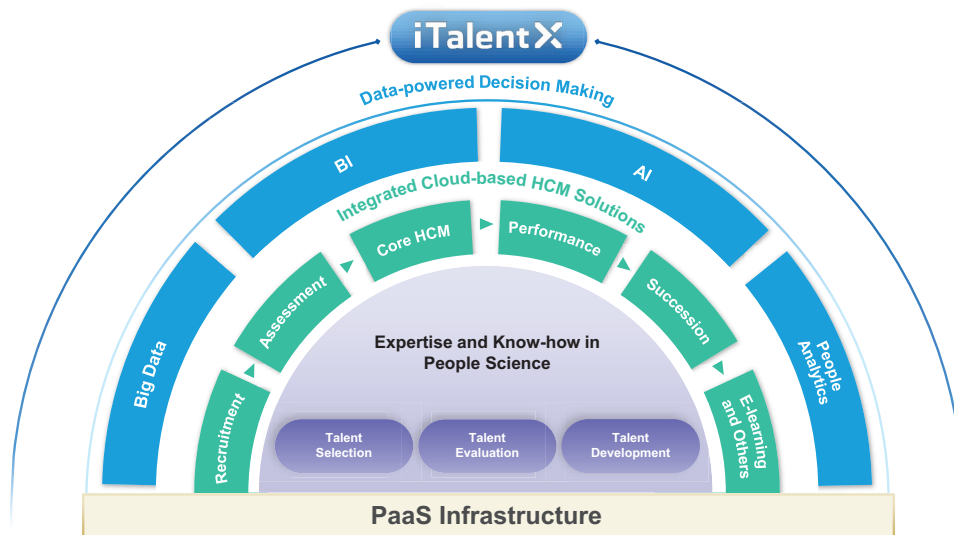
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development, becoming the main force in the workplace, it has been increasingly difficult for traditional HCM solutions to meet the growing demand of Generation Z.

- Many existing solutions have arcane, inflexible user interfaces that lack the intuitive and easy-to-navigate features of modern SaaS applications. As the Generation Z enters the workplace, the next-generation software solutions need to be employee-centric.

### OUR SOLUTIONS – ITALENTX

iTalentX is synonymous with our holistic approach to address customers’ HCM needs, from the PaaS infrastructure as the foundation to data insights informing the decision-making, and from self-developed cloud-based HCM solutions building on top of the PaaS infrastructure to expertise and know-how in people science that are deeply integrated with such software solutions. iTalentX is a cloud-native and multi-layer architecture that becomes more sophisticated as our business grows. All of our cloud-based HCM solutions are currently built and operate on the iTalentX platform. The chart below illustrates the key components of our iTalentX platform.



- *PaaS infrastructure.* At the bottom of our iTalentX platform is our cloud-native, multi-tenant and metadata-based PaaS infrastructure, on which we build and expand our cloud-based HCM solutions. As the bedrock of our solutions and services, our unified and open PaaS infrastructure increases our application development efficiency, supports rapid application expansion, and fulfills customers’ ever-changing personalized business needs. Our PaaS infrastructure serves as the backbone to the iTalentX platform and is used mainly by our in-house developers to build and expand our cloud-based HCM solutions. For more details, see “—Our Technology—PaaS Infrastructure.”
- *Expertise and know-how in people science.* We believe our expertise and know-how in people science differentiates us from our competitors. We design our cloud-based HCM solutions to be deeply integrated with our profound industry insights in talent selection, assessment and development. This makes our solutions more than standardized software streamlining customers’ human capital management process, but also solutions with methodology and know-how to identify, develop and retain talents. For more details, see “—Key Benefits of Our Products – Expertise and Know-how in People Science.”
- *Integrated cloud-based HCM solutions.* With our expertise and know-how in people science at the core and PaaS infrastructure as the foundation, we offer a comprehensive

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suite of self-developed HCM applications covering the entire employee lifecycle. Our key modules include Recruitment Cloud, Assessment Cloud, Core HCM Solutions, Performance Management Cloud, Succession Cloud, E-learning Cloud and others.

- *Data-powered decision making.* The effective data integration and information exchange across our different HCM solutions has laid a solid foundation for our robust data analytics capabilities. Building upon our big data and AI technologies, we have established a business intelligence and people analytics engine that is capable of transforming customers’ fragmented employee data into actionable insights into their human resources that inform strategic and tactical business decision-making. We also provide customers with a variety of off-the-shelf indicators, allowing them to analyze their human resources data against the best practices in diverse industries and business scenarios.

### KEY BENEFITS OF OUR PRODUCTS

- **Integrated solution**
  - We offer our customers a full-scenario integrated HCM solution with modules covering all user cases throughout the entire employee lifecycle, including recruitment, onboarding, staffing management, payroll, attendance, performance, succession, e-learning and resignation.
  - We provide a unified product experience, enabling customers to access all features and HR-related work through an integrated portal and a single account.
  - We build all applications on a single platform with inherent data integration to facilitate platform-wide cross-module data correlation analysis, enabling customers to work in an open, intuitive and collaborative way and empowers people analytics and smart decision-making process.
- **Expertise and know-how in people science**
  - Our solutions are people-centric, helping enterprises optimize their human capital management systems and empower their employee career development. Our expertise and know-how in people science focuses on three areas:
    - *Talent selection:* identifying the key skill sets, qualities, leadership capabilities and growth potential needed in a job candidate, by leveraging our expertise and know-how and the theoretical framework and methodology of talent management we developed over the past decades.
    - *Talent assessment:* evaluating how well candidates meet the requirements of a job position and fit the overall culture of an organization, taking into account their individual capabilities and our customers’ business needs and corporate values.
    - *Talent development:* developing the abilities of an employee to fit in the current or the next position and to achieve rapid growth into a high-potential talent.
  - Our expertise and know-how in people science are embedded in our HCM solutions. We not only sell standardized solutions, but also offer enterprises advice to optimize their human capital management process.

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- **Scalable PaaS infrastructure with innovative technology foundation**
  - Our cloud-native, multi-tenant, metadata-based PaaS infrastructure is adaptable. Customization is easily achievable with drags and clicks, which significantly improves configuration efficiency and reduces development cost.
  - Customers can use the low-code or no-code development tools based on our PaaS infrastructure to optimize the deployment process in a timely, cost-effective manner to meet the ever-changing business needs.
- **Comprehensive and differentiated solutions suitable for different industry scenarios**
  - We build a unified suite of applications with generic industry characteristics.
  - We provide modules specifically tailored for different industries such as real estate, retail, manufacturing, internet, education and finance and insurance services based on our PaaS capabilities and extensive industry experience.
- **Easy and intuitive user interface with better user experience for employees**
  - Our websites and mobile applications provide enterprises’ employees with easy and convenient access to our products and services.
  - We provide user experience similar to consumer internet applications. Our user interfaces are intuitive and easy to navigate, with a chatbot that provides 24/7 automated customer support.

## OUR COMPETITIVE STRENGTHS

As the leader in China’s cloud-based HCM solutions market, Beisen has become the brand of choice for human capital management services. With the virtuous circle for growth established, we have created a moat to maintain competitive advantages over competitors:

- **Leader in China’s cloud-based HCM solutions market:** We are the largest company in the cloud-based HCM solutions market in China in terms of revenues in 2021, according to CIC. We stand on the forefront of our industry with 11.6% market share in 2021, which is larger than the second and third players combined in the same year.
- **Brand of choice for human capital management services:** We have established significant presence across China with strong brand awareness, as evidenced by a number of awards and recognitions, including the Best HRTech Service Institute in 2020 awarded by HRTech China, a reputable business service platform in China focused on human resources technology. As of September 30, 2022, the number of our customers was over 4,900. In addition, we have covered a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors and over 70% of Fortune China 500 companies.
- **The first and only provider of integrated cloud-based HCM solutions in China:** According to CIC, we are the first and the only enterprise in China capable of providing integrated cloud-based HCM solutions covering the entire employee lifecycle by synchronizing different modules and data, and we are also the only cloud-based HCM solutions provider in China that has built a unified and open PaaS infrastructure. This unique integration approach enables us to build long-term customer relationships and loyalty and creates significant cross-selling opportunities as customers tend to address

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their HCM needs on a single, integrated platform for higher efficiency. As customers use more of our solutions, customer stickiness continues to grow due to increasing switching cost, as evidenced by our growing subscription revenue retention rate over time.

- **Proprietary talent management methodology and extensive industry insights:** We have a set of talent selection, assessment and development technology integrated with cross-disciplinary knowledge covering psychology and management to help enterprises define, identify and develop talents and help talents achieve career success. By soliciting inputs from our customers, we have created a valuable feedback loop through which we gain insights about how to improve our HCM solutions in real-world use cases across different industries. We are well-positioned to provide human capital management insights to our customers due to our theoretical framework and methodology as well as the breadth and depth of the vast amount of our industry experience and know-how.
- **Effective go-to-market strategy:** Our platform may begin in any product and then organically expand across departments. This “land and expand” model has led to some of our largest deployments. This integrated solution creates significant upselling and cross-selling opportunities, thereby improving our sales efficiency. Our efficient go-to-market strategy is a key driver of our growth. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.
- **Experienced management team and motivating corporate culture:** We are privileged to be led by visionary management team with solid technology background and in-depth understanding of the industry. Our Co-founders Mr. Wang and Mr. Ji have nearly 20 years of experience in the HCM industry and corporate management, who bring us a wealth of deep professional insights and industry know-how to achieve our long-term success. Our management team has set the tone for our people through years of efforts and built well-established organizational mechanisms and internal processes to ensure the following values are effectively implemented:
  - *Customer Success:* We always put our customers first and help them succeed. This is a principal tenet of our business. We provide integrated solutions and attentive services, keep following the changes in customers’ business, set quantitative goals for customers, monitor the outcome, and continuously improve and optimize our solutions to meet their evolving needs. Our investment in customer success ensures customer satisfaction and long-term relationships.
  - *Striving for Win:* Endeavors in last two decades led to our continued business growth and past success. As the leading provider of integrated cloud-based HCM solutions in China, we are equipped with hard-working talents who create real, meaningful and sustainable value for our customers.
  - *Simple and Sincere:* We are firm believers in simplicity and sincerity. We strive to deliver solutions which are “simple” and user-friendly as we believe great truths are always simple. We treat our team and customers with sincerity and respect, from our founding team to our employees across all our offices nationwide.
  - *Professional Excellence:* We always uphold a professional attitude with attention to every single detail. We invest in research and development, constantly improve our solutions and provide professional services to fulfill our goal—to empower enterprises in China to develop world’s leading people management capabilities.

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### OUR GROWTH STRATEGIES

We plan to achieve our goals by adopting the following strategies:

- **Product Driven: Continuing to upgrade our integrated cloud-based HCM solutions**
  - Alongside the fast-growing cloud-based HCM solutions market in China, we are dedicated to continuing to leverage our leading industry experience and technological capabilities to offer better customer experience by upgrading our comprehensive and integrated cloud-based HCM solutions.
  - We will continue to develop new features, deepen the industry scenarios and improve interactive visual effects on the existing modules, and therefore further optimize our products and services to meet various industry and group of personalized customization business demands of different customers.
  - We plan to continuously develop new HCM solutions catering to diverse use cases. Through vertically expanding our existing HCM solutions, including recruitment, assessment, e-learning, complex remuneration, employee experience platforms and continuous performance management module, we intend to reinforce our leadership position in integrated HCM solutions.
- **Customer Oriented: Expanding to a more diversified customer base while creating more value for customers in the long-term**
  - We will continue to recruit more experienced and skilled sales personnel, enhance the expertise of our sales force, build our brand reputation and improve marketing efficiency. We aim to leverage our extensive industry experience to cover leading players in more industry verticals. In addition, as we intend to penetrate further in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, which we refer to as “top-tier cities,” where we have already built a strong track record, we also plan to capitalize on our brand awareness and reputation and use marketing tools to cover reputable enterprises located in fast-growing non-top-tier cities, to continue scale our quality customer base, achieving the expansion of our marketing network.
  - We are dedicated to maintaining long-term relationships with our customers and creating long-term value for them. We plan to keep investing resources into our product and service matrix to provide customers with more refined and comprehensive solutions and services, and improve our customer retention.
  - We will encourage our existing customers with single-module subscriptions to purchase our solutions that have higher unit price and additional professional services. We will introduce more solutions and services to our existing customers, encourage them to purchase different modules to promote cross-selling and therefore further increase customer value and improve sales and marketing efficiency.
- **Business Partner Oriented: Continuing to develop PaaS infrastructure to form an open ecosystem for developers and business partners**
  - We will enhance our research and development capabilities and breakthroughs in key technologies, and continuously build our PaaS infrastructure and ecosystem centered on cloud-based HCM solutions for our customers and developers for software application development, and eventually build an open ecosystem for external developers and business partners to reduce our development cost.

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- At present, we are implementing two strategies, *PaaS For Beisen* and *PaaS For Customer*. Firstly, we can significantly improve our research and development efficiency through our PaaS infrastructure, especially our integrated research and development efficiency in multi-product lines. Secondly, we use our PaaS infrastructure to help our customers and business partners expand HCM applications easily and meet specific business requirements. We expect this to not only strengthen our ecosystem, but also improve customers’ satisfaction.
- We will further open our PaaS infrastructure to allow more developers and business partners to develop applications under our PaaS ecosystem. Additionally, we seek to explore commercialization opportunities to monetize our PaaS infrastructure. For more details of our plan to upgrade and monetize our PaaS infrastructure, see “Future Plans and Use of [REDACTED].”
- **Talent Oriented: Attracting and retaining talents to reinforce our leadership position**
  - We highly value our employees and will continuously invest resources into attracting, retaining and powering talents.
  - We believe talents are the cornerstone of our long-term success. We will provide clear career paths and competitive compensations to our employees, and attract potential candidates with educational background and work experience that align with our development priorities. For example, we will continue to recruit technological specialists to help with algorithm upgrades and software development. Additionally, we intend to hire additional sales and marketing veterans to enhance our customer acquisition capability.
  - We have a unified culture and uplifting working environment, which we believe are crucial for our employee work ethics. We plan to continuously foster our corporate culture, create pleasant working environments, and improve our talent training system to help them achieve career advancement and goals and realize self-worth and accomplishment. For example, we plan to provide internal training courses to new hires while offering continuous learning and growth opportunities to our experienced employees, which enhances employee retention, benefits our talent growth and advances our corporate development.

## OUR OFFERINGS

Our offerings feature a wide array of (i) cloud-based HCM solutions, and (ii) professional services. Through our holistic portfolio of solutions and services, we provide a one-stop solution to our customers, covering the full spectrum of use cases throughout the employee lifecycle.



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The table below sets forth our offerings of solutions and services and their respective revenue models:

Offerings Type	Description	Business Model	Pricing and Revenue Recognition
Cloud-based HCM Solutions	<p>Our cloud-based HCM solutions consist of the following comprehensive suite of cloud-native, standardized HCM solutions covering a variety of use cases across the entire employee lifecycle:</p> <p><b>Recruitment Cloud</b>, a technology-enabled talent recruitment application designed to integrate and analyze different recruitment channels to allow customers to effectively expand candidate sourcing and build a strong talent pipeline.</p> <p><b>Assessment Cloud</b> which consists of a variety of scientific, effective talent tests and AI-powered, digital assessment tools to help customers comprehensively evaluate current and prospective employees.</p> <p><b>Core HCM Solutions</b> which seamlessly integrate Human</p>	<ul style="list-style-type: none"> <li>We consider organizations that subscribe for our cloud-based HCM solutions to be our customers. We generate revenues from the subscriptions fees charged to customers.</li> <li>We typically enter into subscription agreement with a term of one year with renewal options with customers. From time to time, we also enter into long-term subscription agreements with a term of three years with selected customers.</li> <li>Pursuant to the subscription agreement, subscription fees are charged to customers either under: <ul style="list-style-type: none"> <li>(i) unlimited access subscription model, where we give customers unlimited access to one or more of our cloud-based HCM solutions over the contract term;</li> <li>or</li> <li>(ii) the “limited usage” model, where customers first purchase Sendou (森豆) from us, and then acquire access to our cloud-based HCM solutions by consuming a certain amount of Sendou. For more information about Sendou, see “Business—Our Offerings—Cloud-based HCM Solutions—Pricing and Payment.”</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Subscription fees for our cloud-based HCM solutions charged to our customers are generally determined based on the size of their workforce and the specific solution the customers subscribe for.</li> <li>Under unlimited access subscription model, revenue is generally recognized over the contract term. Under the “limited usage” model, revenue is recognized upon Sendou is consumed or expired, whichever is later.</li> </ul>
	<p>Resources Cloud, Payroll Cloud and Attendance Management Cloud to cater to organizations’ core human capital management needs.</p> <p><b>Performance Management Cloud</b> which allows customers to align employee goals to and continually track progress against high-level strategies of the organization, and supports the process of creating, monitoring and assessing employee goals across the organization.</p> <p><b>Succession Cloud</b> provides real-time visibility into customers’ talent pipeline and potential successors within</p>		

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Offerings Type	Description	Business Model	Pricing and Revenue Recognition
Professional Services	<p>their existing workforce from senior executives to individual contributors.</p> <p><b>E-Learning Cloud</b> is an online learning and training management platform designed for enterprise customers, supporting key use cases such as online courses, learning plans, online exams and training management.</p> <p><b>People Analytics Solutions</b> provide customers with a variety of off-the-shelf indicators, allowing them to analyze their human resources data in diverse industries and business scenarios, and inform their business decisions through our one-stop data analytics platform.</p>	<ul style="list-style-type: none"> <li>Customers typically are invoiced upon signing of the subscription agreement and shall pay upfront before we deliver our HCM solutions.</li> <li>When customers subscribe for our cloud-based HCM solutions, they typically will purchase from us implementation and other ancillary services. See “Professional Services” below.</li> </ul>	<ul style="list-style-type: none"> <li>We typically charge our customers service fees based on a number of factors, including the type of services selected by our customers, the number of our technical specialists staffed on a given project, and the duration of our services.</li> <li>Revenues from implementation services are recognized over the estimated service period.</li> <li>Revenues from value-added services are recognized on a straight-line basis over the contract term if the services meet the criterion that control of the services is transferred over time. Otherwise, we recognize revenue from value-added services at a point of time.</li> </ul>
Professional Services	<p>When customers subscribe for our cloud-based HCM solutions, they typically will purchase from us implementation services that are necessary to get the solutions up and running, as well as certain other ancillary services. We refer to such services collectively as “professional services.” We typically do not make professional services available to customers without the cloud-based HCM solutions.</p> <p>Our professional services include:</p> <p><b>Implementation Services</b>, through which we assist customers with configuration and testing of our solutions, either on-site at customers’ offices or remotely, ensuring effective integration with and smooth ongoing operation on customers’ existing systems.</p>	<ul style="list-style-type: none"> <li>Purchases of professional services by customers are made under the subscription agreements pursuant to which they subscribe for our cloud-based HCM solutions. As discussed above under “Cloud-based HCM Solutions”, such subscription agreements typically have a term of one year and, in limited cases, three years.</li> <li>Under the subscription agreements, professional services are typically charged a price separate from those of cloud-based HCM solutions.</li> <li>Customers typically are invoiced upon signing of the subscription agreement and shall pay upfront before we provide our professional services.</li> </ul>	<ul style="list-style-type: none"> <li>Revenues from implementation services are recognized over the estimated service period.</li> <li>Revenues from value-added services are recognized on a straight-line basis over the contract term if the services meet the criterion that control of the services is transferred over time. Otherwise, we recognize revenue from value-added services at a point of time.</li> </ul>
<b>Value-added Services</b>	<p><b>Workforce optimization advisory services</b>, designed to help customers better understand the data insights</p>		

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Offerings Type	Description	Business Model	Pricing and Revenue Recognition
	<p>generated by our solutions, put such data insights into action, and optimize their workforce.</p>		
<ul style="list-style-type: none"><li>• <u>Customized product development services</u> refer to the one-off customized product development services via our PaaS infrastructure to help customers develop features and functionalities that cater to customers' specific business use cases.</li></ul>			
<ul style="list-style-type: none"><li>• <u>PaaS related services</u>. In limited circumstances, we allow in-house IT specialists from selected large-size customers of our cloud-based HCM solutions to use our PaaS infrastructure to develop tailor-made applications and functions for their specific business needs and use cases. We currently do not charge any fees for, nor do we generate any revenue from, the foregoing usage of our PaaS infrastructure by customers. While customers can use our PaaS-related services where their in-house IT specialists can develop tailor-made applications using PaaS infrastructure with no or very limited intervention by our developers, they can also pay for our customized product development services where our developers do the customization for the customers based on their specific requirements and preferences. Since developing software requires highly professional software development teams and expertise, it is typically those large enterprises with strong software development capabilities and experience that choose to use our PaaS-related services.</li></ul>			

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The table below sets forth a breakdown of our revenues by offering type for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except percentages)											
Cloud-based HCM solutions . . . . .	209,023	54.7	259,449	56.6	349,073	62.7	463,467	68.2	209,534	67.0	253,268	72.2
Professional services . . . . .	173,255	45.3	199,088	43.4	207,254	37.3	216,160	31.8	103,256	33.0	97,498	27.8
<b>Total . . . . .</b>	<b>382,278</b>	<b>100.0</b>	<b>458,537</b>	<b>100.0</b>	<b>556,327</b>	<b>100.0</b>	<b>679,627</b>	<b>100.0</b>	<b>312,790</b>	<b>100.0</b>	<b>350,766</b>	<b>100.0</b>

The professional services revenue presented in the table above include revenue from Beisen Shengya which we disposed of in September 2021 and Ruizheng HR Management which we disposed of in July 2020, other than revenue from our current implementation services and value-added services. Excluding inter-company transactions with the rest of the Group, (i) in the fiscal years of 2019, 2020, 2021 and 2022, revenues generated from Beisen Shengya were RMB40.6 million, RMB42.5 million, RMB46.8 million and RMB20.3 million, respectively; and (ii) in the fiscal years of 2019 and 2020, revenues generated from Ruizheng HR Management were RMB27.8 million and RMB13.2 million, respectively. For more information about Beisen Shengya and Ruizheng HR Management, see “—see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries.”

### Cloud-based HCM Solutions

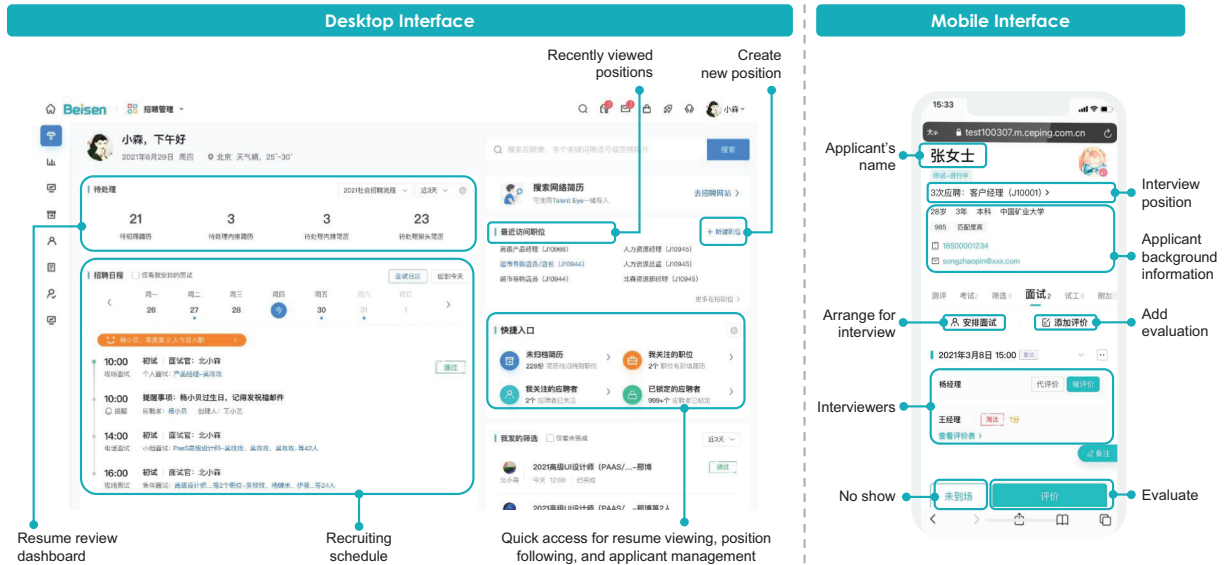
We offer a comprehensive suite of cloud-native, standardized HCM solutions covering a variety of customers’ use cases across the entire employee lifecycle—from recruitment to departure and retirement—enabling our customers to effectively recruit, evaluate, manage, develop and retain talents. We enable customers to embrace technology innovations and changes in their operating environments through our rapid product iteration cycle with software updates for our HCM solutions launched every two months. Through this broad yet growing selection of adaptable and accessible HCM solutions, we are leading the way in helping organizations intelligize and optimize their human resources management.

Our main HCM solutions include:

**Recruitment Cloud.** Recruitment Cloud is a technology-enabled talent recruitment application, designed to help the human resources functions within organizations intelligize and streamline the recruitment process. Recruitment Cloud effectively integrates and analyzes different recruitment channels in one place, allowing customers to expand candidate sourcing and build a strong talent pipeline. Through Recruitment Cloud, HR and business managers may post job openings on multiple channels with just a few clicks, collect and analyze resumes, interview job candidates through diverse methods, and customize job offers. Recruitment Cloud also offers smart tools enabling instant communications and interactions among various parties, including HR and business managers, interviewers, job candidates and headhunters, to significantly streamline and accelerate the recruitment process.

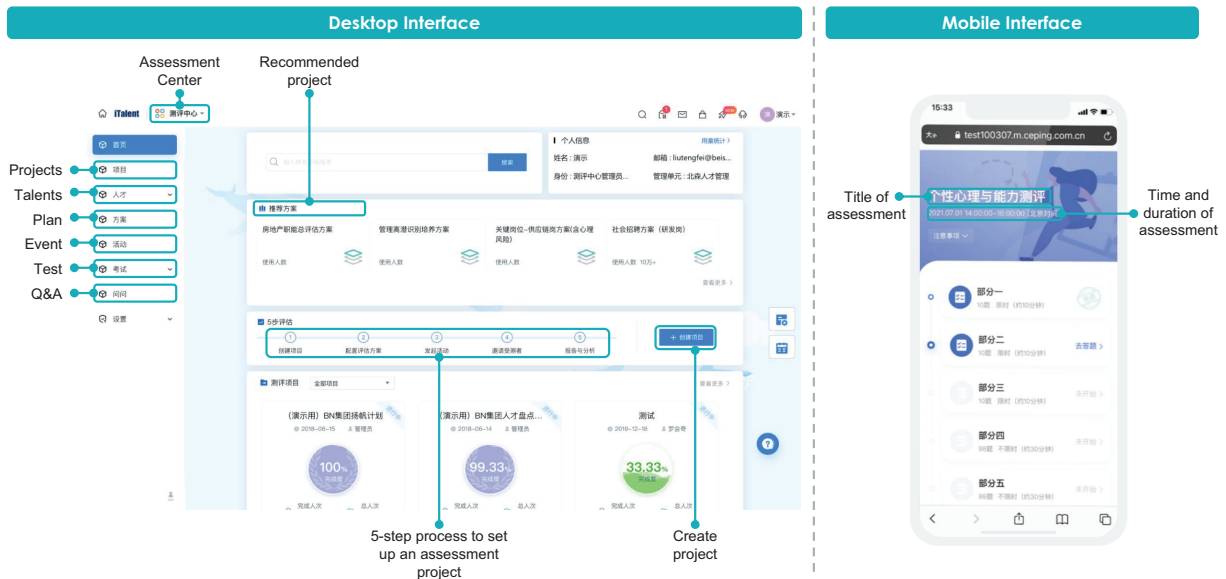
## BUSINESS

The following screenshots illustrate the interfaces and key functions of our Recruitment Cloud.



**Assessment Cloud.** Through a variety of scientific, effective talent tests and AI-powered, digital assessment tools, Assessment Cloud is designed to help customers comprehensively evaluate current and prospective employees, from their skill sets, capabilities to growth potential. When used during the recruitment process, Assessment Cloud offers all-round assessments on individual capabilities and requirements for a specific job position to help customers identify the most suitable candidates based on their specific business needs. When used to evaluate their existing workforce, Assessment Cloud helps customers build a stronger and sustainable team by allowing them to gain insight into training needs of their workforce, identify and retain talents with growth potential, optimize team structure and foster leadership.

The following screenshots illustrate the interfaces and key functions of our Assessment Cloud.



**Core HCM Solutions.** We offer Core HCM Solutions to cater to organizations’ core human capital management needs from new hire onboarding to everyday staffing management, and from

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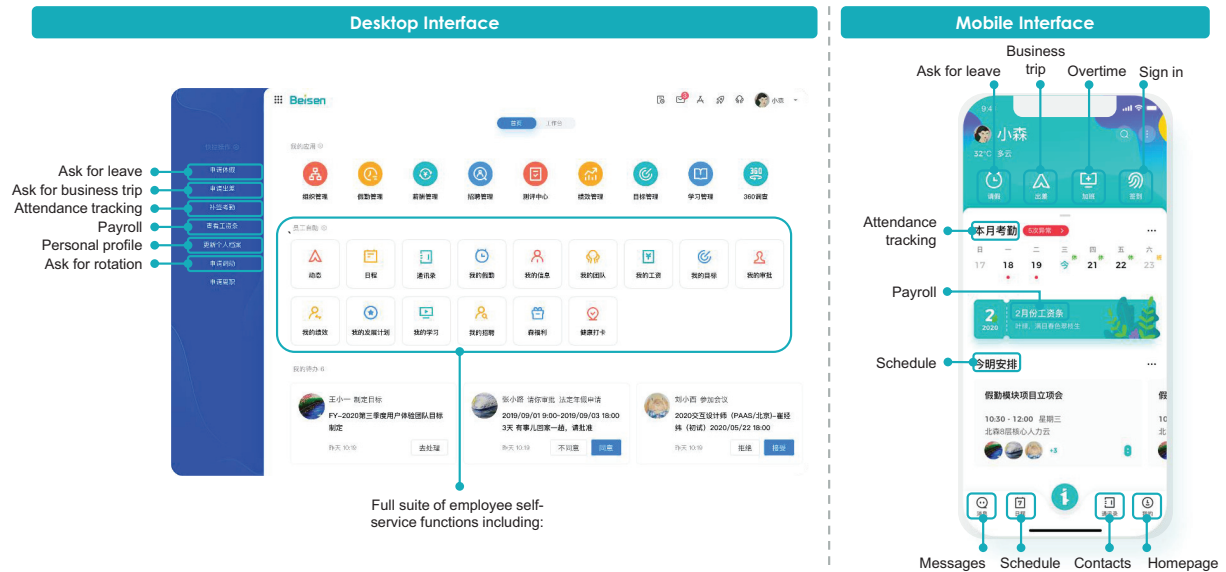
employee payroll administration to more sophisticated organization-wide initiatives, such as organizational structure modeling. Our Core HCM Solutions integrates seamlessly the following modules, which customers also have the option to purchase on a standalone basis:

- ***Human Resources Cloud.*** Human Resources Cloud is a process-driven human resources management application, designed to help organizations streamline administration and workforce management throughout the entire employee lifecycle. Human Resources Cloud enables customers to analyze and model organizational structures, and restructure organizations and reporting relationships as business needs evolve. Human Resources Cloud streamlines administration process by allowing incoming employees to review and sign employment contracts online, upload required documents and complete other onboarding procedures easily through mobile devices, which substantially improves employee experience. Human Resources Cloud also enables our customers to archive and analyze in one place an employee’s information throughout the employee lifecycle, allowing significant insights into the employee’s profile to inform the organization’s talent development and retention decision making.
- ***Payroll Cloud.*** Payroll Cloud is a sophisticated payroll application designed to address diverse enterprise payroll needs with accuracy and flexibility. Payroll Cloud allows our customers to design and administer payroll programs, calculate social security contributions, and manage income tax calculation and withholding, all based on a unified set of payroll data. We adjust our social security and tax calculation algorithms in response to regulatory updates on a real-time basis, which helps customers adapt to the complex and fast-changing regulatory environment in China. In addition, Payroll Cloud assists with labor cost analysis, budgeting and monitoring, allowing refined labor cost control and management.
- ***Attendance Management Cloud.*** Attendance Management Cloud helps customers enhance efficiency of human resources management and improve employee experience through optimized attendance management process. It is designed for organizations to collect, process, track and distribute time data to manage time and labor for their workforce, eliminating manual processes and streamlining time-consuming tasks. Through Attendance Management Cloud, customers can apply customized rules, use batch editing and deploy timecard management tools to manage complex time, attendance and scheduling needs. Attendance Management Cloud enables employees to clock in and out, manage shift scheduling, submit time-off requests and claim over-time through multiple mobile devices, which helps customers achieve staffing efficiency while offering better user experience to employees. Employees’ attendance performance data collected by Attendance Management Cloud also provides insights for organizations to better understand and plan their scheduling needs.



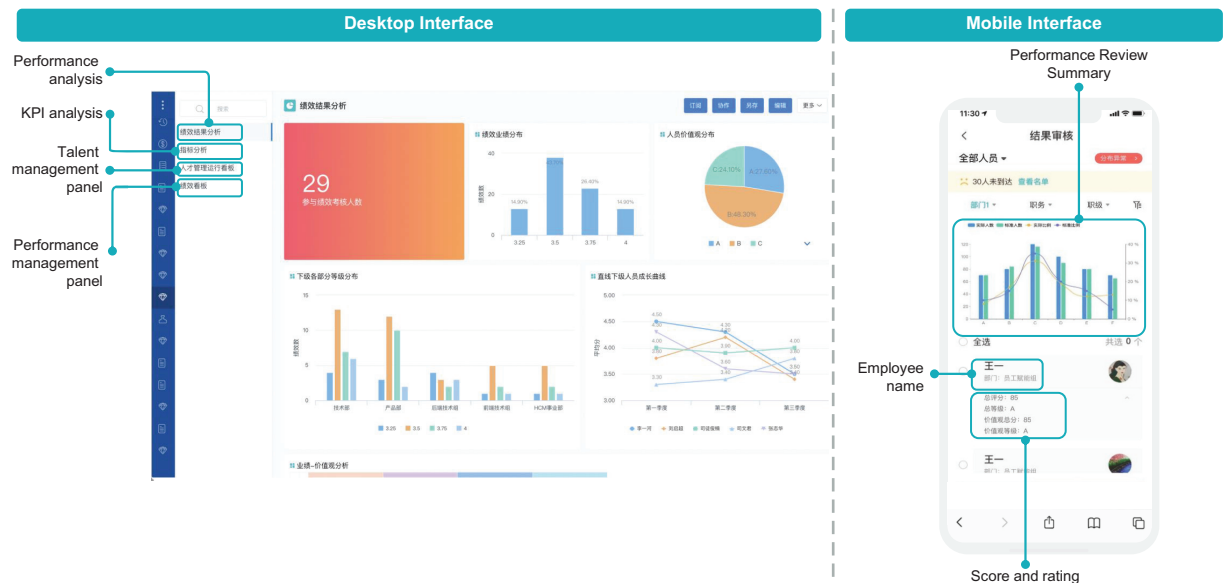
## BUSINESS

The following screenshots illustrate the interfaces and key functions of our Core HCM Solutions.



**Performance Management Cloud.** Performance Management Cloud allows customers to align employee goals to and continually track progress against high-level strategies of the organization. Performance Management Cloud supports the process of creating, monitoring and assessing employee goals across the organization. Performance Management Cloud is effectively integrated with our other applications, enabling organizations to expedite onboarding of newly-hired employees with clearly articulated goals, evaluate individual performance against pre-determined goals, and design competency-development programs based on skills needed to achieve key goal. Through configurable and customized performance review systems, Performance Management Cloud also enables customers to gain insight into the performance, skills and development needs of their workforce.

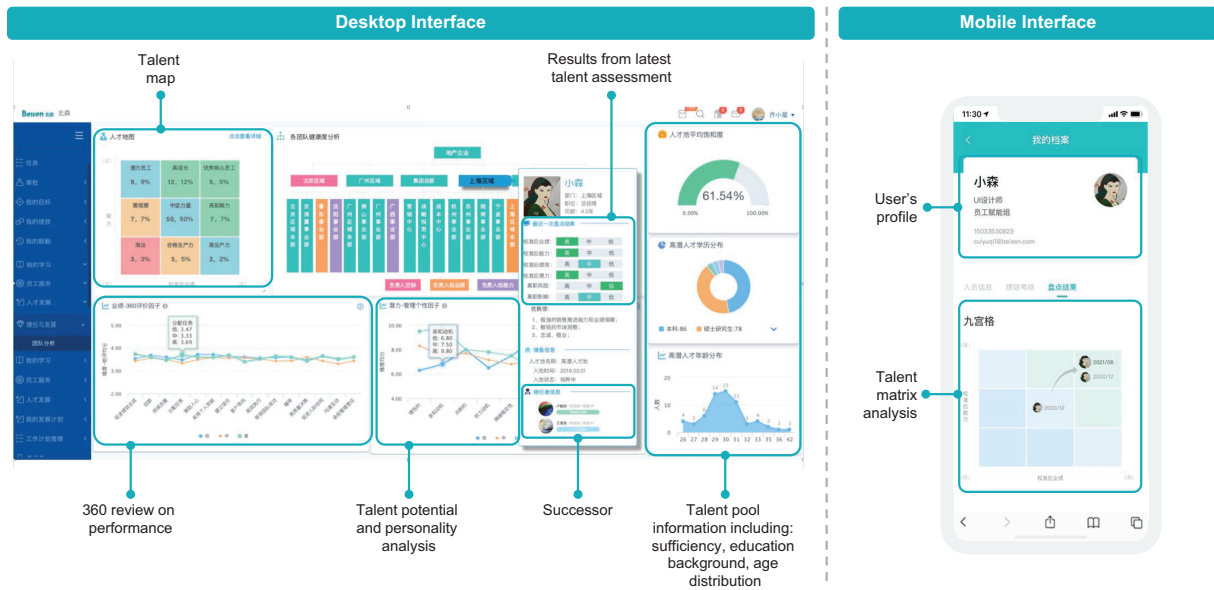
The following screenshots illustrate the interfaces and key functions of our Performance Management Cloud.



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**Succession Cloud.** Succession Cloud provides real-time visibility into customers’ talent pipeline and potential successors within their existing workforce from senior executives to individual contributors. It allows customers to assess key talents from perspectives such as competency assessment, performance results, potential forecast and departure forecast as part of the succession planning process, plan for staffing changes by identifying career paths for key contributors throughout the organization, and provides current profiles and readiness rankings for key talents.

The following screenshots illustrate the interfaces and key functions of our Succession Cloud.



**E-learning Cloud.** Our E-learning Cloud is an online learning and training management platform designed for enterprise customers, supporting key use cases such as online courses, learning plans, online exams and training management. Employees are able to access our learning platform via mobile devices, which allows them to learn anytime, anywhere. This helps employees find balance between their work commitments and learning needs, fulfilling a gap that has long been unmet by traditional on-the-job training approaches. Our E-learning Cloud expands the coverage and timeliness of corporate training, reducing customers’ offline training expenses.

**People Analytics Solutions.** Built upon the effective integration and information exchange across our different HCM solutions, our People Analytics Solutions allow organizations to break information silos and convert unstructured data into actionable insights. Through People Analytics Solutions, customers gain access to our one-stop data analytics platform, where business managers can obtain significant insights through massive visualized and customized reports and diagrams to inform their business decisions. With a combination of our expertise and know-how in the space of human capital management, and the best practices in diverse industries we accumulated through years of services, People Analytics Solutions provide customers with a variety of off-the-shelf indicators, allowing them to analyze their human resources data in diverse industries and business scenarios, and inform their business decisions to continue optimizing human resources management.

With our comprehensive product portfolio, we serve a vast number of customers that span numerous large-scale and fast-growing industries. As of September 30, 2022, a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors are

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our customers. Our HCM solutions are able to cater to the common HCM needs shared by customers across different industries, while addressing the pain points of customers in a particular industry segment. For example, as manufacturing companies struggle with scheduling shifts for a large number of workers, we develop tailor-made functions to allow manufacturing customers to schedule shifts by employee group, batch and other predefined models, or on a revolving basis, thereby making workforce management easier for managers of manufacturing customers. We also maximized the product functionality of our Attendance Management Cloud on mobile devices, to enable managers and workers of our manufacturing customers, who typically do not own or have access to their personal computers while working, to conveniently manage their time and scheduling. Through our powerful products and solutions, we are committed to facilitating long-term success of our customers across industries. For additional information, see “—Our Customers—Customer Case Studies.”

### *Pricing and Fee Model*

We offer our cloud-based HCM solutions to customers pursuant to subscription agreements, typically with a term of one year with renewal options. From time to time, we also enter into long-term subscription agreements with a term of three years with a small number of customers operating in a variety of industries with different business scales in order to cater to their specific business needs. We entered into 136, 195, 174, 209 and 97 such long-term subscription agreements for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. We charge our customers subscription fees for (i) unlimited access to, or (ii) limited number of usage of, our cloud-based HCM solutions over the contract term.

Under the unlimited access subscription model, customers are provided with unlimited access to one or multiple of our cloud-based HCM solutions over the contract term.

Under the “limited usage” model, customers first purchase Sendou (森豆) from us, and then acquire access to our cloud-based HCM solutions by consuming a certain amount of Sendou, which amount may vary depending on the specific solution the customers subscribe for. We offer Sendou to customers on an on-demand basis mainly as a way to cater to their specific needs and preferences for convenience, flexibility and cost-efficiency. For example, many customers have HCM needs that are “event-based,” meaning that they only need access to HCM solutions for a limited number of times, and/or within a relatively short timeframe, based on specific events, such as during the recruitment and/or evaluation peaks. Customers are typically allowed to consume Sendou they purchased within one year of the date of the relevant subscription agreements. Sendou that remain unused when the subscription period expires will be forfeited. During the Track Record Period, revenues generated from such unused and forfeited Sendou accounted for an immaterial portion of our total revenues. Sendou is currently only available to customers using our Assessment Cloud, primarily because the Assessment Cloud is significantly more frequently used for “HCM events,” such as campus recruitments, than the other solutions. Additionally, as compared to our other solutions, the Assessment Cloud offers a wider array of modules that can each be accessed by the customers using Sendou. The use of Sendou gives customers flexibility to pick and choose such modules depending on their specific needs, without the need to pay for the full subscription packages. We will continue to offer Sendou to customers using the Assessment Cloud, and we currently do not have any imminent plan to expand the use of Sendou to our other solutions.

Under either of these two subscription models, subscription fees for our solutions are charged based on the size of their workforce and the specific solution the customer subscribes for. Specifically,

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we generally determine the unit price for a particular HCM solution by taking account of factors including market condition, targeted customers’ willingness to pay, competitors’ pricing strategies, and our growth strategies at any specific stage of development. We price our different HCM solutions at varied unit prices, depending on the time and cost we have devoted in developing a particular solution, major use cases of the solution and our sales and marketing strategies for the solution, among other factors. We permit managers of our regional sales teams to offer more favorable pricing terms within a reasonable range to valuable customers of strategic significance, such as market leaders that may drive subscriptions to our solutions within an industry vertical, to build long-standing relationships and create up-selling and cross-selling opportunities. Customers typically are invoiced on signing and shall pay upfront before we deliver our HCM solutions. For details of our revenue recognition under these two subscription models, see “Financial Information—Critical Accounting Policies and Estimates—Revenue Recognition—(a) Cloud-based HCM Solutions.”

Our customers may choose to subscribe for our HCM solutions either on a standalone basis or integrated as a single solution. Very often, customers prefer to subscribe for our solutions bundled with our implementation and/or value-added services, therefore the contract price may also include fees that we charge for such professional services. For details of the pricing policies of our professional services, see “—Professional Services.”

### **Professional Services**

We provide customers with a selection of paid professional services, primarily including implementation services that are necessary to get the solutions up and running, and value-added services to offer bespoke customer experience. Historically, we also provided certain human resources consulting services and training services through Ruizheng HR Management and Beisen Shengya, respectively. As part of our business reorganization plan to streamline our business, we disposed of Ruizheng HR Management in July 2020 and Beisen Shengya in September 2021. For details, see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries.”

We believe that our relentless focus on customer satisfaction and long-term success has significantly contributed to our vast and loyal customer base, and business growth in general. We continue to monitor customer satisfaction and success throughout the entire customer lifecycle, including during the transition from sales to implementation, and based on interactions with our customer-facing teams.

For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we generated revenues of approximately RMB173.3 million, RMB199.1 million, RMB207.3 million, RMB216.2 million and RMB97.5 million from our professional services, respectively, accounting for 45.3%, 43.4%, 37.3%, 31.8% and 27.8%, respectively, of our total revenues during the relevant periods.

### ***Implementation Services***

We offer implementation services to new subscriptions to maximize the value propositions of our HCM solutions. Through our implementation services, we assist customers with configuration and testing of our solutions, ensuring effective integration with and smooth ongoing operation on customers’ existing systems. We have an experienced team consisting of nearly 300 technical specialists dedicated to providing implementation services. Subject to customers’ specific needs, we

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provide our implementation services either on-site at customers’ offices, or remotely from our service centers. Unlike traditional on premise software which requires significant labor and time to complete installation and configuration on customers’ locally deployed servers and each individual computer, our unified PaaS architecture has allowed us to deploy our HCM solutions over the cloud in a timely and cost-effective manner. Depending on the number and type of HCM solutions our customers select, our products can be configured within a period ranging from five days to four months.

### *Value-added Services*

We offer a variety of value-added services, such as workforce optimization advisory services, customized product development services and PaaS-related services, catering to customers’ specific HCM needs.

*Workforce optimization advisory services.* Leveraging our extensive expertise and know-how in people science, our workforce optimization advisory services are designed to help customers better understand the data insights generated by our solutions, put such data insights into action, and optimize their workforce. With our workforce optimization advisory services, enterprises can generate a range of workforce data insights depending on their specific HCM objectives. We will then assist the customers in reviewing and evaluating the data insights and taking appropriate actions accordingly. For example, a company looking to develop its managers’ leadership skills can conduct a thorough assessment to measure how they are performing in term of multiple metrics, such as their level of engagement with their teams, ability to develop team objectives, and percentage of high-potential managers. If the data shows the managers are less engaged with their teams that expected, we will suggest the customers direct leadership development interventions specifically toward increasing employee engagement, provide managers with training on how to coach, develop, and provide feedback to their teams, and revisit and enhance the customers’ manager recruitment standards. We also offer assessment report interpretation workshops, helping customers’ employees understand their strengths weaknesses and improve their performance.

*Customized product development services.* Many enterprises, especially those of medium to large scale, have a strong needs for HCM solutions customized for their unique business need and processes. To address this need, we have dedicated a team to offering one-off customized product development services via our PaaS infrastructure to help customers develop features and functionalities that cater to their specific business use cases. Our research and development team strategically prioritizes its product development efforts on common demands from our customers, which are addressed mainly through our scheduled product iterations. With respect to more personalized requests, we charge service fees for our customized product development services. For additional information on our product development, see “—Research and Development.”

*PaaS-related services.* We encourage in-house IT specialists from selected large-size customers of our cloud-based HCM solutions to use our PaaS infrastructure to develop tailor-made applications and functions for their specific business scenarios. This allows customers to more swiftly respond to their internal HCM needs while helping us reduce costs associated with customized product development. While customers can use our PaaS-related services where their in-house IT specialists develop tailor-made applications with no or very limited intervention by our developers, they also have the option to pay for our customized product development services where our developers do the customization for them based on their specific requirements and preferences. Since developing software requires highly professional software development teams and expertise, it is typically those



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large enterprises with strong software development capabilities and experience that choose to use our PaaS-related services.

Since our PaaS-related services are at its early stage of development, and the idea of developing customized applications on the PaaS infrastructure of a third party is new to many enterprises, we decided to offer such services free of charge currently as a way to attract more customers in order to rapidly scale up our PaaS-related services and accumulate know-how and expertise before we roll out such services to a broader base of customers. As a result, no revenue had been generated from our PaaS-related services as of the Latest Practicable Date. We do not have any imminent plan at the current stage on charging our customers for the use of our PaaS infrastructure. However, we may decide to monetize our PaaS-related services in the future, subject to a number of factors such as customers’ demand for independent application development, market acceptance of this monetization model, and PaaS-related technological advancement. For more information about our future plans to upgrade and monetize our PaaS infrastructure, see “Future Plans and Use of [REDACTED].”

We have stringent internal rules and procedures in place to safeguard the security and reliability of our PaaS infrastructure, especially given that it can be accessed by external parties. These rules and procedures include:

- Requiring the IT specialists of our customers to complete training and pass comprehensive evaluations before allowing them to access our PaaS infrastructure;
- Implementing a robust internal authentication and authorization system to ensure confidential and important data within the PaaS infrastructure can only be accessed for limited authorized use and only our authorized staff and authorized IT specialists of our customers can access data that is relevant to and necessary for carrying out their responsibilities;
- Integrating within the development tools available on our PaaS infrastructure sophisticated security solutions that continually scan the codes developed using PaaS infrastructure in order to identify and automatically remediate vulnerabilities;
- In cases where the IT specialists of our customers access our PaaS infrastructure via application programming interfaces, or APIs, imposing, when needed, limits on the number of requests handled by each API, to prevent malicious or unauthorized requests and ensure the stability and reliability of the PaaS infrastructure;
- Implementing strict data and service isolation to ensure that any one customer using the PaaS-related services can only access their own data and cannot access the data of our own or any other customers; and
- Incorporating encryption technologies within the PaaS infrastructure to limit access to sensitive data and minimize the risk of leakage and unauthorized use of data.

Our customers’ interactions with our PaaS infrastructure are also subject to our other internal rules and systems regarding data security and protection. See “—Data Privacy and Security.”

### ***Pricing and Fee Model***

Except for PaaS-related services that we offer to our customers free of charge currently, we typically charge our customers service fees based on a number of factors, including the type of services selected by our customers, the number of our technical specialists staffed on a given project, and the



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duration of our services. With respect to implementation services, CIC has advised that it is consistent with the industry norm to charge implementation services separately from cloud-based HCM solutions based on its interviews with key industry experts with extensive industry experience, as well as the public disclosures and information of other industry peers. Purchases of professional services by customers are made under the subscription agreements pursuant to which they subscribe for our cloud-based HCM solutions. Under the subscription agreements, professional services are typically charged a price separate from those of cloud-based HCM solutions. Customers typically are invoiced upon signing of the subscription agreement and shall pay upfront before we provide our professional services.

### BUSINESS SUSTAINABILITY

SaaS products like our cloud-based HCM solutions typically require substantial initial investment in customer acquisition and retention and product development to drive market acceptance. This is because SaaS business operates a subscription revenue model that generates a stable revenue inflow once the business reaches a scale. To achieve scale, SaaS service providers first need to invest heavily in developing a SaaS product that offers compelling scalability benefits to potential customers and continue to optimize the functionality as it rolls out the product to a broader range of customers. In the meantime, they also need to devote substantial resources upfront to sales and marketing to amass a vast and loyal customer base from which they can continue to generate recurring subscription revenues during customers’ life time. Nearly 80% of our customers who contributed to our ARR as of September 30, 2022 have an expected customer lifetime of approximately 5 years. Such upfront investments to grow a subscription business often exceeds the profits from the recurring revenue stream in the initial period, resulting in a loss making position. As the deployment of the product continues to scale up, it generally leads to higher profit margin mainly due to the recurring subscription revenues without substantial incremental costs, and greater economies of scale and synergies in customer acquisition and retention and product development. For these reasons, the breakeven period for SaaS service providers, including those focusing their services on the HCM vertical market, is usually long, and it is common for cloud-based HCM solution companies around the world, including in the United States and China, to remain loss-making for over 15 years before becoming profitable, according to CIC. According to the same source, China’s cloud-based HCM solutions market is still at an early stage of development, and most players including us have not made a profit yet.

For the past almost two decades, China’s HCM market has undergone several major transformations, switching from traditional, paper-based HCM processes to digital HCM solutions represented by on-premise software, further to smarter and more efficient cloud-based HCM solutions, and to the more recent emergence of integrated, all-in-one HCM solutions. Accordingly, we have constantly evolved our business throughout our history to stay ahead of industry trends at different stages of development. For details of these major historical industry transformations and our evolving business initiatives at each stage of development, see “Industry Overview – HCM Market in China – Major Industry Transformations.” In particular, while we have been in operation for years, it was not until 2010 that we began to focus on developing and offering cloud-based HCM solutions, our current business focus. In addition, our Core HCM Solutions, one of our key modules, was only launched in 2015, and it usually takes two to four years for a brand new module to achieve initial market acceptance with scalable revenue streams, according to CIC based on its interviews with industry veterans from leading cloud-based HCM solutions providers, and research and analysis public information about our peers in China and globally. Therefore, despite our inception in 2005, we have a

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relatively limited history operating our current business, and as a result, our historical profitability may not be indicative of our future performance.

More importantly, along all these industry transformations, we have clearly differentiated ourselves from our peers by consistently staying at the forefront of each transformation, proactively leveraging leading business models and technologies to deliver better products and build long-term customer relationships. These efforts have required us to constantly make substantial investments in product development and innovations, because each new stage of development, as it emerges, is driven by and requires significant investments in new and more advanced technologies, with limited industry standards or best practices for us, as an industry forerunner, to follow. For example, we have since 2015 devoted substantial financial and R&D resources to building a unified and open PaaS infrastructure to strengthen the foundation for our integrated, all-in-one HCM solution, which enables cross-module data integration, improves development efficiency and meets customers’ ever-changing needs. A vast majority of our research and development expenses incurred in connection with these investments were labor costs in nature, which related to a growing number of our research and development staff dedicated to different R&D projects. For details of our investments and efforts in product development and innovations throughout each stage of industry development, see “Industry Overview – HCM Market in China – Major Industry Transformations.” While these investments typically would not translate into immediate financial returns and have in part contributed to our historical loss-making positions, we believe that they are indispensable to achieving our current scale and market leadership, as well as long-term path to profitability. Moreover, we believe our growth strategy and prospects have also been well received by the market, as evidenced by the fact that we have successfully completed multiple rounds of [REDACTED] financing, including from leading sophisticated investors, since 2010 to date.

By implementing this strategy, we have achieved significant growth during the Track Record Period, paving the way for our long-term sustainable market leadership. We generated total bookings of RMB437.4 million, RMB570.0 million, RMB729.3 million, RMB887.7 million and RMB907.9 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. Our total revenues increased by 19.9% from RMB382.3 million in the fiscal year ended March 31, 2019 to RMB458.5 million in the fiscal year ended March 31, 2020, and by 21.3% to RMB556.3 million in the fiscal year ended March 31, 2021, and further by 22.2% to RMB679.6 million in the fiscal year ended March 31, 2022, and increased by 12.1% from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022.

Primarily attributable to our historical investment in customer acquisition, customer engagement and product development and innovations for the above-mentioned reasons, we incurred adjusted net loss (non-IFRS measure), net operating cash outflows and net current liabilities during the Track Record Period. We expect that we may still record net loss and adjusted net loss (non-IFRS measure) in the near future, primarily due to the following reasons: (i) spending on selling and marketing to acquire customers and strengthen our brand awareness; (ii) investments in research and development to further enhance our HCM solutions and infrastructures; and (iii) employee related expenses due to rising personnel to support our business expansion, and the increased compensation levels including share-based compensation we provide to a select number of talents to incentivize them. Fair value changes of our redeemable convertible preferred shares are also expected to contribute to the substantial increase in our loss for the period till the completion of the [REDACTED]. However, we do not expect to record any further fair value changes of convertible redeemable preferred shares upon the completion of the [REDACTED]. In addition, we recorded accumulated

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losses of RMB1,100.2 million, RMB2,367.4 million, RMB3,307.6 million, RMB5,216.3 million and RMB5,379.1 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. Our accumulated losses as of these dates during the Track Record Period were attributable primarily to our losses incurred in the past. We also recorded net liabilities throughout the Track Record Period, attributable primarily to the warrants and/or redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. Upon completion of the [REDACTED], our redeemable convertible preferred shares will be redesignated from financial liabilities to equity such that our current net liabilities position would turn into a net assets position.

As we continue to ramp up our business presence and enhance our brand awareness and economies of scale, we expect to attract new and retain existing customers and increase customer lifetime value more cost-effectively, thereby driving sustainable profitability. Additionally, we have continued to expand and optimize our offerings and invest in cutting-edge technologies to make our HCM solutions more integrated, easy-to-use and affordable. We expect these efforts to effectively broaden our revenue sources and expand our customer base, paving way for our long-term profitability. The expansion of our offerings also enables us to achieve economies of scale and synergies through the sharing of technology and operational capabilities as well as cross selling opportunities across different offerings.

Acquiring new customers requiring significant upfront investment in sales and marketing, while revenues generated from subscriptions to our cloud-based HCM solutions are recognized over the term of the subscription agreement. As a result, as our business ramps up and our customer base continues to expand rapidly, we have recognized significant upfront costs that are disproportionate to the revenues that we record in the earlier contract terms. On the other hand, as subscriptions to our cloud-based HCM solutions are typically invoiced on signing and settled upfront by our customers on an annual basis, the growth of our business is expected to have a positive impact on our operating cash flow.

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

### Expand Our Customer Base

We successfully grew our total number of customers during the Track Record Period. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we served approximately 3,300, 3,800, 4,200, 4,700 and 4,900 customers, respectively. We intend to continue to enlarge our customer base to drive continued revenue growth and achieve long-term profitability. More specifically:

- **Grow with the market.** According to CIC, the penetration rate of cloud-based HCM solutions in China’s HCM market, calculated by dividing the size of the cloud-based HCM solutions market by that of the total HCM market, was only 0.8% in 2021, as compared to 6.9% in the United States, which represents tremendous growth potential. According to CIC, the market for cloud-based HCM solutions in China is expected to grow at a CAGR of 32.9% from 2021 to 2027. As of September 30, 2022, our total number of customers was over 4,900, which only represented a small percentage of over 320,000 China’s medium- and large-sized companies. As the market leader with established brand reputation, we believe we are well positioned to capture the attractive market opportunities, as exemplified by the continued expansion of our customer base over time.

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- **Enhance sales and marketing capabilities.** To achieve this goal, we will continue to recruit more experienced and skilled sales personnel, enhance the expertise of our sales force, build our brand reputation and improve marketing efficiency. By implementing these initiatives, we expect to incur additional sales and marketing expenses due to increased salesforce and expanded sales and marketing activities. However, we expect these initiatives to enable us to expand our customer base with greater cross-selling and up-selling opportunities which, in turn, benefits our revenue and profitability in the long run.
- We plan to expand our sales force nationwide. Our investments will include offering competitive compensation and regular on-the-job training to our sales personnel, establishing local subsidiaries and branches offices, and building relationships with customers and business partners in the local markets, among other things. We intend to further penetrate in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, which we refer to as “top-tier cities,” in which we have already built a strong track record. We intend to further expand our presence in these cities. We also plan to expand our sales teams in other cities across China, such as Suzhou, Nanjing, Wuhan, Chengdu and Chongqing, where we believe there is significant unmet demand for integrated cloud-based HCM solutions. As compared to the rest of the country, these cities generally have more medium-to-large sized enterprises who have stronger demand and willingness to pay for quality cloud-based HCM solutions. We plan to establish local offices in Zhengzhou and Hefei in the fiscal year ended March 31, 2024, as well as local offices in Xi’an, Shenyang and Shijiazhuang by end of the fiscal year ended March 31, 2026. We believe implementing a marketing strategy with a focus on these non-top-tier cities allows us to expand and build customer relationships more cost-effectively. For further details, see “—Our Strategies—Customer Oriented: Expanding to a more diversified customer base while creating more value for customers in the long-term.”
- In addition, we have designed effective compensation and incentive plans, set up standard performance evaluation system and provide regular on-the-job training to our sales personnel to continue to improve their sales efficiency. We also expect to spend approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] from this [REDACTED] on expanding and diversifying our sales and marketing channels, including actively organize and participate in various industry events, such as industry forums, seminars, conferences and solution showcases, to strengthen our relationships with existing customers and build relationships with potential customers and expand our influences through word-of-mouth referrals. For details, see “Future Plans and Use of [REDACTED].”
- **Expand to more industry verticals and geographies.** During the Track Record Period, we tapped into ten new industry verticals, namely Internet, manufacturing, real estate, consumer goods, banking and insurance, resources, commercial services, logistics as well as travel and lifestyle. We will leverage our extensive industry experience to cover leading players in more industry verticals and further enhance our presence in existing industry verticals including manufacturing, retail and technology. With a unified PaaS infrastructure, as we expand to additional industry verticals, we are able to acquire new customers and increase revenue at relatively low incremental R&D and implementation costs. Built upon a single infrastructure, our solutions share the same set of basic standardized functionalities. As a result, when we expand into a new

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vertical, we typically do not have to incur significant R&D expenses to build new solutions from scratch, but can only focus on crafting more sophisticated and industry-specific features and functionalities. The standardized nature of our solutions also makes it easier for us to implement solutions for customers in new industry verticals as we are able to recycle the experience and know-how accumulated from serving existing customers.

- We have been implementing a variety of initiatives to expand to more industry verticals. More specifically, as part of efforts to enhance the functionality and features of our Core HCM Solutions, we expect to spend approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] (HK\$[REDACTED]) in developing more industry-specific solutions, features and use cases in order to attract customers from a broader range of industries. For example, as we have come to realize that many manufacturing companies face challenges with scheduling shifts for a large number of employees, we have recently launched tailor-made functions to allow manufacturing customers to schedule shifts by employee group, batch and other predefined models, or on a revolving basis. We also expect to spend approximately [REDACTED]% of the [REDACTED] from the [REDACTED] (HK\$[REDACTED]) in upgrading our solutions to better address the needs of large-sized enterprises operating that have less than 10,000 employees, especially those in the internet, manufacturing and chain retail industries. These enterprises have extensive people management needs, often associated with their complex organization structures and large, geographically dispersed workforces, that have hardly been met by traditional HCM approaches, suggesting significant opportunities for our integrated cloud-based solutions.

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.

### Expand Customers’ Usage of Our Solutions

We derive our revenues primarily from subscription fees that give customers access to our cloud-based HCM solutions. The subscription model generating recurring revenues allows us to facilitate and at the same time benefit from our customers’ success and long-term growth while gaining visibility into our future operating results. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and six months ended September 30, 2022, revenues generated from subscriptions to our cloud-based HCM solutions amounted to RMB209.0 million, RMB259.4 million, RMB349.1 million, RMB463.5 million and RMB253.3 million, respectively, representing 54.7%, 56.6%, 62.7%, 68.2% and 72.2% of our total revenues during the relevant periods.

Going forward, we seek to continue driving customers’ lifetime value by expanding and optimizing our offering portfolio and serving our customers with consistently high standards. More specifically:

- **Upsell and cross-sell.** Our unique integrated approach creates significant upselling and cross-selling opportunities. The ARR per customer, a metric used to measure the annualized value of the revenue per customer from the subscription of our cloud-based HCM solutions, had increased by 7.3% from RMB78,655 as of March 31, 2019 to RMB84,410 as of March 31, 2020, and by 22.8% to RMB103,675 as of March 31, 2021. The ARR per customer had continuously increased by 17.4% to RMB121,716 as of



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March 31, 2022 and further increased by 2.5% to RMB124,697 as of September 30, 2022. In addition, ARR for customers who subscribe for more than one cloud-based HCM solution as a percentage of total ARR had increased from 51.8% as of March 31, 2019 to 60.9% as of March 31, 2021. The figure had continuously increased to 66.6% as of March 31, 2022 and further to 68.6% as of September 30, 2022. This has demonstrated the increased use of our cloud-based HCM solutions by our customers over time. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, more than 22.8%, 24.1%, 31.2%, 36.1% and 38.7% of our customers, respectively, subscribed for more than one cloud-based HCM solutions, and on average each customer subscribed for 1.3, 1.3, 1.5, 1.6 and 1.7 solutions, which indicates a huge potential for us to expand the use of our solutions by existing customers. As of December 31, 2022, the percentage of customers who subscribe for more than one cloud-based HCM solution further reached 39.1%, and the average subscription per customer remained stable at 1.7 solutions. We also believe that our various initiatives to strengthen our sales and marketing efforts will enable us to expand our customers’ use of our solutions, which is expected to continue to generate more cross-selling and up-selling opportunities. See “Expand Our Customer Base—Expand to more industry verticals and geographies” above.

- ***Expand and upgrade our integrated cloud-based HCM solutions.*** We intend to further integrate the use cases covered by our cloud-based HCM solutions. This will enable customers to better and more efficiently integrate, synthesize and analyze their own employees’ data to generate actionable HCM insights throughout the employee lifecycle. We are implementing a wide array of initiatives designed to expand and upgrade our integrated cloud-based HCM solutions, including:
  - *Integrate more seamlessly our cloud-based HCM solutions.* We intend to further make our suite of cloud-based HCM solutions more seamlessly integrated. To facilitate our integration endeavors, we intend to expand our dedicated team of product managers, software managers and testing managers.
  - *Integrate more seamlessly our cloud-based HCM solutions.* We will be focusing on the three main areas of integration:
    - *Use case integration.* We will further integrate the use cases covered by our cloud-based HCM solutions. We will focus on integrating solutions designed for employees and HR managers, and the solutions for other different roles within organizations. We intend to leverage data-enabled business intelligence and AI technologies to facilitate integration and information sharing across our different solutions;
    - *Talent data & profile integration.* We will focus on enhancing our solutions so that our customers can better and more efficiently integrate, synthesize and analyze data collected from various stages of the employee lifecycle to generate actionable HCM insights;
    - *User interface (UI) integration.* We will offer a more unified interface and visualization system across our full suite of solutions. The unified interface will include single sign-on, consistent navigation structures and unified menus to access data and processes.
- ***Enhance the functionality and features of our Core HCM Solutions.*** We intend to continue to enhance the functionality and features of our Core HCM Solutions in order to better meet our customers’ need. We believe that this will help us build strong word-of-mouth momentum which in turn allows us to cost-effectively attract prospective customers from a



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broad range of industries, driving our long-term profitability. Our efforts in enhancing the functionality and features of our Core HCM Solutions will be focused on developing more industry-specific solutions, features and use cases in order to attract customers from a broader range of industries and upgrading our solutions to better address the needs of large-sized enterprises. See “Expand Our Customer Base—Expand to more industry verticals and geographies” above for more details.

- *Upgrade our other HCM solutions.* We also intend to solidify our leadership position across a number of other HCM solutions, such as Recruitment Cloud and Assessment Cloud, and upgrade these solutions with additional features and functionality. We believe these efforts enable customers to more effectively manage their workforces and execute talent strategies, driving their stickiness and loyalty that in turn benefits our long-term profitability. With respect to Recruitment Cloud, we intend to continue to leverage data-enabled business intelligence and AI technologies to launch more digital tools to make the hiring process more efficient and transparent for both organizations and the prospective employees. These new tools will include an AI-powered resume analyzer that automatically screens and scores resumes based on criteria set by the recruiters and intelligent candidate matching and ranking to help organizations identify candidates that best match their job requirements. With respect to E-learning Cloud, we intend to integrate it more deeply with our other solutions, such as Succession Cloud and People Analytics Solutions, to give organizations a better picture of their workforce performances across the entire employee lifecycle.
- In connection with our plan to upgrade our integrated cloud-based HCM solutions, we are implementing and intend to implement a number of key projects. The following table sets forth details of these projects. See “Future Plans and Use of [REDACTED]” for more information about how we plan to use the [REDACTED] from [REDACTED] to fund these projects:

<u>Project</u>	<u>Description</u>	<u>Implementation Timeline</u>	<u>Expected Costs To Be Incurred Prior to Implementation</u>
Development and implementation of HCM solutions designed for manufacturing enterprises	These solutions will be purpose-built to address people management needs of large manufacturing enterprises, particularly associated with their complex organization structures and large, geographically dispersed workforces	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB13.5 million
Development of “Real-time Survey”	“Real-time Survey” is a solution that helps enterprises more effectively conduct internal surveys and identify potential employee-relations issues and makes recommendations	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB0.9 million

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Project	Description	Implementation Timeline	Expected Costs To Be Incurred Prior to Implementation
Development of “Skill Cloud”	Skill Cloud is a solution that utilizes AI technologies to help enterprises develop a systematic review of the skillsets needed for particular positions	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB0.9 million
Development of gamified assessment tools	These tools are designed to help enterprises more effectively engage employees and conduct assessments through the usage of interactive gaming elements	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB0.9 million
Development and implementation of HCM solutions designed retail enterprises	These solutions will be purposebuilt to address HCM needs of retail companies, such as those relating to their relatively more flexibility schedules and diverse payroll patterns	By end of the fiscal year ended March 31, 2024	FY2024: Approximately RMB9.0 million
Development and implementation of “talent profiles”	“Talent profiles” are solutions designed to integrate information about the skills, qualifications, accomplishments, and career preferences of enterprises’ workforces to enable them to more effectively identify, select, assess and develop talents	By end of the fiscal year ended March 31, 2026	FY2024: Approximately RMB0.7 million  FY2025: Approximately RMB5.1 million  FY2026: Approximately RMB3.6 million

- Focus on customer success and satisfaction.*** Our unwavering focus on customer success and satisfaction has enabled us to build long-term relationships with customers. In recent years, we have achieved steadily growing subscription revenue retention rate, a metric used to measure growth in revenue generated from existing customers of our cloud-based HCM solutions over time. Our subscription revenue retention rate increased from 102% for the fiscal year ended March 31, 2019 to 105% for the fiscal year ended March 31, 2020 and 113% for the fiscal year ended March 31, 2021, and further to 117% for the fiscal year ended March 31, 2022. Going forward, we intend to continuously invest in building a highly qualified customer success and services team by hiring, motivating and retaining talents with strong academic credentials and relevant work experience. As of September 30, 2022, approximately 86% of our customer success and services team members have a bachelor’s degree or above, and approximately 26% of them have a master’s degree or above. In addition, they have an average of over 5 years of relevant work experience. We

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will also formulate and implement our firm-wide customer service policy and standards, including a tiered customer services model through which we provide customized services and support to customers.

- We intend to implement a number of initiatives to enhance our customer success and services capabilities. For example, we intend to implement a “Core” Customer Success Program to support the rapidly increasing adoption of our Core HCM solutions by customers. As part of this program, we intend to build a team of seasoned product managers to lead the implementation of our Core HCM solutions in top-tier cities and maintain a sizable customer service consultant team to serve our customers remotely from our customer care center in Suzhou. We also plan to establish a new Share Service Center (SSC) located in a lower-tier city to support growth in customer base. The use of an SSC will help us reduce service duplication and business unit silos within our organization by integrating service functions into a single department. We believe that these initiatives will enable us to increase customer satisfaction, thereby increasing our subscription revenue retention rate in the long run.

The Joint Sponsors have (i) discussed and conducted due diligence with us to understand, amongst other things, that subscription revenue retention rate is a metric commonly used by our industry peers and our view that the use of subscription revenue retention rate to measure the growth in revenue generated from existing customers of our cloud-based HCM solutions over time is not misleading or inappropriate, and our calculation methodology is consistent with the industry norm; (ii) discussed with CIC to understand that subscription revenue retention rate is commonly adopted in our industry to measure business performance, and that our calculation methodology relating to subscription revenue retention rate is consistent with the industry norm; and (iii) reviewed public disclosures of industry peers and noted that revenue retention rate is also used as a metric to measure their business performance. Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the view of CIC, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the reasonableness with the above-mentioned view of the Company in relation to the use and the calculation methodology of subscription revenue retention rate.

### Manage Costs and Improve Operational Efficiency

As we continue to grow in scale, we aim to realize operating leverage primarily through the shifting in our revenue mix towards cloud-based HCM solutions, improvement in sales and marketing efficiency, as well as benefits from economics of scale. See “Financial Information—Description of Major Components of Our Results of Operations” for a description of the key components of our cost of revenue and operating expenses.

- **Improve gross margin.** During the Track Record Period, revenues generated from subscriptions to our cloud-based HCM solutions had increased as percentages of our total revenues. Revenues generated from cloud-based HCM solutions as percentages of total revenues increased from 54.7% for the fiscal year ended March 31, 2019 to 56.6% for the fiscal year ended March 31, 2020 and 62.7% for the fiscal year ended March 31, 2021, and further to 68.2% for the fiscal year ended March 31, 2022, and increased from 67.0% for the six months ended September 30, 2021 to 72.2% for the six months ended September 30, 2022. This was primarily due to the increasing market acceptance of our solutions as

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customers have continued to benefit from the strong functionalities and substantial integration benefits that our solutions offer. As our subscription-based HCM solutions involve less incremental costs as compared to professional services, gross margin for our cloud-based HCM solutions is typically higher than that for our professional services. We expect our profitability to continue to improve alongside such change of revenue mix in the long term. In addition, we have leveraged our strong PaaS capabilities to focus on meeting customers’ most common product development needs, which allows us to reduce costs associated with customization for every single customer and will further increase gross profit margin for professional services. We seek to further optimize our costs of professional services by enhancing our PaaS capabilities and opening our PaaS infrastructure to more customers to allow their in-house IT specialists to develop tailor-made applications, features and functions. We expect to invest approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] of the [REDACTED] to upgrade our PaaS infrastructure. We will have a dedicated team of product managers, software managers and testing managers focusing on upgrading our PaaS infrastructure and developing a wide suite of standardized development tools.

- ***Improve sales and marketing efficiency.*** During the Track Record Period, sales and marketing expenses, which consist primarily of sales staff costs, formed a significant portion of our total operating expenses. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, our sales and marketing expenses were RMB206.8 million, RMB295.2 million, RMB284.3 million, RMB331.0 million and RMB177.4 million, respectively, representing 54.1%, 64.4%, 51.1%, 48.7% and 50.6% of our revenues during the relevant periods. We seek to continue to improve our sales and marketing efficiency by promoting cross-selling and up-selling across our different HCM solutions and services, capitalizing on our established brand reputation to acquire customers more cost-effectively, as well as improving our technologies used in sales and marketing. For example, we intend to leverage AI-powered algorithms and processes that automatically assign leads to the most suitable sales personnel, in order to maximize conversion of potential leads to subscriptions and enhance customer experience. We also intend to continue to invest in adopting world-leading B2B marketing automation solutions and customer information and interaction management systems and purchase user labeling and profiling tools developed by third parties that help us more effectively engage in content marketing with target customers. We expect to invest approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] from this [REDACTED] on the development and optimization of the technologies used in sales and marketing activities.
- ***Improved economies of scale and operational efficiency.*** Other major cost components include research and development expenses and administrative expenses. In 2019, our research and development expenses as percentages of total revenues amounted to 38.3%. In particular, our research and development expenses as percentages of total revenues continued to decrease from 46.9% for the fiscal year ended March 31, 2020, to 38.2% for the fiscal year ended March 31, 2021, and further to 38.0% for the fiscal year ended March 31, 2022. While we expect to continue to incur substantial research and development expenses and general and administrative expenses in the foreseeable future alongside our business growth, we expect that such expenses as a percentage of total revenue will decrease over time in the long term due to improved economies of scale and operational efficiency, which will have a long-term positive impact on our profitability.

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- We are implementing a number of initiatives designed to increase our research and development efficiency. For example, we are in the process of upgrading our DeOps system that is capable of supporting frequent, largescale product upgrades and deployment needs for 10,000 customers. We are also in the process of building “PaaS ISV Development Center,” a digital system that enable selected independent software vendors, or ISVs, to use the diverse development tools we offer to efficiently develop HCM solutions via our PaaS infrastructure. We believe these efforts help to increase our research and development efficiency by giving us the tools necessary to develop and upgrade solutions for a number of customers simultaneously and by allowing customers, especially those large, sophisticated ones, to easily develop software tailored to their own needs and preferences, which is more cost-efficient for us as compared to having our in-house specialists develop customized solutions for them. Having a unified PaaS infrastructure also helps to increase our research and development efficiency as it allows us to generate valuable insights across the entire employment lifecycle - which that are otherwise too difficult or costly to obtained through traditional, isolated on-premise software - to inform our research and development activities.
- We will expand our dedicated team of product managers, software managers and testing managers specialized in data-enabled business intelligence and AI, and provide regular internal and external training to our research and development teams. We expect to invest approximately [REDACTED]% or approximately HK\$[REDACTED] of the [REDACTED] from this [REDACTED] in technologies and system enhancements to enhance our research and development efficiency.

Taking into account (i) the outlook of China’s cloud-based HCM solutions market in which we operate, (ii) our detailed expansion plans aiming for the long-term growth as described above and in the section headed “Future Plans and Use of [REDACTED],” (iii) our proven historical business growth, and (iv) the fact that SaaS products like our cloud-based HCM solutions typically require upfront costs and expenses in relation to customer acquisition and retention and product development to drive market acceptance, and such costs and expenses often exceed the profit generated from recurring revenue stream in the initial period, resulting in a loss-making position, our Directors believe that our Group has a sustainable business.

### OUR TECHNOLOGY

Technology is the backbone of our scalable business model. Our strong technology capabilities have allowed us to deliver superior customer experience, improve operational efficiency and enable innovations. To date, our capabilities primarily feature three foundation technologies: PaaS infrastructure, data-enabled business intelligence and artificial intelligence.

#### PaaS Infrastructure

The bedrock of our solutions and services is our cloud-native, multi-tenant and metadata-based PaaS infrastructure, which allows our offerings to scale and better react to changing demands. According to CIC, we are the only service provider in China that offers cloud-based HCM solutions based on a unified and open PaaS infrastructure. This substantially increases our application development efficiency, supports rapid application expansion, and fulfills customers’ ever-changing personalized business needs.

- **Cloud-Native.** We rely on our self-operated and maintained cloud infrastructure to host our HCM solutions, which helps us secure cloud resources for customers, and ensure



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reliability, data security and integrity of our platform. This self-operated cloud infrastructure enables our public cloud services, allowing multiple customers to access our cloud-based HCM solutions via public internet. Building upon the cutting-edge cloud computing technologies such as microservices, containers and service mesh, our cloud-based PaaS infrastructure allows our HCM solutions to benefit from its cloud-native architecture, resulting in more resilient and scalable solutions for our customers.

- **Multi-Tenant.** Our multi-tenant PaaS infrastructure enables multiple customers to be on the same version of our HCM solutions, while securely partitioning their respective application data. Because a single version of our solutions is developed, supported and deployed across all customers, updates are delivered to all of our customers at the same time, making it easier to scale our solutions and services as the number of our customers and their employees expands. Furthermore, customers utilize our IT resources and operational infrastructure, significantly reducing the costs of implementation, upgrades and support. Because multi-tenancy ensures that all of our customers are on the same version, we can focus on ongoing innovation rather than maintaining multiple versions of our solutions and a broad matrix of supporting infrastructure. Our multi-tenant architecture also enables us to address our customers’ common product development needs with simply one software update, thereby significantly reducing our operational costs for product customization.
- **Metadata-Based.** The metadata-based architecture of our PaaS infrastructure enables rapid and flexible customization of our HCM solutions through no-code or low-code application development capabilities, which significantly reduces customization costs for customers to embrace business changes.

### Data-enabled Business Intelligence

We design our data-enabled business intelligence to address the long-standing pain points of data isolation and absence of industry data analysis models and indicators, helping enterprises navigate through digital transformation. Unlike traditional on premise software that results in data fragmentation and isolation, the seamless integration and information sharing across our different solutions on our common, unified PaaS infrastructure generates insights in workforce data under different business scenarios. Building upon such robust data analytics capability, we have established a business intelligence platform that is capable of transforming the fragmented employee data into actionable insights into an organization’s human resources that inform its strategic and tactical business decisions. In addition, by accumulating the best practices of a large number of customers operating in diverse industries, we have established industry-specific people analytics methodologies and data analysis models and indicator library based on our business intelligence capability, which allows customers to benefit from the access to industry-leading digitalization practices. We believe the data insights customers have gained through our business intelligence platform, in turn, motivate them to subscribe for additional solutions of us to address the particular challenges they are faced with, driving upselling and cross-selling across our offerings.

### Artificial Intelligence

We provide intelligent solutions for multiple use cases, including instant, smart resume analysis and job matching, AI interviews and service robots designed for job applicants, employees and business managers. In particular, leveraging cutting-edge technologies and algorithms such as natural



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language processing and machine learning, our AI interview function enables customers to efficiently and cost-effectively interview and assess a large number of job candidates. Powered by cutting-edge artificial intelligence technologies, our solutions enable customers to acquire, mobilize and optimize human resources that meet their specific needs, thereby offering bespoke customer experience.

The following screenshot illustrates how we use AI technologies to facilitate customers’ job interviews.



## OUR CUSTOMERS

We primarily sell to medium- and large-sized companies that span numerous industries. As of September 30, 2022, we served a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors, and over 70% of Fortune China 500 companies are our customers. We strategically focus on developing and maintaining business relationships with these medium- and large-sized companies because we believe it is imperative for organizations to intelligize and optimize human resources management as they scale their businesses. We also seek to establish and continue expanding business presence in fast-growing industries and regions with significant business potential.

As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we served over 3,300, 3,800, 4,200, 4,700 and 4,900 customers, respectively. We do not have substantial reliance on any single customer. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, revenues generated from our five largest customers in the aggregate accounted for 4%, 4%, 3%, 3% and 3%, respectively, of our total revenues during the same periods.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, none of our five largest customers is a connected person or a supplier of us. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

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### Customer Case Studies

The following are examples of how our customers benefit from our solutions and services.

#### **Customer A**

*Situation: Customer A is a leading restaurant company in China, operating a nationwide network of restaurants under a variety of established brands. As Customer A expanded its restaurant network rapidly across China, it found itself struggling with hiring and retaining a sufficient number of qualified restaurant managers and in-store crews. Traditional manual, labor-intensive recruitment process could no longer meet Customer A’s evolving talent acquisition needs.*

*Solution: Customer A deployed Recruitment Cloud and Assessment Cloud in March 2016 to improve its talent recruitment capabilities. Our solutions helped restaurant managers develop candidate profiles and leverage our scientific assessments tailored to Customer A to effectively find suitable job candidates with the desired traits. As Customer A’s demands for in-store crews continued to grow, we purpose-built our solutions to help Customer A effectively and efficiently identify talents from a broad external talent pool. Our Recruitment Cloud allowed Customer A to post job openings on multiple recruitment channels at one place, and import job applicants’ resume information that it collects in its email box from different channels into our Recruitment Cloud in a standard, unified format. Through the technology-enabled, smart tools we offer, Customer A was able to intelligize and streamline its entire recruitment and onboarding process, delivering recruiting efficiency and candidate experience especially amid the ongoing COVID-19 pandemic.*

#### **Customer B**

*Situation: Customer B is a China-based multinational enterprise engaged in a broad range of businesses, spanning real estate, finance, health, education, hospitality and media. Despite its established presence and rapid growth, Customer B still relied on its legacy HCM systems to manage its daily operation, making it increasingly difficult to improve employee experience, increase human capital management efficiency, and generate actionable data insights.*

*Solution: To comprehensively enhance its human capital management capabilities, Customer B deployed a wide array of our HCM solutions, including Core HCM Solutions, Assessment Cloud, Performance Management Cloud and Succession Cloud. Our HCM solutions seamlessly integrate with Customer B’s existing internal systems, offering a one-stop self-service platform where employees can submit questions and feedback, complete routine tasks and communicate and collaborate efficiently. More importantly, through our integrated HCM solutions, Customer B can now consolidate and track its employee’s information across the employee lifecycle, from recruitment to on-boarding, and from payroll administration to performance management, making human capital management easier for its HR and business managers. Through the streamlined business processes and a variety of user-friendly, convenient functions and smart tools that our HCM solutions offer, we have enabled Customer B to improve its HCM efficiency and effectiveness in diverse business scenarios, while ensuring positive employee experience.*

#### **Customer C**

*Situation: Customer C is a cloud-based healthcare service provider with significant expertise in smart wearable technology. As Customer C continued to rapidly expand its footprint globally, its*

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*outdated, unscalable HR systems could no longer address Customer C’s evolving HCM needs for standardized employee management process, integration of data across internal systems, and HCM capabilities in more use cases.*

*Solution: Customer C deployed a number of our HCM applications, covering human resources management, payroll and tax administration, employee goals and performance management. By standardizing and optimizing Customer C’s business rules and human resources management practices, our HCM solutions have enabled Customer C to establish a clearly defined organizational structure, streamline internal procedures, and gain valuable workforce analytics. The smart, digital tools incorporated in our HCM solutions have powered Customer C’s headcount administration, recruitment and probation management and employee goal and performance review, all in an efficient and cost-effective manner. For example, our HCM solutions enabled a highly streamlined and automated employee on-boarding and probation process, keeping various stakeholders informed and ensuring the new hires are well taken care of throughout the process. The integration across our HCM solutions and Customer C’s existing internal systems also allows valuable data insights into its human resources management.*

### **Customer D**

*Situation: As a renowned consumer product brand in China, Customer D has continued to expand its workforce as its business grew. As a result, Customer D had increasing needs for third-party HCM vendors that offer not only high-performance digital solutions but also deep know-how and expertise. Before using Beisen’s solutions, Customer D partnered with a global leading HCM service provider, whose services have proven inadequate in meeting these needs due to its outdated technology architecture and limited functionalities.*

*Solution: In later 2020, Customer D began using our solutions designed to meet HCM needs across diverse use cases. Our HCM solutions have helped Customer D streamline and optimize its human resources management processes throughout the entire employee lifecycle. To manage Customer D’s nationwide network of stores efficiently and effectively, Customer D has benefitted from the user-friendly and customizable functions and features our HCM solutions offer, which enable Customer D to manage in-store staff attendance and shift scheduling, administer payroll programs, define bonus calculation rules and design assessment criteria for employees in different cities and at different positions.*

### **Customer E**

*Situation: As a leading logistics transaction platform that manages a vast number of freight transactions on a daily basis, Customer E needed to conveniently and swiftly develop tailor-made features and functions that meet its specific HCM demands, including new hire and employee departure management, performance cycle planning and employee data integration and archives.*

*Solution: We granted Customer E access to our PaaS infrastructure in 2020 to allow its in-house IT specialists, who have a better understanding of its internal HCM needs than outside IT teams, to develop and expand personalized applications. Leveraging the strong customized application development capabilities our PaaS infrastructure offers, Customer E’s in-house IT specialists created tailor-made functions that transformed its offline, labor-intensive background check for new hires to a swift and smart online process. When an employee tenders a resignation, the newly designed*

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*applications make a suggestion on whether the organization should retain the employee based on a comprehensive analysis of the employee’s historical performance and overall profile. By holistically analyzing departing employees’ information, such as attendance, payroll, tenure and job performance, Customer E’s HR and business managers can gain insight into possible reasons for their departures, which may include long working hours, unsatisfying compensation and less-than-ideal promotion opportunities. In addition, the new functionality also enables a streamlined process for Customer E’s HR managers to record and analyze the reasons alleged by departing employees to have led to their resignations. This provides Customer E’s HR and business managers with valuable information that can be used to identify the most common reasons behind employees’ resignation decisions, formulate targeted employee retention plans and lower the employee turnover rate. Through our open PaaS infrastructure, Customer E’s in-house IT specialists also developed its customized performance cycle planning functionality that helps to plan and track employees’ periodic performance targets. With our PaaS infrastructure, they also built digital talent archives by breaking the information silos across its different internal systems.*

Our subscription agreements with customers typically last for one year. From time to time, we also enter into long-term subscription agreements with a small number of customers that have a term of three years. We entered into long-term subscription agreements with these customers, which operate in a variety of industries with different business scales, mainly to cater to their specific business needs, such as to align with their internal budget cycles. Set forth below is a summary of key terms with our customers:

- *Term.* Typically one year with renewal options and in limited cases, three years.
- *Professional services.* When customers subscribe for our cloud-based HCM solutions, they typically will purchase from us implementation services that are necessary to get the solutions up and running, as well as certain other certain ancillary services. Therefore, purchases of professional services by customers are made under the subscription agreements pursuant to which they subscribe for our cloud-based HCM solutions.
- *Pricing.* We charge our customers fixed subscription fees based on the particular solutions they purchase. Under the subscription agreements, professional services are typically charged a price separate from those of cloud-based HCM solutions.
- *Payment and credit terms.* Subject to the specific solutions and/or services customers select to purchase, customers are typically required to settle our payment either in full upon executing the subscription agreements, or in two installments with the first to be settled once the subscription agreements are signed, and the second to be settled upon delivery of our solutions and/or services. Under the subscription agreements, we do not grant any credit to our customers.
- *Ongoing product support.* We provide ongoing product support services free of charge to customers to address their problems or inquiries on the daily operations of our HCM solutions during the subscription terms.
- *Software updates.* During the terms of subscription, customers are entitled to any software updates on the HCM solutions they subscribe for without additional charges.
- *Intellectual Property.* We retain all our intellectual property rights with respect to our HCM solutions under the subscription agreements.

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- *Confidentiality.* Each party to the subscription agreements shall treat all trade and technological secrets made known to it by the other party in the strictest confidence during and after the contract terms.

During the Track Record Period, we did not experience any material breach of subscription agreements with our customers.

We endeavor to grow alongside our customers’ success. In our ongoing efforts to enhance customer satisfaction and improve service quality, we maintain dedicated customer success and service teams of approximately 160 employees to provide advice to customers on how to best utilize our products, share our industry know-how and insights with them, solve critical problems in product application and provide them with information on the latest product upgrades. The customer success and service teams are also responsible for addressing complaints and concerns from our clients and providing solutions to mitigate and make-positive any unsatisfactory experience.

We believe the superb customer experience that we offer, combined with our robust technical capabilities and profound industry insight, has translated into a growing, loyal and nationwide customer base with attractive upselling and cross-selling opportunities across our solution and service offerings. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.

### OUR SUPPLIERS

During the Track Record Period, our suppliers are predominantly real property development and management companies and IT service providers. We partner with selected suppliers that not only meet our business needs and standards, but also embrace our corporate values, and we strive for business success of every business partner we work with. As of September 30, 2022, we collaborated with approximately 940 suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers, nor did we experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, delay in delivery of our orders from our suppliers.

We usually solicit reputable suppliers through one-on-one negotiations, price inquiries, or open tender process, depending on the estimated purchase amount as well as available sourcing alternatives. Before engaging a new supplier, our procurement department pre-screens supplier candidates based on their certificates and qualifications, quality control systems, reliability, and market reputation, among others, and we only partner with qualified suppliers that meet our standards and specifications. In addition, we have established a comprehensive grading system to manage and incentivize our suppliers. Suppliers are graded based on their price, supply quality, timeliness, professionalism and cooperativeness under different classes. In the meantime, we may discontinue our business relationship with suppliers that are graded as the lowest class.

For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, purchases from our five largest suppliers in each fiscal year during the Track Record Period, which are all Independent Third Parties, in the aggregate accounted for 19%, 18%, 19%, 24% and 24%, respectively, of our total purchases during the relevant periods. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each fiscal year during the Track Record Period.



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The table below sets forth the details of our five largest suppliers in each periods during the Track Record Period.

<u>Rank</u>	<u>Supplier</u>	<u>Type of products / services provided</u>	<u>Principal business</u>	<u>Year(s) of business relationship</u>	<u>Credit terms</u>	<u>Payment method</u>	<u>Purchase amount (RMB '000)</u>	<u>Percentage of our total purchase</u>
<i>For the fiscal year ended March 31, 2019</i>								
1	Supplier A	Rental and property management services	Real property development and management	Five	0 - 15 days	Bank transfer	8,074	5%
2	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	7,968	5%
3	Supplier C	IT services	Sales of computers and other auxiliary IT equipment	Six	0 - 30 days	Bank transfer	5,112	3%
4	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	4,334	3%
5	Supplier E	Server custody services	IT services	Six	0 -120 days	Bank transfer	3,956	3%
<i>For the fiscal year ended March 31, 2020</i>								
1	Supplier A	Rental and property management services	Real property development and management	Five	0 -15 days	Bank transfer	9,096	5%
2	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	8,503	5%
3	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	4,779	3%
4	Supplier F	Ride-hailing services	Operation of an online ride-hailing platform	Six	0 - 15 days	Bank transfer	4,987	3%
5	Supplier E	Server custody services	IT services	Six	0 -120 days	Bank transfer	4,105	2%
<i>For the fiscal year ended March 31, 2021</i>								
1	Supplier A	Rental and property management services	Real property development and management	Five	0 - 15 days	Bank transfer	7,806	5%
2	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	5,999	4%
3	Supplier F	Ride-hailing services	Operation of an online ride-hailing platform	Six	0 - 15 days	Bank transfer	5,040	4%
4	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	4,254	3%
5	Supplier E	Server custody services	IT services	Six	0 - 120 days	Bank transfer	4,111	3%
<i>For the fiscal year ended March 31, 2022</i>								
1	Supplier G	Financial advisory services in connection with our Series F financing round	Investment consulting and financial advisory	One	0 - 15 days	Bank transfer	15,184	7%
2	Supplier C	IT services	Sales of computers and other auxiliary IT equipment	Six	0 - 30 days	Bank transfer	12,688	6%



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Rank	Supplier	Type of products / services provided	Principal business	Year(s) of business relationship	Credit terms	Payment method	Purchase amount (RMB'000)	Percentage of our total purchase
3	Supplier A	Rental and property management services	Real property development and management	Five	0 - 15 days	Bank transfer	10,256	5%
4	Supplier H	Decoration and design services	Real property decoration and renovation	Three	0 - 5 days	Bank transfer	7,539	3%
5	Supplier B	Rental services	Real property rental and management	Four	N/A	Bank transfer	6,660	3%
<i>For the six months ended September 30, 2022</i>								
1	Supplier C	IT services	Sales of computers and other auxiliary IT equipment	Six	0 - 30 days	Bank transfer	13,161	11%
2	Supplier I	Rental services	Real property development and management	One	N/A	Bank transfer	3,880	3%
3	Supplier J	Decoration and design services	Real property decoration and renovation	One	0 - 5 days	Bank transfer	3,879	3%
4	Supplier K	IT services	IT services	One	0 - 30 days	Bank transfer	3,791	3%
5	Supplier D	Rental and property management services	Real property development and management	Six	N/A	Bank transfer	3,642	3%

## SALES AND MARKETING

We have developed our sales and marketing strategies centered around customer success and satisfaction, which is an integral part of our core values. This customer-centric, consultative sales philosophy, combined with our integrated solutions and attentive services, has enabled us to maintain a long-term relationship with our customers.

To maximize customer satisfaction during the sales process, we rely on our direct sales force to promote our solutions and services, who we believe is the best representative of not only our solutions and services but also our corporate values. Our direct sales team is organized by geography and industry to leverage our sales personnel’s local connections and industry insights. We require each sales personnel to be capable of selling the full suite of solutions and services, so that our customers can deal with only one contact for whichever solutions and services they purchase from us. Our direct sales team is supported by product and implementation specialists who provide technical and product expertise to facilitate the sales process, to ensure our sales personnel can address customers’ inquiries in time.

We generate customer leads, accelerate sales opportunities and build brand awareness primarily through word-of-mouth referrals by our existing customers, as well as online and offline marketing campaigns. Our principal marketing and branding initiatives include:

- compiling in-depth industry-specific reports, publications and case studies to share industry know-how and insights;
- organizing customer conferences, industry summits and seminars;
- holding spring and autumn product releases to showcase our new products and increase brand awareness;
- engaging in online marketing;

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- sponsoring and participating in executive events, trade shows and industry events; and
- taking public relations and social media initiatives.

We believe our unwavering focus on customer success throughout the sales process has led to a growing, loyal and nationwide customer base with attractive upselling and cross-selling opportunities across our solutions and services.

## RESEARCH AND DEVELOPMENT

Our vision and focus on product innovation have fueled our growth and enabled us to continuously improve our existing offerings and develop new HCM solutions. 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.

Our research and development efforts have been centered around innovating leading-edge technologies and solutions that address pain points in people science faced by our customers in different industries, thereby fueling their business growth and success in the long term. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded research and development expenses of RMB146.5 million, RMB215.2 million, RMB212.6 million, RMB258.4 million and RMB144.9 million, respectively.

We guide our research and development endeavors with three principles: focusing on customer-centric development from end to end, striving for one-time development success, and maximizing development efficiency. To achieve these goals, we have adopted the integrated product development model, which is a cross-functional collaboration enabling joint product development processes, making sure we develop what customers want in a timely and cost-effective manner. We usually follow the below steps to develop new product features and modules:

- *Step 1: Product Roadmap.* We create our product roadmap based on a variety of factors, including market prospects, our growth strategies, industry competition, as well as feedbacks we collect from our customers. We maintain a list of customers’ feature requests and prioritize developing those most commonly shared by our customers. For one-off personalized feature requests, we offer customized product development services to customers to address their specific business needs. We also open our PaaS infrastructure to selected customers and business partners free of charge in order for their in-house IT specialists to customize product functions and features.
- *Step 2: Product Design and Development.* Following the product roadmap, our research and development team is responsible for designing new applications and features to address customers’ needs. We strive to achieve one-time development success for every product development endeavor, and we require each product iteration project to go through five reviews before entering into the actual development phase, which include project initiation review, summary design review, architecture design review, detailed design review and “one-page” solution review. This allows us to secure the consistently high quality of our product design and development, improving the reliability and stability of our products. With various disciplines within our organization engaged and invested in the outcome under our integrated product development model, we believe we are able to improve development efficiency, ensure product quality and inspire innovations.

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- *Step 3: Product Verification.* During this stage, we verify our new product features and modules from technological, product and market perspectives. We continue to optimize these new product features and modules based on our internal feedbacks.
- *Step 4: Product Launch.* Before we officially launch a new product, our marketing teams make promotion plans to ensure a successful debut. We also revisit the entire product development process through our profit analysis and product acceptance summary with a view to learning from our experience and improving our product development capability.

We have dedicated a management committee to overseeing our every product development endeavor, which takes the initiative to make decisions at various checkpoints. We make continued efforts in optimizing functionality and performance of our existing HCM solutions based on customers’ feedbacks. We generally follow the same development process with respect to software updates for each HCM solution, which are released every two months.

## DATA PRIVACY AND SECURITY

When providing our solutions and services, we may have access to certain data of our customers and their employees, which is imported by customers onto our HCM solutions or generated through the use of our solutions and services by customers and their employees. We have devised strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of such data are in compliance with applicable laws and with prevalent industry practice.

To ensure confidentiality and integrity of the data we collect and preserve, we have completed information security, privacy and compliance certifications/validations with the consultation of the relevant governmental authorities in China and various global agencies. We have obtained ISO 27001 Information Security Management System Certification, and our system is on file with the relevant public security authorities in China with a Level 3 information system security level. In addition, we are certified under the Security, Trust & Assurance Registry (STAR) program offered by the Cloud Security Alliance, the world’s leading organization dedicated to defining and raising awareness of best practices to help ensure a secure cloud computing environment.

We are committed to ensuring data integrity and security. We have established our user privacy policies, which clearly set forth how we protect the information and data made available to us throughout its lifecycle. Customers and their employees may access such privacy policies on the portal page of our iTalentX platform.

### Data Collection

A range of personal and other information may be collected as our customers and their employees access and use our solutions.

The information we collect from our customers include enterprise names and identification numbers. The information we collect directly from an employee of our customers include (i) information provided by the employee when registering with our system, including his or her name, telephone number and email address; and (ii) information that the employee may be asked to provide when requesting a service from us, including name of his or her organization, position within the organization, and address, and such information fully falls within the scope of information collected by our customers.

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As part of our system security measures, our systems may automatically collect a range of log-in/technical information from users, including users’ IP address, unique device and application identifier, location, the type of internet browser and operating system used, the telecommunication and mobile network used, links the users have clicked on and documents accessed by the users, and other device and system configuration details needed to verify users’ identities and offer our services.

We, as a third-party service provider, do not have control over the types of data our customers collect from their employees. Based on our experience, the information our customers collect from their employees typically include name, age, gender, telephone number, email address, ID number, mailing address, education background, and prior work experience, as well as other information depending on the specific solutions used and the objectives that our customers and their employees want to achieve using our solutions. For example, organizations using our Payroll Cloud will need to enter payroll information of their employees to calculate social security contributions and manage income tax calculation and withholding.

While the foregoing personal and other information collected is stored and preserved by us on our self-operated cloud infrastructure, our customers retain the ownership of such data.

We are advised by our PRC Legal Advisor that, since (i) the purposes and manners of the use of employees’ data are decided by our customers at their sole discretion, and (ii) we, as the service provider, only process such data for the purposes and in the manners designated by our customers, our customers, rather than us, shall bear the relevant compliance obligations as “personal information processors” under the applicable PRC laws, especially the PRC Personal Information Protection Law, including seeking consent from their employees for collection, usage and storage of relevant employee data to power our HCM solutions and services. As advised by the PRC Legal Advisor, pursuant to the PRC Personal Information Protection Law, “personal information processor” refers to an organization or individual that independently determines the processing purpose and method in the processing of personal information. The personal information processor shall be obligor to ensure that the personal information processing activities are compliant with the relevant laws and regulations, and a personal information processor may process personal information of an individual only in specified circumstances including where it has obtained consent from such individual. In providing cloud-based SaaS solutions to our customers, we do not determine the processing purpose and method of the personal information (i.e. whose data shall be collected; what type of personal information shall be collected; in what manner the personal information shall be processed, etc.) which are determined by our customers or third party vendors who directly collect personal data through their respective online recruitment platforms. Based on the foregoing, the PRC Legal Advisor is of the view that it is the customers’ and third party vendors’ (not our) responsibility to collect data and obtain consent from their respective employees or candidates, and such arrangement complies with all applicable PRC laws and regulations.

Customers’ employees may also provide their personal information directly to us by using certain functions of our HCM solutions. For example, when an employee uses our Attendance Management Cloud module to clock in and out, we may have access to the employee’s location information. We have made public our privacy policies to notify customers’ employees of the potential information collection, and employees also have the option not to provide such personal information by disabling the relevant functions.

In limited circumstances, we also collect certain information and data, such as name, contact information and log-in details, directly from our customers, mainly for user account registration and

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ongoing product support purposes. Our internal data protection policies require we notify customers of the type, potential uses, duration of data preservation and identity of data processors with respect to the data we collect from the customers. Without prior consent from our customers, we are not allowed to collect any information or data from such customers.

During the Track Record Period and up to the Latest Practicable Date, we did not provide services for the overseas operations of our customers, and did not collect or process personal information of foreign residents.

### **Data Usage and Sharing**

In our privacy policies, we fully disclose the potential uses of information and data received from our customers and their employees, which may include:

- enabling our services and ensuring our solutions function properly;
- allowing us to connect with the relevant customers and/or their employees and provide ongoing product support;
- ensuring security and reliability of our solutions and services by verifying visitors’ identity against the information and data on file;
- using information and data on an anonymous basis for internal audit, analysis and research purposes; and
- assisting with regulatory investigations or other legal proceedings in accordance with applicable laws and regulations, and court or administrative orders.

In the event that we need to use the information and data of our customers and/or their employees for purposes other than the above, we will notify the relevant parties and seek their explicit consent before we proceed.

### **Data Storage and Transmission**

We require that information and data we receive in China shall be stored and preserved within China. Except in the event that customers access their own data from an overseas location, no cross-border transmission of customers’ data is allowed. We take, and also require our business partners to take, appropriate measures, such as data encryption, to prevent data leakage when the data is in transmission.

### **Data Sharing, Transfer and Disclosure**

Subject to certain exceptions specified in our private policies, we constrain ourselves from sharing any personal information and data made available to us with any person without explicit consent from our customers and/or their employees. The exceptional situations may include, for example, for certain services that are jointly provided by our business partners and us, we may share the relevant information and data with such business partners to the extent necessary to enable our services and improve customer experience.

We do not transfer information and data collected or preserved by us to any person, unless with prior explicit consent. Without consent from customers, we are prohibited from disclosing customers’ data to any third party, unless such disclosure is mandated by a court or administrative order.

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### Data Retention and Destruction

To comply with applicable PRC laws and regulations on personal information protection, our current form of subscription agreement with customers provides that we destruct a customer’s information and data within 15 working days upon expiry of the customer’s subscription, except as agreed otherwise. Customers sometimes request us to retain their information and data for a longer period, typically one month, upon expiry of their subscriptions, primarily to facilitate the data export process, or to allow sufficient time for them to decide the subsequent handling of the relevant information and data. As laws and regulations on personal information protection are constantly evolving, we have been closely monitoring the latest legislative progress, and we intend to update our data retention and destruction policies strictly in compliance with existing and future laws and regulations that are applicable to us.

### Data Protection

We attend to data privacy and security in accordance with stringent requirements of our internal policies and procedures, and the various programs we are accredited to.

- *Data encryption.* Privacy is built in from the beginning. Our HCM solutions include encryption technologies and techniques designed to limit access to our customers’ data and minimize leakage and unauthorized use. For our multi-tenant architecture, we have tenant separation walls preventing one tenant from accessing another tenant’s information.
- *Data access.* We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes and are required to verify authorization upon every access attempt.
- *Data backup.* We adopt a combination of full backup and incremental backup, making sure the data we collect is well maintained. We use distributed storage of data with multiple data replicas to increase security level. Our system also permits cross-region disaster recovery, helping customers encounter unforeseen accidents.
- *Vulnerability scanning.* We implement a vulnerability scanning program, which serves the overarching goal to protect customers from unauthorized breaches and the exposure of sensitive data. We identify security weaknesses and flaws throughout our product development cycle, and we sometimes engage third-party service vendors to conduct external security tests on our systems and solutions.

These internal policies and procedures on data protection are also applicable to data stored in the third-party cloud-based infrastructure.

Our data security team is responsible for overseeing our group-wide data privacy and security work in our daily operation. Our data security team has five dedicated team members, comprising one vice president supervising the group-wide data security work, a team head and three engineers. The team members of our data security team hold various globally-recognized qualifications, including Certified Information Systems Security Professional and Certified Cloud Security Professional, and the head of our data security team has over 10 years of relevant work experience. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material information leakage or loss of data.



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Our PRC Legal Advisor has advised us that (i) the purposes and manners of the use of employees’ data are decided by our customers at their sole discretion, and (ii) we, as the service provider, only process such data for the purposes and in the manners designated by our customers, and therefore our customers, rather than us, shall bear the relevant compliance obligations as “personal information processors” under the PRC Personal Information Protection Law.

Based on its review of the data protection policies and measures we have adopted, our PRC Legal Advisor is of the view that we are in compliance with all applicable PRC laws and regulations governing data protection and privacy in all material aspects.

In relation to the sufficiency and effectiveness of our Group’s internal measures on data privacy and security, our internal control consultant reviewed selected areas of the internal control over financial reporting, including the maintenance of sensitive information, data protection and confidentiality. Based on its work, our internal control consultant did not have any further recommendation on the sufficiency and effectiveness of our internal measures, including those on data privacy and security, in the internal control review.

## COMPETITION

We operate in the highly competitive HCM industry in China and are faced with intense competition, including competition for customers, technology and talents. We currently compete with cloud-based HCM solutions providers, enterprise software providers and potential new market entrants both in China and around the world based on a number of factors, mainly including product functionality and scope, performance, scalability and reliability of services, technology capabilities, marketing and sales capabilities, customer experience, pricing, brand recognition and reputation. According to CIC, the pricing of our cloud-based HCM solutions and professional services is generally consistent with the industry norm.

Specifically, we primarily compete with established local cloud-based HCM solutions providers in China, which offer similar software modules and professional services as ours. We face competition from these local peers in a variety of aspects, including customer acquisition and retention, technology innovation, product pricing, as well as talent pool.

As compared with these local peers, global cloud-based HCM solutions providers have relatively limited business presence in China, whose products and services are not particularly tailored for local needs. As of the end of 2021, the number of global cloud-based HCM solutions providers accounted for less than 10% of the aggregate number of market players in China’s HCM digitalization market or cloud-based HCM solutions market. In 2021, among the top five players in terms of revenues in China’s HCM digitalization market or cloud-based HCM solutions market, there was only one global cloud-based HCM solutions provider, according to CIC. We believe we are able to compete effectively against these global cloud-based HCM solutions providers leveraging our tailored solutions and services that are designed to address the pain points of Chinese enterprises as well as our extensive local experience and insights into Chinese enterprises’ needs and preferences.

In addition, we also compete with enterprise software providers which have built long-standing relationships with businesses in China across different industries. Some of their customers may be reluctant to adapt to cloud-based HCM solutions and may choose to continue to use traditional on premise HCM software offered by these enterprise software providers. Furthermore, while these

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enterprise software providers are expertized at on-premise software, they have been expanding their footprints into cloud-based applications in recent years in response to customers’ growing demands. In 2021, among the top five players in terms of revenues in China’s HCM digitalization market, there were three enterprise software providers, and among the top five players in terms of revenues in China’s cloud-based HCM solutions market, there was only one enterprise software provider, according to CIC. We compete with these enterprise software providers based on our robust capabilities of our cloud-based HCM solutions and our first-mover advantages in the cloud-based HCM solutions market. Competition may become more intense if new players, such as technology giants who have robust technology capabilities and extensive product development experience, decide to tap into our industry. For a detailed discussion of our competitive advantages over each type of our major competitors in the industry, see “Industry Overview — Cloud-based HCM Solutions Market in China — Competitive Landscape.”

We believe that we are well-positioned to compete effectively on the basis of the foregoing factors. Nevertheless, our competitors may have longer operating history, greater brand recognition, broader global footprint, larger customer bases as well as greater financial, technical and other resources. See “Risk Factors—Risks Relating to Our Business and Industry—The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition and results of operations could be adversely affected.” in this Document. For more information on the competitive landscape of our industry, see “Industry Overview.”

## INTELLECTUAL PROPERTY

We regard our patents, copyrights, trademarks, domain names, know-hows, proprietary technologies, trade secrets and other intellectual property rights as critical to our business operations. As of the Latest Practicable Date, we had registered 103 software copyrights, 50 copyrights, 12 patents, 66 trademarks and 121 domains in China. In addition, we had submitted applications for one patent and three trademarks as of the Latest Practicable Date.

We rely primarily on a combination of patents, copyrights, trademarks, trade secret and unfair competition laws and contractual rights, such as confidentially agreement, to protect our intellectual property rights. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements and in most commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, and (iv) engaging professional intellectual property service providers.

We intend to protect our technology and proprietary rights vigorously, but there can be no assurance that our efforts will be successful. 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. Nevertheless, third parties may from time to time initiate litigations or claims against us alleging infringement of their proprietary rights, or declaring their non-infringement of our intellectual property rights. See “Risk Factors—Risks Relating to Our Business and Industry—We may be sued by third parties for alleged infringement of their proprietary rights” and “Risk Factors—Risks Relating to Our Business and Industry—If we fail to adequately protect our proprietary rights, our business may be harmed.”

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### EMPLOYEES

As of September 30, 2022, we had 2,295 full-time employees, and approximately 37% of our full-time employees were based in Beijing, while the remaining 63% of them were based in various other cities in the PRC. The following table sets forth the number of our full-time employees by function as of September 30, 2022.

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total Number of Full-time Employees</u>
Operation and product support .....	783	34.1
Sales and marketing .....	725	31.6
Research and development .....	626	27.3
General and administrative .....	161	7.0
<b>Total</b> .....	<b><u>2,295</u></b>	<b><u>100.0</u></b>

Our success depends on our ability to attract, retain and motivate qualified employees. To this end, as part of our human resource strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives and benefits. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate website and third-party employment websites. We enter into standard employment agreements with all of our employees. We provide regular training and reviews to our employees to enhance their performance.

As required by PRC laws and regulations, we participate in housing provident fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, unemployment and maternity benefit plans. We or agents engaged by us are required under PRC laws and regulations to contribute to employee social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees.

Our employees are not currently represented by any labor union. We believe that we maintain good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

### PROPERTIES

We have leased properties across China. We do not own any property but instead lease our premises from Independent Third Parties with a view to reducing our capital investment requirements.

As of September 30, 2022, none of the properties held by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group’s interests in land or buildings.

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### **Leased Properties**

As of the Latest Practicable Date, we leased 35 properties from independent third parties with an aggregate gross floor area of approximately 25,344 square meters. Our leased properties are primarily used for office use.

### ***Title Defects***

As of the Latest Practicable Date, 11 of our leased properties in China with an aggregate gross floor area of approximately 5,466 square meters were subject to potential title defects. 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. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties.

### ***Lease Registration***

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered or filed with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 32 properties we leased had not been so registered or filed. These properties have an aggregate gross floor area of approximately 17,904 square meters. Our lessors' failure to provide the necessary documents for us to register the leases does not result in any reduction in rent. Similarly, in our experience, the proper registration of leases does not result in any material increase in the rent charged by the relevant lessor.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate amount of maximum fine will be approximately RMB320,000, which our Directors believe will not have any material adverse impact on our business operations. See also “Risk Factors—Risks relating to Our Business and Industry—We may be subject to fines for failing to register and file lease agreements with the relevant government authorities in China.”

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the bases that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, (ii) we were advised by our PRC legal advisor that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote, and (iii) we have designated a dedicated team to work on the lease registration by proactively communicating with the lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration, and we and the lessors have submitted the application documents for lease registration where those documents are complete.

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### INSURANCE

We do not maintain any property insurance policies covering our equipment and facilities for injuries, death or losses due to fire, earthquake, flood or any other disaster. Consistent with customary industry practice in China, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. We believe our insurance policies as a whole are in line with the general market practice and comply with the relevant rules and regulation in China. See “Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage to cover our potential liability or losses.”

### LICENSES AND PERMITS

As of the Latest Practicable Date, we had obtained requisite licenses, approvals and permits from relevant governmental authorities that are material to our business operations in China. The following table sets out a list of the material licenses and permits currently held by us.

<u>Name of Licenses, Permits and Approvals</u>	<u>Holder</u>	<u>Expiry Date/ Registration Status</u>
Value-added Telecommunication Business License (增值電信業務經營許可證) .....	Onshore Holdco	February 15, 2028

### LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial conditions or results of operation. We have been, and may from time to time, be subject to various legal claims and proceedings arising in the ordinary course of our business. Litigation or any other legal proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. For the potential impact of legal proceedings on us, see “Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.”

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

#### Overview

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests. Accordingly, our Board of Directors [has adopted] a comprehensive policy on environmental, social and corporate governance, or ESG, responsibilities (the “**ESG Policy**”) in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations.



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Under our ESG Policy, we aim to build a sustainable community with our employees, customers and business partners by supporting local initiatives that aim to create effective and lasting benefits to the local community, through various initiatives that may include corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. For example, we have established scholarships at Renmin University of China to foster talents and future leadership. We also proactively participated in Jack Ma Rural Teachers Initiative, a philanthropy program funded by Jack Ma Foundation to recognize and support outstanding rural teachers. By creatively combining our expertise and insights with the purposes of the program, we tailored our solutions to help identify suitable rural teacher candidates with a strong sense of mission and empathy to power rural education in China.

In addition, we also endeavor to reduce any negative impacts on the environment through our commitment to energy saving and sustainable development. We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a pleasant workplace for all of our employees.

As we do not operate any production facilities, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies 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 been subject to any fines or other penalties due to non-compliance with health, work safety, social or environmental regulations, nor had we incurred any material compliance costs in relation to climate change.

Our Board of Directors has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board of Directors may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

### **Potential Impact of ESG-Related Risks**

We have identified the potential acute and chronic physical risks from climate change, especially extreme weather conditions, which may have potential impact on our business operation and financial condition. Extreme weather conditions, such as rainstorms and typhoons, may result in power outage of computer rooms and damages to our IT infrastructure. Customers may experience service outage and data loss that may subject us to financial liabilities and reputational damage. In order to address these challenges, we have established emergency plans and taken steps including deploying backup power supply and adopting data protection measures.

Additionally, potential transition risks may arise from the transformation to a low-carbon economy which entails changes in climate-related regulations and policies. Increasingly tightened environmental regulations may require significant investment to be made to operate our business in a more eco-friendly fashion. Any failure to respond to the public’s growing environmental awareness may result in reputational damage and customer losses.



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Nevertheless, due to our effective internal control and risk management measures as outlined in details below, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incident during the Track Record Period and up to the Latest Practicable Date.

### Our Strategies to Address ESG-Related Risks and Opportunities

Climate-related issues are among our key agenda. Supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term, and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. Set forth below is a summary of the climate-related risks that we have identified over the short, medium and long term:

	Climate-related risks	Potential impact
<b>Short term (current reporting period)</b>	<ul style="list-style-type: none"> <li>• Extreme weather conditions such as rainstorms and typhoons</li> </ul>	<ul style="list-style-type: none"> <li>• Service outage and data loss, and the resulting financial liabilities and reputational damage</li> </ul>
<b>Medium term (one to three years)</b>	<ul style="list-style-type: none"> <li>• Heightened environmental regulatory oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Increased operating and compliance costs</li> </ul>
<b>Long term (above three years)</b>	<ul style="list-style-type: none"> <li>• Global initiatives for carbon emission reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Higher operating costs and/or tax burdens due to stringent environmental regulations</li> </ul>

Our Board will evaluate the likelihood of occurrence and the estimated magnitude of the resulting impact over short-, medium- and long-term horizons. The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as business location, cost-benefit analysis and change in regulatory landscape. We will incorporate physical and transition risk analysis into risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. It is expected that the extreme weather conditions for potential physical risks, and change in climate-related regulations and policy for potential transition risks would not have a material impact on our operation in the short and medium terms. We also aim to minimize the transition risk in the long term through reducing our carbon footprints. We have been and will continue taking mitigating steps to address these climate-related risks, including establishing and monitoring various metrics and targets to advance our ESG goals.

### Climate Risks Relating to IT Infrastructures

During the Track Record Period, the cloud infrastructure hosting our cloud-based HCM solutions was operated and maintained by our own servers operated in custody with a third-party data center, and we also used various third-party cloud infrastructure, such as Ali Cloud and Tencent Cloud, to support certain aspects of our business operations.

Server farms and data centers maintaining these IT infrastructures have significant impact on the environment due to their high energy consumption and carbon emissions. These facilities consume large amounts of electricity to power their servers, cooling systems, and other equipment, leading to increased demand for energy from power plants, many of which rely on fossil fuels. The production of electricity from fossil fuels such as coal and natural gas results in the release of greenhouse gases,

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primarily carbon dioxide, which contribute to global warming and climate change. In addition, the cooling systems used in data centers often rely on refrigerants that can be harmful to the ozone layer and contribute to global warming.

Since our business operations rely on these IT infrastructures, we may be exposed to several climate risks, including:

- *Energy price volatility.* As the demand for energy increases, the cost of energy can become more volatile, leading to potential price increases that could impact the operating costs of server farms and data centers and ultimately, the prices charged by server custody and/or cloud computing services provided to us.
- *Physical risks from extreme weather events.* Server farms and data centers may be vulnerable to physical risks such as floods, hurricanes and wildfires, which can damage critical infrastructure, disrupt services, and result in downtime for customers.
- *Regulatory risks.* Governments and regulatory bodies are increasingly taking action to address climate change, which could result in new regulations and policies that impact the operations of server farms and data centers.
- *Reputation risks.* Customers and stakeholders are becoming more aware of the environmental impact of server farms and data centers and may choose to avoid companies that are perceived to have a negative impact on the environment.

To mitigate climate risks, we prioritize energy efficiency when selecting service vendors, and partner with data centers that have implemented sustainable practices and committed to reducing their carbon footprint. Our primary server custody service vendor has developed and implemented carbon neutrality strategies, utilizing clean technologies such as renewable energy generation, photovoltaic power, and large-scale energy storage to minimize its environmental impact. Our vendor agreement also includes requirements for compliance with all applicable environmental laws and regulations.

### Metrics and Targets

While we operate a SaaS business model that does not produce emissions or consume resources significantly, we believe in the importance of caring for our planet and strive to balance our role as a for-profit company with the betterment of people of the planet. We have established a comprehensive of key performance indicators to constrain and guide our business operations.

#### *Power Usage*

*Metrics and targets.* We endeavor to proactively conserve energy in response to the government’s initiatives. In the two months ended February 28, 2023, our power usage was 0.2 million kWh. We intend to continue to reduce the level of our power usage over the next three years.

*Measures leading to the targets.* We install energy-efficient equipment and facilities in the office and ensure lights and electric devices are switched off when out of use. We urge employees to set air-conditioning temperature in a reasonable manner, and close the windows when the air conditioner is turned on. We also raise energy consumption awareness of our employees during our trainings and campaigns.

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### *Water Usage*

*Metrics and targets.* We voluntarily take on our social responsibilities to practice water conservation. In the two months ended February 28, 2023, our water usage was 170 m<sup>3</sup>. We intend to continue to reduce the level of our water usage over the next three years.

*Measures leading to the targets.* We regularly inspect our water tanks to prevent water leakage. We strive to foster water conservation culture in our Group through a variety of activities and campaigns. For example, we post slogans on saving water in our office, calling on employees to practice water conservation in their daily life.

### *Resource Consumption*

We endeavor to reduce negative impact on the environment through our commitment to energy saving and sustainable development. We actively promote the idea of paperless workplace, and we encourage double-sided printing of documents in our office.

## RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining 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. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information system, regulatory compliance, human resources and financial reporting.

Our Board of Directors is responsible and has the general power to supervise the operations of our business, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. Our Board of Directors will monitor the ongoing implementation of our risk management policies and corporate governance measures. The Audit Committee under our Board of Directors comprises three members, namely Mr. Zhao Hongqiang, Mr. Ge Ke and Mr. Du Kui, with Mr. Zhao Hongqiang (being our independent non-executive director with the appropriate professional qualifications) as chair of the audit committee. For the professional qualifications and experiences of the members of our Audit Committee, see “Directors and Senior Management.”

### **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 is protected and that leakage and loss of such data are avoided. For details, see “—Data Privacy and Security.”

### **Regulatory Compliance Risk Management**

In order to effectively manage our regulatory compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our

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customers, suppliers and other business partners. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient. We have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

### **Human Resources Risk Management**

We have established internal control policies covering various aspects of human resources management such as recruiting, training, work ethics and legal compliance. The demand in our industry for qualified talent is intense and we may be adversely affected by the departure of any key employees. See “Risk Factors—Risks Relating to Our Business and Industry—We depend on our senior management team and the loss of one or more key employees could materially and adversely affect our business, financial condition and results of operations.” Each of our executive officers and key employees has entered into with us an employment agreement containing confidentiality, intellectual property and non-compete provisions.

We also require our employees to conform to high ethical standards. We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and anti-corruption. In particular, our code of conduct explicitly requires that all employees comply with any applicable anti-corruption laws, regulations and policies, and they are prohibited from making illegal or improper payments to any government official, either on their own or via third parties. Additionally, our employees and their family members are not allowed to solicit or accept gifts, travel, hospitality or anything of value to the extent such favors or advantages may influence their professional judgments. Under our firm-wide whistle-blowing policy, we make our internal reporting channel open and available for our employees to report, on an anonymous basis, any noncompliance incidents and acts, including bribery and corruption.

We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook. We also provide regular and specialized training tailored to the needs of our employees in different departments, through which we enable our employees to better comply with applicable laws and regulations in the course of conducting business.

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### Financial Reporting Risk Management

We have a complete set of accounting policies and procedures in connection with our financial reporting risk management, such as financial reporting management, internal control, investment management and budget management. Our financial department reviews our management accounts and internal control procedures based on such policies and procedures. In addition, we provide regular training to our financial department staff to ensure they understand our accounting policies and procedures and implement them in our daily operations.

### AWARDS AND RECOGNITION

During the Track Record Period, we have received a variety of awards and recognitions for the quality and popularity of our solutions and services. The following table sets out a list of major awards and recognitions we had received during the Track Record Period.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution / Authority</u>
Top 20 Chinese Emerging Internet Enterprises .....	2021 and 2020	Internet Society of China
2021 Forbes China Enterprise Technology 50 .....	2021	Forbes China
2020 HRTechChina Best Service Providers ...	2021	HRTechChina
2020 HRTechChina Best Products .....	2021	HRTechChina
The First Place of SPARK Navigator HCM Application Track of 2020 .....	2021	HRRoot
The Annual Influential HR Service Institute of 2020 .....	2020	GHRlib
The Best HR Solution of 36Kr’s WISE2020 Enterprise Service Golden List .....	2020	36Kr
Top 20 Chinese Emerging Internet Enterprises .....	2019	The Ministry of Industry and Information Technology

## CONTRACTUAL ARRANGEMENTS

### PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

#### Overview

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures for Foreign Investment Access (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”) and the Encouraged Industries Catalog for Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the Ministry of Commerce and the NDRC. The Negative List and the Encouraging Catalog divide industries into three categories in terms of foreign investment, namely, “encouraged,” “restricted” and “prohibited.” Industries not listed under the Negative List and the Encouraging Catalog are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations. The currently effective Negative List is the Negative List (2021), which became effective on January 1, 2022. For further details of the limitations on foreign ownership in PRC companies conducting the value-added telecommunication services, and the applicable licensing and approval requirements under PRC laws and regulations, see “Regulations—Regulations on Value-added Telecommunications Businesses” for details.

As advised by our PRC Legal Adviser, a summary of our operation that is subject to foreign investment restriction in accordance with the Negative List (2021) and other applicable PRC laws is set out below:

<u>Categories</u>	<u>Our operations</u>	<u>Entity that holds the IDC License</u>
“ <b>Restricted</b> ”  value-added telecommunication services	The Onshore Holdco operates a cloud-based unified PaaS infrastructure (the “ <b>Restricted Operation</b> ”) to serve as the technology bedrock of all of the Group’s solutions and services, including the cloud-based HCM solutions and the professional services business engaged by Chengdu WFOE.	The Onshore Holdco <sup>(note)</sup>

According to the Negative List (2021) and relevant PRC laws and regulations, as for the value-added telecommunications business types which fall within China’s commitment to the WTO (except for e-commerce, domestic multi-party communication, storage and forwarding and call center), the foreign equity interest shall not exceed 50%, and foreign investment is generally not permitted in the types of value-added telecommunications business that do not fall within China’s commitment to the WTO to open up, which include the internet data center services, internet access services, domestic internet virtual private network services, except that qualified telecommunication service providers incorporated in Hong Kong or Macau may hold up to 50% equity interest in such entities according to the Mainland and Hong Kong Closer Economic Partnership Agreement or the Mainland and Macao Closer Economic Partnership Agreement, respectively.



## CONTRACTUAL ARRANGEMENTS

<u>Categories</u>	<u>Our operations</u>	<u>Entity that holds the IDC License</u>
	<p>The Restricted Operation constitutes the provision of internet resource collaboration services as defined in the Telecommunications Regulations of the People’s Republic of China (《中華人民共和國電信條例》) and the Catalog of Telecommunications Business (《電信業務分類目錄》), and the Measures on the Administration of Telecommunications Business Operating Permits (《電信業務經營許可管理辦法》). As such, to operate the Restricted Operation, our Group is required to obtain a Value-added Telecommunication Business Operation Permit with the Internet Data Center Services (limited to internet resources cooperation services) (增值電信業務經營許可證 (僅限互聯網資源協作服務)) (the “<b>IDC License</b>”) issued by the competent authority. To comply with such PRC laws and regulations, the Group operates the Restricted Operation through the Onshore Holdco, which holds an IDC License issued by the competent authority.</p> <p>See “Regulations—Regulations on Value-added Telecommunications Businesses” for details.</p>	

Note: For the avoidance of doubt, the Onshore Holdco does not operate any non-restricted business.

### Qualification Requirements

According to the Negative List (2021), provision of internet data center services (limited to internet resources cooperation services) is a “restricted” business and the shareholding percentage of a foreign investor in companies engaged in such services shall not exceed 50%. On December 11, 2001, the State Council promulgated the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on September 10, 2008, February 6, 2016 and April 7, 2022 (the version amended in 2016, hereinafter the “**2016 FITE Regulations**” and the version amended in 2022, hereinafter the “**2022 FITE Regulations**”). According to the 2022 FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, except as otherwise provided in laws and regulations. Article 10 of the 2016 FITE Regulations further provides that a major foreign investor that invests in a value-added telecom business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecom businesses overseas (the “**Qualification Requirements**”). Enterprises engaged in value-added telecommunications business in the PRC with foreign investors that meet these requirements must obtain approvals from MIIT which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s previous telecommunications business licenses issued by the relevant local authorities, satisfactory proof of the Qualification Requirements and a business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof

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## CONTRACTUAL ARRANGEMENTS

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satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

As of the Latest Practicable Date, no applicable PRC laws had provided clear guidance or interpretation on the Qualification Requirements. The Qualification Requirements are subject to the MIIT’s review in substance.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the maximum permissible equity interests in the Onshore Holdco. We have taken the following measures to meet the Qualification Requirements (the “**Relevant Measures**”):

- (a) Our Company has registered and submitted for registration a number of trademarks in different jurisdiction, such as Hong Kong, for the purpose of establishing our presence overseas;
- (b) we are in the process of preparing registration of additional trademarks in Hong Kong; and
- (c) we have constructed our overseas website, primarily for the purposes of introducing our businesses to potential users and for investor relations purpose. Through this overseas website which can be accessed globally, we aim to help our overseas investors better understand our services and business.

We made a consultation on November 5, 2021 with the deputy head of the Marketing Division of the Information and Communication Administration Bureau (信息通信管理局市場處) of the MIIT (the “**MIIT Consultation**”), being the competent authority to give relevant confirmation and the officer consulted is of the appropriate ranking to provide relevant confirmation as advised by our PRC Legal Advisor. The officer of MIIT confirmed that (i) the Company is not required to obtain any value-added telecommunication license to conduct the cloud-based SaaS services; (ii) a sino-foreign equity joint venture company with a foreign shareholder not meeting the Qualification Requirements (as then applicable prior to its removal by the Decision to Amend and Abolish Certain Administrative Regulations in April 2022) will not be eligible to hold the IDC License; (iii) it is not certain for an offshore incorporated company, such as our Company, that its invested company, such as the Onshore Holdco (if in the case controlled by our Company through equity interests), will be able to obtain the IDC License, as it remains ultimately subject to case-by-case examination of the MIIT, (iv) a PRC company holding an IDC License will have to cancel and reapply for the IDC License if it has a foreign shareholder, regardless of whether the equity interests are held directly or indirectly or how much equity interests are held by such foreign shareholder, (v) the relevant authority will make a final determination as to whether the Qualification Requirements are satisfied only after it receives and review all the application materials, and (vi) the Relevant Measures to be taken by us would be helpful.

Accordingly, subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Adviser is of the view that (a) as of the Latest Practicable Date, there is no clear interpretation or guidance on how Qualification Requirements can be met and what would constitute the required prior experience in, and a proven track record of good performance of, operating value-added telecom businesses overseas and therefore it is not possible for our Company to acquire any equity interest in Onshore Holdco or to hold the maximum equity interest in Onshore Holdco permissible under current PRC laws and regulations, due to lack of relevant experience currently; and (b) the Relevant Measures are reasonable, appropriate and sufficient in

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## CONTRACTUAL ARRANGEMENTS

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relation to the Qualification Requirements as we will be able to gain experience in providing value-added telecommunications services in overseas markets.

### *The Overseas Listing Trial Measures*

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which will become effective on March 31, 2023. For detail of such regulations, see “Regulations—M&A Rules and Overseas Listing”.

Among others, with respect to the issuers with Contractual Arrangements, at a press conference held for these new regulations, officials from the CSRC clarified that the CSRC will seek opinions from relevant government authorities on the Contractual Arrangements and agree to those issuers with Contractual Arrangements as well as being in compliance with relevant requirements to file its overseas offering and listing with the CSRC. Except for the foregoing, our PRC Legal Advisor is of the view that there have not been any material change in laws and regulations with respect to the Contractual Arrangements. Please see “Summary—Recent Development—Recent Regulatory Developments—Overseas Listing” for detail of the applicability of the Overseas Listing Trial Measures to the proposed [REDACTED] and, in the event the Overseas Listing Trial Measures applies to the proposed [REDACTED], the view of our Directors upon consultation with the PRC Legal Advisor that we will be able to comply with the Overseas Listing Trial Measures in all material aspects in connection with the proposed [REDACTED].

Moreover, our PRC Legal Advisor has advised that the MIIT Consultation remains valid, on the basis that: (i) as of the Latest Practicable Date, the Overseas Listing Trial Measures have not become effective; (ii) as of the Latest Practicable Date, the Company has not received any material investigations, inquiries, notices, warnings, sanctions or other concerns from the MIIT with respect to our proposed [REDACTED] and/or the Contractual Arrangements; and (iii) each of the agreements under the Contractual Arrangements is valid, legal and binding under the PRC laws, and the contents of each such agreements do not violate the mandatory provisions of the PRC laws currently in effect.

### *The 2022 FITE Regulations*

On April 7, 2022, the State Council of the PRC issued the Decision to Amend and Abolish Certain Administrative Regulations, which makes amendments to the 2016 FITE Regulations. As compared to the 2016 FITE Regulations, the 2022 FITE Regulations amends the concept of “foreign-invested telecommunication enterprises” to “the enterprise which is legally formed by foreign investors within the territory of the PRC and is engaged in provision of telecommunications services”, being connected to the concept of “foreign-invested enterprises” under the Foreign Investment Law. The 2022 FITE Regulations adds “except as otherwise provided for by the State” to Article 6 of the 2016 FITE Regulations, demonstrating that there may be exceptions of foreign investors’ shareholding ratio in telecommunications sectors under relevant provisions. The 2022 FITE Regulations also removes the qualification requirements (i.e., a good track record and experience in operating value-added telecommunications business) for foreign investors that hold equity interest in PRC companies conducting value-added telecommunication business as set out in the 2016 FITE Regulations and streamlines application process of telecommunication business operation permit and shorten the review time period.

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## CONTRACTUAL ARRANGEMENTS

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The PRC Legal Advisor has advised that the amendments in the 2022 FITE Regulations do not invalidate the IDC License held by the Onshore Holdco, require the Company to modify its Contractual Arrangements or to adjust business operations of the Company according to PRC laws and regulations. Our Directors are of the view that the removal of Qualification Requirements as a result of the 2022 FITE Regulations does not invalidate the current structure of the Company’s Contractual Arrangements, on the basis that (i) foreign investment is generally not permitted in the types of value-added telecommunications business that do not fall within China’s commitment to the WTO to open up, which include, among other types of services, internet data center services, such as the Onshore Holdco’s Restricted Operation as licensed by the IDC License, except that qualified telecommunication service providers incorporated in Hong Kong or Macau may hold up to 50% equity interest in such entities according to the Mainland and Hong Kong Closer Economic Partnership Agreement or the Mainland and Macao Closer Economic Partnership Agreement, respectively; and (ii) as of the Latest Practicable Date, the Company has not received any inquiry or notice from the competent authorities regarding the validity of IDC License held by the Onshore Holdco or the Contractual Arrangements as a whole. Accordingly, our PRC Legal Advisor has confirmed that nothing has caused the PRC Legal Advisor to disagree with the foregoing views of our Directors.

The Company will closely monitor any future development relating to the implementation of the 2022 FITE Regulations and will take all necessary actions to comply with applicable laws, regulations, and specific requirements. Based on the above, the 2022 FITE Regulations would not have a material adverse effect on the Contractual Arrangements and the business operations of the Company.

### **Minority equity investments in Beijing Black Mirror held by the Onshore Holdco**

In addition to the Restricted Operation, we made minority investments in a company, namely, Beijing Black Mirror the primary business of which is the development and provision of OKR software and related services. Beijing Black Mirror was established by Mr. Zhang at the time he resigned as the chief technology officer of the Onshore Holdco in May 2018. To the best of our Directors’ knowledge, Beijing Black Mirror was established for taking over the OKR software and related services then operated by our Group through Sen Yun Technology after arm’s length discussions between our Group and Mr. Zhang. Our decision to allow Mr. Zhang and Beijing Black Mirror to take over the OKR software and related services business was driven primarily by (i) our Group’s business reorganization plan to streamline the business structure of our Onshore Holdco by winding down the OKR software and related services business which was no longer our strategic focus and (ii) our understanding that it was Mr. Zhang’s personal interests to further pursue the development of the OKR software and related services business and his other career goals elsewhere. Despite the departure of Mr. Zhang, and taking into account Mr. Zhang’s past contribution in our Group’s business development, our management remained confident of Mr. Zhang’s ability to develop and oversee the business of Beijing Black Mirror, which is complementary to our Group’s own businesses. As such, our Group (i) made a minority investment in Beijing Black Mirror and acquired 18% equity interests therein with a cash consideration of RMB2 million in June 2018 and (ii) transferred its entire equity interests in Sen Yun Technology to Beijing Black Mirror at a consideration of RMB1 million in July 2018. To the best of our Directors’ knowledge, Beijing Black Mirror further received (i) in November 2020, from Mr. Ji, for an investment in the largest shareholder of Beijing Black Mirror, as Mr. Ji became a minority limited partner thereof holding less than 5% interest and (ii) in March 2021, from another shareholder independent of our Group, and thereby diluting our Group’s then equity interests held in Beijing Black Mirror from 18% to 10.2%. For details of the relationship between Mr. Zhang and our Group on one

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hand, and between Beijing Black Mirror and our Group on the other hand, please see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries”.

As of the Latest Practicable Date, Beijing Black Mirror is owned by six shareholders as to (i) 51.7% by Anji Tianqi Management Consultation Partnership (LLP)\*(安吉天啓管理諮詢合夥企業(有限合夥)), of which (a) Mr. Zhang is both the general partner as well as the largest partner interested in approximately 79.1% of the equity interests and (b) Mr. Ji is a minority limited partner interested in less than 5% of the equity interests; (ii) approximately 10.2% by our Onshore Holdco; (iii) approximately 12.3% by Anji Yunqi Management Consulting Partnership (Limited Partnership)\*(安吉雲啟管理諮詢合夥企業(有限合夥)), of which Mr. Zhang is interested in 99.9%; (iv) approximately 2.6% by Anji Tiandao Management Consulting Partnership (Limited Partnership)\*(安吉天道管理諮詢合夥企業(有限合夥)), of which Mr. Zhang is interested in 41.7%; and (v) approximately 23% in aggregate by the other two shareholders who are independent third parties. To the best knowledge and belief of the Directors and after due inquiry, save as disclosed in this Document, there exists no past or present relationship between (A) each of Beijing Black Mirror and its ultimate beneficial shareholders (other than the Group), and (B) the Company, its subsidiaries (including entities controlled under the Contractual Arrangements), their Directors, senior management or any of the members of the Single Largest Group of Shareholders, or any of their respective associates. The Group had not carried out any transactions with Beijing Black Mirror during the Track Record Period.

Beijing Black Mirror is generally a member of the broader “ecosystem” related to our business and provides products and services and has developed proprietary technologies that are complementary to ours, allowing us to better serve customers and more efficiently tap into our target markets. For details, see “Financial Information—Discussion of Certain Key Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss.” Therefore, our Directors consider that our investment in Beijing Black Mirror is commercially and strategically important to the future growth and expansion of our businesses. As advised by our PRC Legal Advisor, the businesses of Beijing Black Mirror is not subject to any foreign investment restrictions. The minority investment in Beijing Black Mirror is not material to us as we do not consolidate, operate or control Beijing Black Mirror.

By way of illustration of the immateriality of the investment in Beijing Black Mirror held under the Contractual Arrangements, (i) the Onshore Holdco holds approximately 10.2% equity interests in Beijing Black Mirror, and (ii) the long-term investments measured at fair value through profit or loss attributed by the investment in Beijing Black Mirror held under the Contractual Arrangements accounts for approximately 0.5%, 0.9%, 2.6%, 1.1% and 1.4% of our total assets as of March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, and the fair value changes on investments measured at fair value through profit or loss attributed by the investment in Beijing Black Mirror held under the Contractual Arrangements accounts for approximately 0.5%, 0.3%, 1.8%, 1.0% and 1.0% of our total revenue for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

Our Company has engaged in communication with the shareholders of Beijing Black Mirror in respect of our Company’s proposal to transfer its investment interests directly or indirectly held by the Onshore Holdco to Chengdu WFOE; however, as of the Latest Practicable Date, such requests had been declined by the controlling shareholder of Beijing Black Mirror for concerns that it may commence business requiring value-added telecommunication business license or is otherwise subject to foreign shareholder equity ownership restrictions. Its consent in such regard, as further elaborated in



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the following paragraph, is a prerequisite for such transfer and change of shareholder to properly comply with the relevant filing formalities in the PRC.

Our PRC Legal Adviser advised that, pursuant to the PRC Company Law (《中華人民共和國公司法》) and the articles of association of Beijing Black Mirror, and the applicable PRC laws and regulations, any transfer of the interest in Beijing Black Mirror directly held by the Onshore Holdco and, if applicable, any resulting amendment to the Beijing Black Mirror’s articles of association require the consent and assistance of its shareholders. Accordingly, it is impracticable for our Group to transfer its pre-existing investment interests in Beijing Black Mirror directly held by the Onshore Holdco to Chengdu WFOE without consent and/or assistance from other shareholders of Beijing Black Mirror.

In any event, given the immateriality of such equity investment to us, and the steps the Company has taken to attempt the transfer of its equity interests held in Beijing Black Mirror to Chengdu WFOE, the Company considered that it has used every reasonable effort to comply with the requirement that the Contractual Arrangements should be narrowly tailored.

To the extent that we acquire control over Beijing Black Mirror in the future, and depending on the nature of the business conducted by Beijing Black Mirror, we will consider restructuring the ownership of Beijing Black Mirror into a direct or indirect subsidiary of our Company.

### **Narrowly Tailored Contractual Arrangements**

In light of the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and to enable the Group to combine the financial results of our Consolidated Affiliated Entity which are engaged in the Restricted Operation.

We will make periodic inquiries with relevant PRC authorities to understand any new regulatory development and assess and evaluate our Contractual Arrangements.

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### **Overview**

Based on the advice of our PRC Legal Advisor, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, through the Contractual Arrangements amongst (1) Beijing WFOE, (2) the Onshore Holdco, and (3) the Registered Shareholders, we would be able to (i) gain effective control over the Consolidated Affiliated Entity; (ii) all of the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entity going forward; and (iii) have an exclusive option to purchase all or part of the equity interest in or all or part of the assets of or inject registered capital into the Onshore Holdco when and to the extent permitted by PRC law.

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, the Contractual Arrangements were entered into on September 25, 2018 and were restated and amended on August 13, 2020, April 9, 2021 and December 27, 2021, whereby Beijing WFOE will acquire effective control over the financial and operational policies of Onshore Holdco, and will become entitled to all the economic benefits derived from its operations.

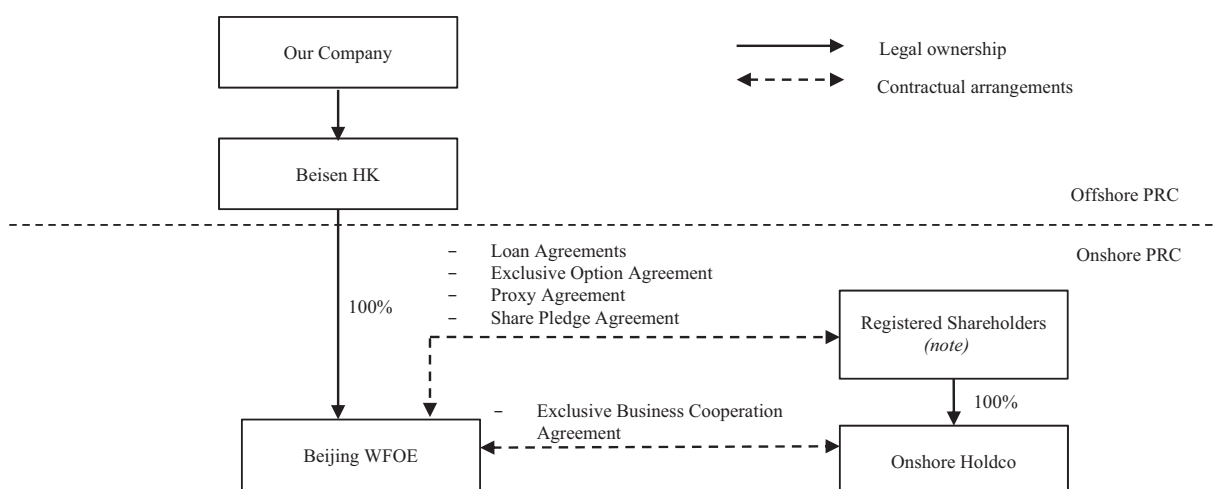


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Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were negotiated and entered into, on arm’s length basis, amongst Beijing WFOE, the Onshore Holdco, and the Registered Shareholders; and (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with Beijing WFOE, the Onshore Holdco will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED].

### Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our Onshore Holdco to our Group stipulated under the Contractual Arrangements, details of which are set out in “— Summary of the Material Terms of the Contractual Arrangements” in this section:



Note:

1. Registered Shareholders refer to the registered shareholders of Onshore Holdco, namely:
  - i. Mr. Wang;
  - ii. Mr. Ji;
  - iii. Beisen Zongheng;
  - iv. Beisen Investment; and
  - v. Shenzhen Capital, a limited liability company established in 1999 under the PRC laws, with the sponsorship from the Shenzhen government, who holds a 28.20% equity interest as its largest shareholder. Shenzhen Capital has obtained the requisite approval from the Shenzhen government to enter into the Contractual Arrangements.

The Registered Shareholders (together with other than shareholders) became the registered shareholders of Onshore Holdco through the investments in Onshore Holdco prior to the Reorganization of our Group. During the Reorganization, the offshore affiliates of Registered Shareholders became the Shareholders of our Company and the Registered Shareholders remain to be registered shareholders of Onshore Holdco to minimize the impact on the corporate structure of our Group. The Registered Shareholders, whether individual or corporate, assume the same obligations under the Contractual Arrangements and Beijing WFOE is able to gain control over the interests held by the corporate Registered Shareholders to the same extent as those held by the individual Registered Shareholders.

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See “History, Reorganization and Corporate Structure—Major Corporate Development and Shareholding Changes of our Group” for details on the shareholding structure of Onshore Holdco as of the Latest Practicable Date.

To comply with the narrowly tailored principle governing the Contractual Arrangements, we have restructured our non-restricted business. For details of such restructuring and the arrangement during the relevant transition period, please see “History, Reorganization and Corporate Structure—8. Restructuring of our non-restricted business”.

### **Circumstance in which we will unwind the Contractual Arrangements**

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted from foreign investment under the PRC laws. In such event, Beijing WFOE will exercise the call option under the Exclusive Option Agreement (defined below) to acquire the equity interest/assets of Onshore Holdco subject to any application or approval procedures and the approval by the relevant governmental authorities.

### **SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS**

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by and among Beijing WFOE, Onshore Holdco, and the Registered Shareholders is set out below.

#### **Exclusive Business Cooperation Agreement**

Under the exclusive business cooperation agreement (the “**Exclusive Business Cooperation Agreement**”), Onshore Holdco appoints Beijing WFOE as its exclusive services provider to provide Onshore Holdco the following services during the term of the Exclusive Business Cooperation Agreement:

- (1) the use of any relevant software legally owned by the Beijing WFOE;
- (2) development, maintenance and updating of software in respect of the businesses of the Onshore Holdco;
- (3) design, installation, daily management, maintenance and updating of network systems, hardware and database;
- (4) providing technical support and professional training services to relevant staff of the Onshore Holdco;
- (5) providing assistance in consultancy and research of relevant technology; and
- (6) other services negotiated and specified from time to time, based on the actual business requirements of the Onshore Holdco and the services capacity of the Beijing WFOE, to the extent permitted by PRC laws and regulations.

In consideration of the services provided by Beijing WFOE, Onshore Holdco shall pay Beijing WFOE monthly fees, which shall be of reasonable prices in accordance with the scope and nature of the services, and shall consist of 100% of the total consolidated profit of Onshore Holdco, after deduction of any accumulated deficit of Onshore Holdco in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Beijing

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WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and Onshore Holdco shall accept such adjustments. Beijing WFOE shall calculate the service fees on a monthly basis and issue a corresponding value-added tax invoice to the Onshore Holdco, at the tax rate stipulated by current PRC laws regarding value-added tax. Notwithstanding the payment agreements in the Exclusive Business Cooperation Agreement, Beijing WFOE may adjust the payment time and payment method, and the Onshore Holdco shall accept any such adjustment. In addition, save for the prior written consent from Beijing WFOE, the Onshore Holdco shall not accept the same or any similar services provided by any third party or establish similar cooperation relationship with any third party.

Unless terminated in accordance with the provisions of the Exclusive Business Cooperation Agreement or terminated in writing by Beijing WFOE, the Exclusive Business Cooperation Agreement shall remain effective perpetually from December 27, 2021. The Exclusive Business Cooperation Agreement also provides that Beijing WFOE has the exclusive proprietary rights in any and all intellectual property rights which are developed by Onshore Holdco at the request of Beijing WFOE or are developed by the parties jointly. Our directors consider that the above arrangements will ensure the economic benefits generated from the operations of Onshore Holdco will flow to Beijing WFOE and hence, our Group as a whole.

### Loan Agreements

Pursuant to the loan agreements (the “**Loan Agreements**”), Beijing WFOE provided Mr. Wang and Mr. Ji, being shareholders of Onshore Holdco with a loan in the aggregate amount of RMB351,286,200 to fund business activities and other uses (including acquiring shares in the Onshore Holdco held by its other than shareholders) as permitted by Beijing WFOE. Mr. Wang and Mr. Ji agreed that the proceeds from the transfer of any and/or all of the shares they hold in Onshore Holdco, pursuant to the exercise of the right to acquire such shares by Beijing WFOE under the Exclusive Option Agreement (defined below), shall only be used by Mr. Wang and Mr. Ji to repay the loan to the extent permitted under the PRC law. The Loan Agreements will remain effective until 10 years after the actual remittance date of such loan, which is extendable upon agreement by the parties to the Loan Agreements. During the term of the Loan Agreements, Beijing WFOE has the right, at its sole and absolute discretion, to accelerate maturity of loan at any time upon the occurrence of certain circumstances.

### Exclusive Option Agreement

Under the exclusive option agreement entered into among Beijing WFOE, the Registered Shareholders, and Onshore Holdco (the “**Exclusive Option Agreement**”), Beijing WFOE have a right to require the Registered Shareholders to transfer any and all of the shares of Onshore Holdco they hold to Beijing WFOE and/or a third party designated by it, in whole or in part, at any time and from time to time, for a nominal price, at the lowest purchase price that permitted by the PRC laws or, for Mr. Wang and Mr. Ji, at the price equivalent to the aggregate amount of the loan provided to them by Beijing WFOE under the Loan Agreements.

The Exclusive Option Agreement shall remain effective until the transfer of all the shares of Onshore Holdco held by the Registered Shareholders to Beijing WFOE and/or its designee(s).

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Onshore Holdco, and the Registered Shareholders, among other things, have covenanted as follows:

- (1) without the prior written consent of Beijing WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Onshore Holdco, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- (2) they shall maintain the Onshore Holdco's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- (3) without the prior written consent of Beijing WFOE, they shall not at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any material assets of Onshore Holdco or legal or beneficial interest in the material business or revenues of the Onshore Holdco of more than RMB500,000, or allow the encumbrance thereon of any security interest;
- (4) without the prior written consent of Beijing WFOE, the Onshore Holdco shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;
- (5) Onshore Holdco shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect Onshore Holdcos' operating status and asset value;
- (6) without the prior written consent of the Beijing WFOE, they shall not cause Onshore Holdco to execute any material contract with a value above RMB500,000, except the contracts executed in the ordinary course of business;
- (7) without the prior written consent of Beijing WFOE, they shall not cause the Onshore Holdco to provide any person with any loan or credit;
- (8) they shall provide Beijing WFOE with information on Onshore Holdco's business operations and financial condition at the request of Beijing WFOE;
- (9) if requested by Beijing WFOE, they shall procure and maintain insurance in respect of Onshore Holdco' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (10) without the prior written consent of Beijing WFOE, they shall not cause or permit Onshore Holdco to merge, consolidate with, acquire or invest in any person;
- (11) they shall immediately notify Beijing WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Onshore Holdco's assets, business or revenue;
- (12) to maintain the ownership by Onshore Holdco of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

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- (13) without the prior written consent of Beijing WFOE, Onshore Holdco shall not in any manner distribute dividends to their shareholders, provided that upon the written request of Beijing WFOE, Onshore Holdco shall immediately distribute all distributable profits to their shareholders;
- (14) at the request of Beijing WFOE, they shall appoint any persons designated by Beijing WFOE as the directors of Onshore Holdco;
- (15) without the written consent of Beijing WFOE, they shall not engage in any business in competition with Beijing WFOE or its affiliates; and
- (16) unless otherwise mandatorily required by the PRC laws, Onshore Holdco shall not be dissolved or liquidated without prior written consent by Beijing WFOE.

In addition, the Registered Shareholders, among other things, have covenanted that:

- (1) without the written consent of Beijing WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Onshore Holdco, or allow the encumbrance thereon of any security interest, except for the Share Pledge Agreements (as defined below) and the interests prescribed in the Proxy Agreement (as defined below), and procure the shareholders’ meeting and the board of directors of Onshore Holdco not to approve such matters;
- (2) for each exercise of the share purchase option, to cause the shareholders’ meeting of Onshore Holdco to vote on the approval of the transfer of shares and any other action requested by Beijing WFOE;
- (3) they shall relinquish the pre-emptive right or right of first refusal (if any) he/she/it is entitled to in relation to the transfer of shares by any other shareholders to Onshore Holdco and give consent to the execution by each other shareholder of Onshore Holdco with Beijing WFOE and Onshore Holdco exclusive option agreements, share pledge agreements and proxy agreement similar to the Exclusive Option Agreements, the Share Pledge Agreements and the Proxy Agreement, and accept not to take any action in conflict with such documents executed by the other shareholders (if any); and
- (4) each of the Registered Shareholders will transfer to Beijing WFOE or its appointee(s) by way of gift any profit or dividend in accordance with the PRC law.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to Beijing WFOE any consideration they receive in the event that Beijing WFOE exercise the options under the Exclusive Option Agreement to acquire the shares in the Onshore Holdco.

### **Share Pledge Agreement**

Pursuant to the share pledge agreement (the “**Share Pledge Agreement**”), each Registered Shareholder, has pledged all of such shareholder’s shares in Onshore Holdco as a security interest, as applicable, to respectively guarantee Onshore Holdco and the Registered Shareholders’ performance of their obligations under the relevant contractual arrangement, which include the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Proxy Agreement and the Loan Agreements. If Onshore Holdco or any of the Registered Shareholder breaches their contractual obligations under these agreements, Beijing WFOE, as pledgee, will be entitled to certain rights regarding the pledged

## CONTRACTUAL ARRANGEMENTS

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shares. In the event of such breaches, upon giving written notice to the Registered Shareholders, Beijing WFOE to the extent permitted by PRC laws may exercise the right to enforce the pledge, which is being paid in priority with the shares of Onshore Holdco from the proceeds from auction or sale of the shares and request the amount owed by Mr. Wang and Mr. Ji under the Loan Agreements be repaid immediately. Each of the Registered Shareholders agrees that, during the term of the Share Pledge Agreement, such Registered Shareholder shall not transfer the shares, place or permit the existence of any security interest or other encumbrance on the shares or any portion thereof, without the prior written consent of Beijing WFOE. The Registered Shareholders may receive dividends distributed on the shares only with prior consent of Beijing WFOE.

The Share Pledge Agreement remains effective until all obligations under the relevant contractual agreements have been fully performed or all secured indebtedness have been fully paid, whichever is later.

The share pledge under the Share Pledge Agreement takes effect upon the completion of registration with the relevant PRC government authority in July, 2021. The registration of the share pledge as required by the relevant laws and regulations has been completed in accordance with PRC laws.

### **Proxy Agreement**

Under the proxy agreement entered into among Beijing WFOE, the Registered Shareholders, and Onshore Holdco (the “**Proxy Agreement**”), the Registered Shareholders has irrevocably undertaken to appoint Beijing WFOE or its designated persons (including but not limited to directors and their successors and liquidators replacing but excluding those non-independent or who may give rise to conflict of interests) to exercise the following rights relating to all shares held by the Registered Shareholders during the term of the Proxy Agreement to act on behalf of such Registered Shareholder as his/its exclusive agent and as his/its attorney-in-fact to exercise such Registered Shareholder’s rights in Onshore Holdco according to the articles of association of Onshore Holdco, including but not limited to, the rights to (i) convene and participate in shareholders’ meeting pursuant to the articles of association of Onshore Holdco in the capacity of a proxy of the Registered Shareholders; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at shareholders’ meetings and the appointment and election of directors, supervisors and other senior management of Onshore Holdco to be appointed by the Registered Shareholders, dispose the company assets, amend the articles of Onshore Holdco and exercise the rights of the Registered Shareholders in the event of liquidation of Onshore Holdco; (iii) sign or submit any required document to any company registry or other authorities in the capacity of a proxy of the Registered Shareholders; (iv) to exercise rights of the Registered Shareholders and any other voting rights of the Registered Shareholders under the relevant PRC laws and regulations and the articles of associations of Onshore Holdco, as amended; and (v) exercise shareholder’s right to dispose the asset of Onshore Holdco as permitted by laws, including but not limited to the right to manage the asseted-related business of Onshore Holdco, right to acquire the assets of the Onshore Holdco. To preempt any conflict of interest between the Registered Shareholders and Beijing WFOE (or its designated persons), the Registered Shareholders have undertaken that they (i) would not execute any documents with any third parties that have may conflicts of interests; (ii) shall not commit or refrain from committing any act that may lead to conflicts of interests; and (iii) take any measures to eliminate conflicts in the event of occurrence of conflict of interest.



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Subject to other terms in the Proxy Agreement, the Proxy Agreement shall remain effective perpetually from December 27, 2021. The Proxy Agreement may be terminated by Beijing WFOE in writing or when there is a breach of the Proxy Agreement by Onshore Holdco or the Registered Shareholders which is not remedied within a reasonable time or 10 days after being requested to remedy the breach.

### Confirmation from the Registered Shareholders

Each of Mr. Wang and Mr. Ji has confirmed to the effect that (i) his interests do not fall within the scope of communal properties, and his spouse does not have the right to claim any interests in the Onshore Holdco (together with any other interests therein) or exert influence on the day-to-day management and voting matters of the Onshore Holdco; and (ii) in the event of his death, disappearance, incapacity, divorce, marriage or any other event which causes his inability to exercise his rights as a shareholder of the Onshore Holdco, his successors (including his spouse) will not take any actions that would affect his obligations under the Contractual Arrangements.

### Spouse Undertakings

The spouse of each of Mr. Wang and Mr. Ji, has signed undertakings to the effect that (i) she undertakes not to make any assertions in connection with the shares of Onshore Holdco held by Mr. Wang or Mr. Ji; (ii) she confirms that the performance, amendments and termination of the Contractual Arrangements do not require her further authorization or consents; (iii) she undertakes to execute all necessary documents and to take all necessary actions to ensure the proper performance of the Contractual Arrangements; (iv) in the event that she obtains any shares in Onshore Holdco, she shall be bound by the Contractual Arrangements and comply with the obligations thereunder as a shareholder of Onshore Holdco, and upon Beijing WFOE’s request, she shall sign any document in the form and content substantially same as the Contractual Arrangements; (v) she further undertakes that she will not take any action that may violate the purpose or intention of the Contractual Arrangements under any circumstances; and (vi) any undertaking, confirmation, consent and authorization she makes shall not be invalid, prejudiced or otherwise adversely affected by reason of her loss of or restriction on capacity, death, divorce or other similar events.

Our Director believes that the above arrangements provide protection to our Group even in the event of death or divorce of any individual Registered Shareholders.

### 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 Beijing Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Onshore Holdco or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Onshore Holdco; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Onshore Holdco are located for interim remedies or injunctive relief.

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However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our 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 may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Onshore Holdco 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 Onshore Holdco and conduct our business could be materially and adversely affected. See “Risk Factors—Risks Relating to our Contractual Arrangements” for further details.

### **Conflict of Interest**

Each of the Registered Shareholders has given their irrevocable undertakings in the Proxy Agreement which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “— Proxy Agreement” above.

### **Loss Sharing**

Neither the agreements constituting the Contractual Arrangements nor PRC laws and regulations require that our Company and Beijing WFOE be obligated to share the losses of, or provide financial support to Onshore Holdco. Further, Onshore Holdco is a company limited by shares and shall be solely liable for its own debts and losses with assets and properties owned by it. Beijing WFOE intends to continuously provide to or assist Onshore Holdco in obtaining financial support when deemed necessary. In addition, given that our Group conducts portion of its business operations in the PRC through Onshore Holdco, which holds the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if Onshore Holdco suffers losses.

However, due to the relevant restrictive provisions in the Exclusive Option Agreement as more particularly set out in the paragraphs headed “—Exclusive Option Agreement” above, the potential adverse effect on Beijing WFOE and our Company in the event of any loss suffered from Onshore Holdco is limited.

### **Liquidation**

According to the Exclusive Business Cooperation Agreement, Beijing WFOE or any person designated by Beijing WFOE are entitled to appoint members of the liquidation committee of the Onshore Holdco upon the winding up of Consolidated Affiliated Entity to manage their assets. Onshore Holdco has undertaken that in the event of a dissolution or liquidation, all of the remaining assets of Onshore Holdco shall be transferred to Beijing WFOE after such dissolution or liquidation pursuant to PRC laws.

### **Insurance**

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our

## CONTRACTUAL ARRANGEMENTS

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Contractual Arrangements is set forth in “Risk Factors—Risks Relating to Our Contractual Arrangements”. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see “Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage to cover our potential liability or losses.”

### Our Confirmation

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 Onshore Holdco under the Contractual Arrangements.

### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisor is of the opinion that:

- (1) parties to each of the Contractual Arrangements have obtained all necessary corporate approvals and authorizations to execute and perform the Contractual Arrangements;
- (2) parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder;
- (3) the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases:
  - (i) the Contractual Arrangements provide that any dispute shall be submitted to the Beijing Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Onshore Holdcos or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Onshore Holdco; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our Onshore Holdco) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Onshore Holdco. However, our PRC Legal Advisor has advised that an arbitration tribunal has no power to grant injunctive relief or winding up order of companies under the PRC laws, and that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC;
  - (ii) the Contractual Arrangements provide that the shareholders of our Onshore Holdco grant Beijing WFOE or their designees the right to consist the liquidation committee upon the winding up of our Onshore Holdco to manage their assets. However, in the event of a mandatory liquidation required by the PRC laws or bankruptcy liquidation, these provisions may not be enforceable under the PRC laws.

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## CONTRACTUAL ARRANGEMENTS

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- (4) none of the agreements underlying the Contractual Arrangements violates provisions in the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) including in particular provisions such as Articles 144, 146, 153 and 154 thereof, regarding “impairing others’ legitimate rights and interests with malicious collusion” or falls within any circumstances under which a contract may be determined invalid pursuant to the Civil Code;
- (5) the execution and performance of the Contractual Arrangements does not violate the articles of association of Onshore Holdco;
- (6) the execution of the Contractual Arrangements does not require any pre-approvals from the PRC governmental authorities, except that:
  - (a) the pledge of any share in Onshore Holdco in favor of Beijing WFOE is subject to registration requirements with the relevant regulatory authority;
  - (b) the transfer of the share in Onshore Holdco contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;
  - (c) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to the competent PRC courts for recognition and enforcement; and
  - (d) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of our Onshore Holdco as interim remedies.

During the MIIT Consultation, our PRC Legal Advisor and the PRC Legal Advisor of the Joint Sponsors were confirmed that the adoption of such contractual arrangements currently would not be objected by the MIIT, and the MIIT has not had any record on penalizing a company adopting contractual arrangements. Our PRC Legal Advisor has advised us that the MIIT is the competent government authority for the Company’s operation of PaaS infrastructure and are competent to interpret the relevant PRC laws, regulations and rules applicable to the industry in which our Company currently operates its PaaS infrastructure and is competent to make the aforesaid confirmation. Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be challenged by or subject to penalties from the MIIT.

However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Advisor. We have been further advised by our PRC Legal Advisor that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the relevant businesses, we could be subject to severe penalties, which could include:

- (1) revoking the business and operating licenses of the Beijing WFOE and our Onshore Holdco;
- (2) restricting or prohibiting related party transactions between the Beijing WFOE and our Onshore Holdco;

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## CONTRACTUAL ARRANGEMENTS

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- (3) imposing fines or other requirements with which we, the Beijing WFOE and our Onshore Holdco may find it difficult or impossible to comply with;
- (4) requiring us, the Beijing WFOE and our Onshore Holdco to restructure the relevant ownership structure or operations; and
- (5) restricting or prohibiting the use of any [REDACTED] from the [REDACTED] to finance our business and operations in the PRC.

The imposition of any these penalties could have a material adverse effect on our ability to conduct our business. See “Risk Factors—Risks Relating to Our Contractual Arrangements”.

### Accounting Aspects of the Contractual Arrangements

#### *Consolidation of Financial Results of Consolidated Affiliated Entity*

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Beijing WFOE, Onshore Holdco will pay service fees to Beijing WFOE as stipulated above. Accordingly, Beijing WFOE has the ability, at its sole discretion, to obtain between September 25, 2018 and May 17, 2021, substantially all and, since May 17, 2021 all of the economic benefits of Onshore Holdco through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Beijing WFOE has absolute contractual control over the distribution of dividends or any other amounts to the shareholders of Onshore Holdco as Beijing WFOE’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit, distribution, dividend or proceeds from liquidation of Onshore Holdco, the Registered Shareholders must timely gift such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Beijing WFOE or any person(s) designated by it.

As a result of the Contractual Arrangements, our Company has obtained control of Onshore Holdco through Beijing WFOE and, at our Company’s sole discretion, can receive, between September 25, 2018 and May 17, 2021, substantially all and, since May 17, 2021, all of the economic interest returns generated by Onshore Holdco. Accordingly, Onshore Holdco’s results of operations, assets and liabilities, and cash flows are consolidated into our Group’s Historical Financial Information.

In this regard, our Directors are of the view that, notwithstanding the lack of equity ownership, the Contractual Arrangements effectively provide Beijing WFOE the power to govern and control our Onshore Holdco so as to obtain benefits from its business activities. The basis of consolidating the results of our Onshore Holdco is disclosed in Note 2 to the Accountant’s Report set out in Appendix I to this Document.

### Development in the PRC Legislation

#### *The Foreign Investment Law (2019)*

PRC Foreign Investment Law (2019) (the “**Foreign Investment Law**”) was adopted at the 2nd Session of the 13th National People’s Congress of the PRC on March 15, 2019 and came into force from January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Cooperative Joint Ventures and the Law on Wholly Foreign-Owned Enterprises

## CONTRACTUAL ARRANGEMENTS

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to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Regulations on Implementing the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

### *Implications and Impact of Foreign Investment Law on Contractual Arrangements*

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of Onshore Holdco, by Beijing WFOE, through which we operate our business in the PRC. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. The Regulations on Implementing the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As such, we are advised by our PRC Legal Advisor that the relevant agreements under the Contractual Arrangements do not contravene the Foreign Investment Law in any material aspect. However, we are further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Advisor. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of Onshore Holdco will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk factors—Risks relating to Our Contractual Arrangements—Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations”.



## CONNECTED TRANSACTIONS

### OVERVIEW

We have entered into certain agreements with certain connected persons of our Company. Following the [REDACTED], the transactions contemplated under such agreements will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

Following the [REDACTED], the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

<u>Name</u>	<u>Connected Relationship</u>
Mr. Wang	Executive Director and Chairman of the Board of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Ji	Executive Director and chief executive officer of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Beisen Zongheng	A company with Beisen Asset, an investment vehicle owned as to 50% by Mr. Wang and 50% by Mr. Ji and controlled by Mr. Wang and Mr. Ji, acting as its general partner, and therefore a connected person of our Company under Rule 14A.07(4)
Beisen Investment	A company with Beisen Asset, an investment vehicle owned as to 50% by Mr. Wang and 50% by Mr. Ji and controlled by Mr. Wang and Mr. Ji, acting as its general partner, and therefore a connected person of our Company under Rule 14A.07(4)
Onshore Holdco	A company owned as to approximately 38.12% by Mr. Wang, approximately 38.12% by Mr. Ji, approximately 14.34% by Beisen Zongheng and approximately 0.37% by Beisen Investment, and therefore a connected person of our Company under Rule 14A.07(4)

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

<u>Transactions</u>	<u>Historical amounts</u> <i>(RMB' million)</i>			<u>Proposed annual caps for financial year</u> <i>(RMB' million)</i>			<u>Expiry date of the respective agreement</u>	<u>Applicable Listing Rules</u>	<u>Waivers sought</u>
	<u>For the year ended March 31,</u>			<u>For the year ending March 31,</u>					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>			
<i>Non-exempt continuing connected transactions</i>									
<i>Contractual Arrangements</i>									
Contractual Arrangements . . . . .	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14A.34 to 36, 14A.49, 14A.52 to 53, 14A.59, and 14A.105	Requirements as to announcement, circular, independent Shareholders' approval, annual caps, limiting the period of agreement to a fixed term under Chapter 14A of the Listing Rules

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## CONNECTED TRANSACTIONS

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### Contractual Arrangements

#### *Background for the Contractual Arrangements*

As disclosed in the section headed “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we are prohibited from directly owning any equity interest in Onshore Holdco. Therefore, in order for the Group to effectively control and enjoy the entire economic benefit of Onshore Holdco, a series of Contractual Arrangements have been entered into amongst Beijing WFOE, the Onshore Holdco, and the Registered Shareholders. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Onshore Holdco in consideration for the services provided by the Beijing WFOE; (ii) exercise effective control over Onshore Holdco; and (iii) hold an exclusive option to purchase all or part of the shares in or all or part of the assets of or inject registered capital into Onshore Holdco when and to the extent permitted by the PRC laws.

See the section headed “Contractual Arrangements” for details of the agreements comprising the Contractual Arrangements.

#### *Principal Terms of the Transactions*

The Contractual Arrangements consist of five types of agreements: (a) the exclusive business cooperation agreement; (b) the loan agreements; (c) the exclusive option agreement; (d) the proxy agreement; and (e) the spouse undertakings. See “Contractual Arrangements” for detailed terms of the Contractual Arrangements.

#### *Listing Rule Implications*

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected persons”, Onshore Holdco will be treated as our Company’s subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons”. Each of Mr. Wang and Mr. Ji is an executive Director. Beisen Zongheng and Beisen Investment are controlled by Mr. Wang and Mr. Ji. Mr. Wang, Mr. Ji, Beisen Zongheng and Beisen Investment are the registered shareholders of our Onshore Holdco. As such, Onshore Holdco is an associate and a connected person of each of Mr. Wang and Mr. Ji under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [REDACTED].

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Onshore Holdco and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute continuing connected transactions 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

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## CONNECTED TRANSACTIONS

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Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

### **WAIVER GRANTED BY THE STOCK EXCHANGE IN RESPECT OF THE CONTRACTUAL ARRANGEMENTS**

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 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 our Shares are [REDACTED] on the Stock Exchange, subject, however, to the following conditions:

#### **No change without independent non-executive Directors’ approval**

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to Beijing WFOE) will be made without the approval of our independent non-executive Directors.

#### **No change without independent Shareholders’ approval**

Save as described below, no change to the agreements governing 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, except for those described above, 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 will however continue to be applicable.

#### **Economic Benefits and flexibility**

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Onshore Holdco through (i) our Group’s options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the shares in the Onshore Holdco for consideration stated in the exclusive option agreements, (ii) the business structure under which the profit generated by Onshore Holdco substantially retained by our Group, such that no annual cap shall be set out for the amount of service fees payable to Beijing WFOE by Onshore Holdco under the Contractual Arrangements, and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of Onshore Holdco.

## CONNECTED TRANSACTIONS

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### Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Onshore Holdco, on the other hand, that framework may be renewed and/ or reproduced without obtaining the approval of our Shareholders: (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the Registered Shareholders or directors of Onshore Holdco, or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in a business similar or relating to those of our Group. Such renewal and/ or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/ or reproduction of the Contractual Arrangements, however be treated as connected persons of our 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 relevant PRC laws, regulations and approvals.

Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

### Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis:

- 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;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Onshore Holdco to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Onshore Holdco during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- our Company’s auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Review of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Onshore Holdco to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group;

## CONNECTED TRANSACTIONS

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- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, Onshore Holdco will be treated as our Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of the Onshore Holdco and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, Onshore Holdco), and transactions between these connected persons and our Group (including for this purpose, Onshore Holdco), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- Onshore Holdco will undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, Onshore Holdco will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditor’s review of the connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the Contractual Arrangements, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Apart from the requirements for three-year contractual term, setting annual cap, announcement, and/or independent Shareholders’ approval, of which waivers are sought above, we will comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements.

### DIRECTORS’ AND JOINT SPONSORS’ VIEW

The Directors (including the independent non-executive Directors) of our Company are of the view that (i) the Contractual Arrangements as set out above are important to our legal structure and business operations, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and the terms are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years as the purpose of the Contractual Arrangements is to provide stability and certainty to the business and legal structure of the Company and that therefore the indefinite term of those transactions is fair and reasonable, and in the interests of Shareholders as a whole.

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above non-exempt continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors; and (iii) participated in the due diligence and discussions with the management of the Group. Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements, for which waivers have been sought, have been entered into in the ordinary and usual course of our business of the Group, on normal commercial terms or better, and the terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) policies of the Consolidated Affiliated Entity can be effectively controlled by Beijing

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WFOE; (ii) Beijing WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entity; and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entity can be prevented on an uninterrupted basis.



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*The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountant’s Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. 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. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed “Risk Factors” and “Business.”*

*For the purposes of this section, unless the context otherwise requires, references to the fiscal years of 2019, 2020, 2021 and 2022 refer to our fiscal years ended March 31 of such years.*

### OVERVIEW

We are the largest provider of cloud-based HCM solutions in China in terms of revenues in 2021, according to CIC. Our platform iTalentX delivers cloud-native SaaS products, namely our cloud-based HCM solutions, for enterprises to recruit, evaluate, manage, develop and retain talents efficiently. Our platform is the first and the only in the industry to offer a full suite of cloud-based applications covering organization’s HCM needs throughout the entire employee lifecycle, according to CIC. We offer integrated cloud-based HCM solutions that synchronize module functions and the underlying employee data our customers. Through effective use case and data integration across our different HCM solutions, we enable customers to leverage such data to gain insights into workforces and inform their HCM and broader business decisions. According to CIC, we are also the only cloud-based HCM solutions provider in China that has built a unified and open PaaS infrastructure, which greatly improves our development efficiency, supports rapid application expansion, and meets customers’ ever-changing needs.

We strategically focus on medium-to-large sized enterprises as we believe our success lies in a high quality and loyal customer base. Our customer base included over 4,900 players across various large-scale and fast-growing industries as of September 30, 2022, covering a vast majority of the top 10 players in technology, real estate, financial services, and automotive and manufacturing sectors. Additionally, over 70% of Fortune China 500 companies are our customers as of September 30, 2022. In the trailing twelve months ended September 30, 2022, we achieved a subscription revenue retention rate of 113%.

We derive our revenues primarily from subscription fees charged to customers for our HCM solutions. Subscription model generating recurring revenues not only allows us to facilitate and benefit from our customers’ success and long-term growth but also gives us visibility into our future operating results. In recent years, we have achieved considerable business and financial growth. We generated RMB437.4 million, RMB570.0 million, RMB729.3 million, RMB887.7 million and RMB907.9 million of total bookings for the fiscal year ended March 31, 2019, 2020, 2021, 2022 and the trailing twelve months ended September 30, 2022, respectively. Our total revenues increased from RMB382.3 million for the fiscal year ended March 31, 2019 to RMB458.5 million for the fiscal year of 2020 and RMB556.3 million for the fiscal year of 2021, and further to RMB679.6 million for the fiscal year of

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2022, and from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022. Revenues generated from subscriptions to our cloud-based HCM solutions amounted to RMB209.0 million, RMB259.4 million, RMB349.1 million, RMB463.5 million and RMB253.3 million for the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively, representing approximately 54.7%, 56.6%, 62.7%, 68.2% and 72.2% of our total revenues during the respective periods. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we recorded gross margin of 60.6%, 59.8%, 66.4%, 58.9% and 54.0%, respectively.

### BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standard (“IFRS”) and interpretations issued by the IFRS interpretations committee. The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant’s Report included in Appendix I to this Document.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We operate in China’s HCM industry, and our financial condition and results of operations are influenced by the macroeconomic factors affecting this industry, such as China’s economic growth, policy and regulatory changes, the continued penetration and acceptance of cloud-based HCM solutions, and the technology advancement, all of which have allowed companies in China to spend more on cloud-based HCM solutions and services. Additionally, we believe that our financial condition and results of operations are also affected by a number of company-specific factors, including the factors discussed below.

#### **Our Ability to Expand Our Customer Base**

Our results of operations and future growth depend on our ability to attract new customers. We have experienced high growth in customer base in recent years. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we served over 3,300, 3,800, 4,200, 4,700 and 4,900 customers, respectively. We strategically focus on medium-to-large sized enterprises as we believe our success lies in a high quality and loyal customer base. Our customer base encompassed a vast majority of the top 10 players in China’s technology, real estate, financial services, and automotive and manufacturing sectors, and over 70% of Fortune China 500 companies are our customers as of September 30, 2022. Our ability to attract new customers is driven by a range of different factors, including, among other things, our ability to offer quality products and services to meet enterprises’ growing and diversified HCM needs; expand our business presence across various large-scale and fast-growing industries; and continue to invest in sales and marketing efforts.

#### **Our Ability to Retain Existing Customers and Expand Their Usage of our Solutions**

We derive our revenues primarily from the subscription fees charged to customers for our HCM solutions which are calculated based on the number and complexity of the solutions. As a result, our results of operations are dependent on our ability to retain existing customers and expand their usage of

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our solutions over time. In recent years, we have achieved steadily growing subscription revenue retention rate, a metric used to measure growth in revenue generated from existing customers of our cloud-based HCM solutions over time. Our subscription revenue retention rate was 102% for the fiscal year of 2019. For the fiscal year of 2021, we achieved a subscription revenue retention rate of 113%, as compared to that of 105% for the fiscal year of 2020. Our subscription revenue retention rate further increased to 117% for the fiscal year of 2022. In addition, ARR for customers who subscribe for more than one cloud-based HCM solution as a percentage of total ARR had increased from 51.8% as of March 31, 2019 to 60.9% as of March 31, 2021, and further to 66.6% as of March 31, 2022 and 68.6% as of September 30, 2022. For details of how we calculate our subscription revenue retention rate and ARR, see “Glossary.” Our ability to drive existing customers’ usage of our solutions is largely dependent on our ability to continue to focus on customer success and superior service quality, as well as to adapt our solutions and services to more business scenarios and address customers’ evolving HCM needs. We believe that customer success and satisfaction enabled by our comprehensive solution and service offerings provides us with significant cross-selling and up-selling opportunities across our various HCM solutions that continue to drive our long-term business growth.

### **Our Ability to Enhance Product and Technology Innovations**

We have invested, and will continue to invest, significantly in product and technology innovations to strengthen our market leadership. We will continue to enhance existing offerings, attract more technology talents, and invest in cutting-edge technologies to better meet enterprises’ growing and increasingly diversified HCM needs. Particularly, we will continue to invest in building our PaaS infrastructure, making it available to more customers and business partners so that they can develop functions and modules that suit their specific needs more efficiently. We expect these efforts in innovations to continue driving product sales and customer loyalty, having a long-term positive impact on our results of operations and growth prospects.

### **Our Ability to Manage Costs and Improve Operational Efficiency**

Our results of operations are affected by our ability to manage costs and improve operational efficiency. We intend to optimize our cost of sales and operating expenses by achieving increasing economies of scale and cost-efficiency as our business continues to grow. In particular, we seek to continue to improve the efficiency of our implementation services by leveraging technological advancement and increasingly serving customers from our remote service centers, while ensuring customer experience and satisfaction.

During the Track Record Period, selling and marketing expenses, which consist primarily of staff costs relating to our direct sales force, formed a significant portion of our total operating expenses. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, our selling and marketing expenses were RMB206.8 million, RMB295.2 million, RMB284.3 million, RMB331.0 million and RMB177.4 million, respectively, representing approximately 54.1%, 64.5%, 51.1% and 48.7% and 50.6% of our revenues during the same periods. We seek to continue to improve our sales and marketing efficiency by promoting cross-selling and up-selling across our different HCM solutions and services, and capitalizing on our established brand reputation to acquire customers more cost-effectively.

Furthermore, we have continued to improve our research and development efficiency to optimize our expense structure. For example, we have leveraged our strong PaaS capabilities to develop and deliver software updates, which allows us to quickly respond to customers’ common

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product development needs. We seek to optimize our development costs by opening our PaaS infrastructure to more customers to allow their in-house IT specialists to develop tailor-made applications, features and functions. For the fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, our research and development expenses were RMB146.5 million, RMB215.2 million, RMB212.6 million, RMB258.4 million and RMB144.9 million, respectively, representing approximately 38.3%, 46.9%, 38.2% and 38.0% and 41.3% of our revenues during the same periods. We also intend to optimize our general and administrative expenses by enhancing our level of centralized management, streamlining our internal workflows, and leveraging technology to drive convenience, cost-efficiency, and productivity.

### THE IMPACT OF AND OUR RESPONSE TO COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected the Chinese and global economy. In response to the COVID-19 pandemic, including the recent recurrence of the Omicron variant of COVID-19 around the end of 2021 in China and across the world, the PRC government has imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. These measures have caused a decline in the business activities in various industries in which our customers and business partners operate.

The COVID-19 pandemic has caused temporary disruptions to our business operations to varying degrees when the COVID-19 pandemic peaked in China in February 2020:

- *Cloud-based HCM Solutions.* On the one hand, we experienced declines in subscriptions to certain of our cloud-based HCM solutions, such as Recruitment Cloud and Assessment Cloud, primarily because enterprises in China reined in hiring amid the uncertainty caused by the COVID-19 pandemic, and many on-site recruiting events, such as on-campus recruiting, were canceled due to lockdown and gathering restrictions temporarily imposed in certain cities in China. On the other hand, as products like our Core HCM Solutions allowed our customers to address pandemic-related challenges by digitalizing and facilitating their business operations and interactions while minimizing or eliminating the need for direct person-to-person contact, certain of our cloud-based HCM solutions had experienced increasing customer demand during the COVID-19 pandemic.
- *Professional Services.* Due to the lock-down restrictions and closure of workplaces in places where our customers are located, the provision of certain on-site implementation services for a limited number of projects had been delayed, which in turn led to delays in revenue recognition with respect to such implementation services.
- *Business Development Activities.* Certain new or renewal subscriptions to our cloud-based HCM solutions had been temporarily affected by the COVID-19 pandemic to the extent physical meetings were required to secure the engagement by existing and prospective customers. Furthermore, the uncertainty caused by the COVID-19 pandemic had led to prolonged decision-making process of our customers with respect to procurement of our solutions and services. Accordingly, certain of our prospective new or renewal subscriptions under discussion with existing or prospective customers had been postponed.

As a result, we recorded total bookings of RMB19.5 million in February 2020, as compared to a monthly average of RMB36.5 million in the fiscal year ended March 31, 2019. We subsequently resumed our normal business operation in March 2020 when the COVID-19 pandemic was

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substantially under control, with total bookings increasing significantly by 251% to RMB68.2 million in March 2020.

Throughout the COVID-19 pandemic, we have been proactively mobilizing internal resources and leveraging our strong technological capabilities to mitigate the impact of the COVID-19 pandemic. Such remedial measures include making timely upgrades to our technology infrastructure to facilitate a seamless remote working environment, leveraging our cloud-based technologies to ensure efficient delivery of solutions, and maintaining regular, interactive online communications with our customers and business partners. In addition, we also have also implemented various precautionary policies to ensure the safety of our employees working remotely or onsite, which have enabled us to carry out our business operations without material disruptions. As a result, we had maintained strong revenue growth throughout the Track Record Period, particularly in the fiscal year ended March 31, 2021, despite the impact of the COVID-19 pandemic as outlined above.

Since the outbreak, we had benefited from the PRC government’s relief policies in response to the COVID-19 pandemic, primarily the reduction in the amount of social insurance contributions. We were allowed to reduce approximately nil, RMB4.8 million and RMB17.5 million of social insurance contributions for the fiscal years ended March 31, 2019, 2020 and 2021, respectively. We has ceased to be entitled to such benefit since January 1, 2021, and therefore no reduction was recorded in other periods during the Track Record Period.

Looking ahead, we believe that the value of our cloud-based HCM solutions, and the convenience, efficiency and reliability they deliver, are heightened as a result of the COVID-19 pandemic. We operate a cloud-native SaaS model, which not only reduces the burden of on-site implementation, but also provides customers and business partners with the flexibility needed to tackle unexpected disruptions and challenges caused by the COVID-19 pandemic. Businesses across different industries are increasingly using our solutions and services to replace many manual, paper-driven HCM tasks due to COVID-19 related restrictions. We expect this trend to continue post-pandemic, driving digitalization of HCM practices and process and the demand for quality cloud-based HCM solutions in the long run.

There are no comparable recent events that provide guidance on the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impacts of the pandemic are highly uncertain and subject to change, even though conditions have been gradually improving. Variations of the COVID-19 virus, including notably the Omicron variant, have caused new outbreaks in China and across the world. For example, the resurgence of the Omicron variant in China since the beginning of 2022 has resulted in city-wide lock-downs in a number of Chinese cities, and also heightened epidemic prevention measures in general across China to curb the momentum of the outbreak. This caused disruptions to varying degrees to normal business activities in China, including our operations.

To the extent the industries in which our existing and prospective customers operate were heavily impacted by the new outbreaks across China, the COVID-19 pandemic had resulted in a prolonged decision-making process of these customers with respect to subscriptions or renewal subscriptions to our solutions and services. For example, we acquired 110 and 75 new customers in the internet and real estate industries, respectively, for the six months ended September 30, 2022, and those numbers were 162 and 129 for the same period in 2021, representing a year-over-year decrease by approximately 32% and 42%, respectively. During the citywide lockdowns in certain cities across



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China, certain of our marketing activities and customer services had been temporarily delayed to the extent that physical meetings with our customers or large-scale on-site services were otherwise required or preferred. For example, our project implementation cycle increased year-over-year by 25% on average in the six months ended September 30, 2022 since the provision of certain on-site implementation services was delayed. As a result, our revenue growth slowed in the six months ended September 30, 2022, increasing by 12.1% from the same period in 2021, as compared to a 22.2% increase from the fiscal year ended March 31, 2021 to the same period in 2022.

China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were significant surges of COVID-19 cases in many cities in China during this time, which disrupted our and our customers’ operations due to an increased number of employees contracted with COVID-19. As a result, our total bookings were RMB254.8 million in the fourth quarter of 2022, representing a 2% year-over-year decrease from RMB260.0 million during the same time in 2021. The growth of our ARR also slowed amid the COVID-19 pandemic, increasing slightly to RMB626.3 million as of December 31, 2022 from RMB618.9 million as of September 30, 2022.

Nevertheless, our Directors are of the view that the COVID-19 pandemic, and particularly the latest resurgence of Omicron variant in China, had not materially adversely affected our business, results of operations or financial condition as of the Latest Practicable Date, on the basis that (i) we achieved a revenue growth for the six months ended September 30, 2022 despite the impacts from the COVID-19 pandemic, (ii) our operating results remained stable in January 2023, as evidenced by a 6.7% increase in our total bookings as compared to January 2022, as well as our ARR as of January 31, 2023 remaining at a similar level as that as of December 31, 2022, and (iii) as of the Latest Practicable Date, our business operations had fully resumed as the pandemic situation continued to improve in China.

The extent to which the COVID-19 pandemic may continue to impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the pandemic, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns. See “Risk Factors—Risks Related to Our Business and Industry—Our business operations have been, and may in the future continue to be, adversely affected by the COVID-19 pandemic.”

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our



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financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in further details in Notes 2 and 4 to the Accountant’s Report included in Appendix I to this Document.

### Revenue Recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine relative standalone selling prices based on its standard price list, taking into consideration market conditions and its overall pricing strategy.

When either party to a contract has performed, we present the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity’s performance and the customer’s payment.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due from the customer).

We derive revenue separately or in combination from our cloud-based HCM solutions and professional services.

#### *(a) Cloud-based HCM Solutions*

Our Company charges subscription fees for unlimited access to, or limited number of usages of, its cloud-based HCM solutions over the contract term.

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Under unlimited access subscription model, customers are provided with access to one or more of our cloud-based HCM solutions over the contract term. Revenue is generally recognized over the contract term.

Under limited number of usage subscription model, customers first purchase certain number of Sendou (森豆) from us, and consume Sendou for related cloud-based HCM solutions upon usage. Unused Sendou will be forfeited when the contract term is finished. During the Track Record Period, revenues generated from such unused and forfeited Sendou accounted for an immaterial portion of our total revenues during the same periods. We conclude that the breakage of Sendou does not satisfy the constraints of variable considerations, considering that the amount is highly susceptible to external factors, and based on historical data, breakage ratios for different customers are widespread. Related revenue is recognized upon the later of Sendou consumption and expiry.

### *(b) Professional Services*

We provide customers with a selection of professional services, primarily including implementation services and value-added services.

Implementation services are provided to new cloud-based HCM solution subscriptions to assist customers with configuration and testing of our solution. Implementation service is determined to be a separate performance obligation considering, (i) customers access are granted upon purchase and they can start using our cloud-based HCM solutions immediately by following the user manual, (ii) implementation services do not involve the modification or writing of additional software code, but rather involve setting up the software’s existing code to function in a particular way for the customers’ benefits. Revenues from implementation services are recognized as services over the estimated service periods.

Value-added services using our people science expertise and know-how can be purchased separately from cloud-based HCM solutions at customers’ discretion, as value-added services using our people science expertise and know-how. They are clearly distinct from cloud-based HCM solutions. We recognize revenue from value-added service on a straight-line basis over the contractual term if the service meets the criterion that control of the goods and services is transferred over time. Otherwise, we recognize revenue from value-added services at a point in time.

### *(c) Incremental Costs of Obtaining Customer Contract*

Sales commissions earned by our direct sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit that we have estimated to be three to four years. In arriving at this estimated period of benefit, we evaluated both qualitative and quantitative factors which include the estimated life cycles of its offerings and its customer attrition. We amortize capitalized costs for renewals paid to customers over the renewal contract terms, or elect to expense as incurred if the amortization period is one year or less. Amortization expense of capitalized cost of obtaining customer contracts is included in sales and marketing expenses on the consolidated statement of comprehensive loss. We also assess whether the carrying amount of contract cost has exceeded the remaining amount of consideration that we expect to receive, less that costs that relate directly to providing those goods or services that have not been recognized as expenses.

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### *(d) Practical Expedients Applied*

We expense incremented cost to obtain a contract if the amortization period is one year or less.

The promised amount of consideration for the effects of a significant financing component is not adjusted if we expect, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### **Redeemable Convertible Preferred Shares**

Redeemable convertible preferred shares issued by our Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of our Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an [REDACTED] of our Company or agreed by majority of the holders as detailed in Note 31 to the Accountant’s Report included in Appendix I to this Document.

We designated the redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are expensed as incurred.

Subsequently, the component of fair value changes relating to our Company’s own credit risk is recognized in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retaining earnings when realized. Other fair value change relating to market risk are recognized in the consolidated statements of comprehensive loss.

Redeemable convertible preferred shares are classified as non-current liabilities until the shareholders of such redeemable convertible preferred shares can demand our Company to redeem the preferred shares within 12 months after the end of the reporting period.

### **Share-based Payments**

We adopted the [REDACTED] Share Option Plan, under which we receive services from employees and directors who have contributed or will contribute to us as consideration for our equity instruments. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated statements of comprehensive loss with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity’s share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, we revise our estimates

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of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, our Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

### **Critical Accounting Estimates and Judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### ***(a) Estimation of Fair Value of Certain Financial Instruments***

##### *Fair Value of Financial Assets*

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

##### *Fair Value of Redeemable Convertible Preferred Shares*

The redeemable convertible preferred shares issued by our Company are not traded in an active market and the respective fair value is determined by using valuation techniques. Our Directors have used the discounted cash flow method to determine the underlying equity value of our Company and adopted equity allocation model to determine the fair value of the redeemable convertible preferred shares.

Details of the valuation models, key assumptions and inputs are disclosed in Note 31 to the Accountant’s Report included in Appendix I to this Document.

In relation to the valuation of level 3 instruments, in particular, our Directors adopted the following procedures: (i) reviewed the terms of agreements relating to the instruments; (ii) engaged independent valuer, provided necessary financial and non-financial information to the valuer so that the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as the asset under management, the discount rate and the underlying of the unlisted equity, which required management assessment and estimates; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures and the professional advice received, our Directors are of the view that the valuation analysis performed on level 3 instruments is fair and reasonable and the financial statements of our Group are properly prepared. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the level 3 instruments.

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Details of the fair value measurement of financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 3.3 of the Accountant’s Report in Appendix I to this Document which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information, as a whole, of our Group for the Track Record Period is set out on page I-2 of Appendix I to this Document.

The Joint Sponsors have performed the following due diligence work in relation to the valuation of the Company’s financial assets and liabilities categorized within level 3 of fair value measurement (the “**Level 3 Financial Assets and Liabilities**”): (i) discussed and conducted due diligence with us to understand, amongst other things, the nature and details of the financial instruments, the relevant work performed by our Company in relation to the valuation of such financial instruments; (ii) obtained and reviewed the underlying agreements for the Level 3 Financial Assets and Liabilities; (iii) obtained and reviewed the valuation reports prepared by the external valuer; (iv) interviewed the external valuer to understand, amongst other things, the methodology, assumptions and key parameters used by such external valuer (v) obtained and reviewed the relevant internal policies and procedures of the Group; (vi) reviewed the relevant notes in the Accountant’s Report as contained in Appendix I to this Document; and (vii) discussed with the reporting accountant to understand the work they have performed in relation to the valuation of the Level 3 Financial Assets and Liabilities for the reporting on the historical financial information of our Group as a whole.

Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the work performed by our management and the unqualified opinion on the Historical Financial Information, as a whole, of the Group issued by the Reporting Accountant included in Appendix I to this Document, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to disagree with the valuation of the Level 3 Financial Assets and Liabilities.

### ***(b) Recognition of Share-based Payments Expenses***

Our Directors have used the Binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by our directors in applying the Binomial option-pricing model.

Our Directors estimate the expected yearly percentage of grantees that will stay within us at the end of the vesting periods of the share options (the “**Expected Retention Rate**”) in order to determine the amount of share-based payments expenses charged to the consolidated income statement. The Expected Retention Rate is estimated based on historical pattern of retentions and management’s best estimates.

### ***(c) Allocation of Selling Price of Each Distinct Performance Obligation***

Contracts with customers may include multiple performance obligations. When the performance obligations are assessed to be distinct, we allocate revenue to each performance obligation based on their relative standalone selling prices. We generally determine relative standalone

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selling prices based on its standard price list, taking into consideration of market conditions and our overall pricing strategy.

### *(d) Current and Deferred Income Taxes*

We are subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

We consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When we conclude that it is probable that a particular tax treatment is accepted, we determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If we conclude that it is not probable that a particular tax treatment is accepted, we use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. We assesses its judgments and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when our management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.



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### CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

The following table sets forth a summary of our consolidated statements of comprehensive loss for the periods indicated.

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)					
Revenues . . . . .	382,278	458,537	556,327	679,627	312,790	350,766
Cost of revenues . . . . .	(150,807)	(184,194)	(186,730)	(279,116)	(123,866)	(161,451)
<b>Gross profit . . . . .</b>	<b>231,471</b>	<b>274,343</b>	<b>369,597</b>	<b>400,511</b>	<b>188,924</b>	<b>189,315</b>
Selling and marketing expenses . . . . .	(206,754)	(295,236)	(284,308)	(331,000)	(155,875)	(177,446)
General and administrative expenses ..	(155,538)	(110,173)	(83,113)	(206,616)	(125,227)	(64,429)
Research and development expenses ..	(146,479)	(215,152)	(212,550)	(258,357)	(125,281)	(144,858)
Net impairment losses on financial assets and contract assets . . . . .	118	(384)	(1,026)	(1,024)	(32)	(2,601)
Other income . . . . .	23,864	24,310	26,228	34,929	17,450	17,269
Other gains, net . . . . .	3,269	2,130	44,067	72,994	37,714	19,259
<b>Operating loss . . . . .</b>	<b>(250,049)</b>	<b>(320,162)</b>	<b>(141,105)</b>	<b>(288,563)</b>	<b>(162,327)</b>	<b>(163,491)</b>
Finance income . . . . .	2,429	6,821	4,413	7,811	4,010	3,214
Finance costs . . . . .	(1,992)	(2,094)	(1,378)	(2,628)	(1,102)	(1,856)
<b>Finance income, net . . . . .</b>	<b>437</b>	<b>4,727</b>	<b>3,035</b>	<b>5,183</b>	<b>2,908</b>	<b>1,358</b>
Losses from financial instruments issued to investors . . . . .	(111,461)	—	—	—	—	—
Fair value changes of redeemable convertible preferred shares . . . . .	(317,678)	(883,369)	(752,797)	(1,638,199)	(660,595)	(4,991)
Fair value changes of warrant liability . . . . .	(13,159)	(53,472)	(32,571)	—	—	—
<b>Loss before income tax . . . . .</b>	<b>(691,910)</b>	<b>(1,252,276)</b>	<b>(923,438)</b>	<b>(1,921,579)</b>	<b>(820,014)</b>	<b>(167,124)</b>
Income tax (expense) / credit . . . . .	1,745	(14,476)	(16,702)	12,807	(184)	4,302
<b>Loss for the year/period . . . . .</b>	<b>(690,165)</b>	<b>(1,266,752)</b>	<b>(940,140)</b>	<b>(1,908,772)</b>	<b>(820,198)</b>	<b>(162,822)</b>
<b>Loss attributable to:</b>						
—Owners of the Company . . . . .	(691,060)	(1,267,206)	(940,142)	(1,908,772)	(820,198)	(162,822)
—Non-controlling interests . . . . .	895	454	2	—	—	—
	<b>(690,165)</b>	<b>(1,266,752)</b>	<b>(940,140)</b>	<b>(1,908,772)</b>	<b>(820,198)</b>	<b>(162,822)</b>
<b>Loss per share attributable to owners of the Company (expressed in RMB per share)</b>						
—Basic and diluted . . . . .	(31.88)	(58.46)	(43.37)	(89.17)	(38.26)	(7.62)

### Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also 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 and company to company. We believe that this measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net loss (non-IFRS measure) may not be comparable to

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similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

### *Adjusted Net Loss (Non-IFRS Measure)*

We define adjusted net loss (non-IFRS measure) as loss for the periods adjusted by adding back share-based payments, fair value changes of redeemable convertible preferred shares and fair value changes of warrant liability. The following table reconciles our adjusted net loss (non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods indicated.

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)				(Unaudited)	
<b>Reconciliation of loss for the period and adjusted net loss (non-IFRS measure)</b>						
<b>Loss for the year/period</b>	<b>(690,165)</b>	<b>(1,266,752)</b>	<b>(940,140)</b>	<b>(1,908,772)</b>	<b>(820,198)</b>	<b>(162,822)</b>
Add:						
Share-based payments – ESOP <sup>(1)</sup>	—	75,447	33,549	53,635	26,245	5,692
Share-based payments – non-ESOP <sup>(2)</sup>	81,126	2,499	—	53,348	53,348	—
Fair value changes of redeemable convertible preferred shares <sup>(3)</sup>	317,678	883,369	752,797	1,638,199	660,595	4,991
Fair value changes of warrant liability <sup>(4)</sup>	13,159	53,472	32,571	—	—	—
<b>Adjusted net loss (non-IFRS Measure)</b>	<b><u>(278,202)</u></b>	<b><u>(251,965)</u></b>	<b><u>(121,223)</u></b>	<b><u>(163,590)</u></b>	<b><u>(80,010)</u></b>	<b><u>(152,139)</u></b>

*Notes:*

- Share-based payments for ESOP purposes relates to the share rewards we offered to our employees, which is a non-cash expense.
- Share-based payments for non-ESOP purposes arise from certain share exchange and share repurchase transactions, and transactions among shareholders. For details of these transactions, see Note 26 to the Accountant’s Report included in Appendix I to this Document.
- Fair value changes of redeemable convertible preferred shares arise primarily from the changes in the carrying amount of our redeemable convertible preferred shares in connection with the [REDACTED] Investments. These fair value changes are non-cash in nature. Upon completion of the [REDACTED], such redeemable convertible preferred shares will be automatically converted into ordinary shares of our Company and no fair value change will be recorded.
- Fair value changes of warrant liability arise primarily from the changes in the carrying amount of the warrants issued by us to certain existing investors of our Group as part of our Reorganization, pursuant to the terms of which the relevant investors may exercise the warrants to acquire our Preferred Shares under certain events. The warrant liability was subsequently derecognized in June 2020 due to the exercise in full of the warrants by the relevant investors. These fair value changes are non-cash in nature.

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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenues

During the Track Record Period, we generated revenues from two sources, namely (i) cloud-based HCM solutions, and (ii) professional services. The following table sets forth a breakdown of our revenues, in absolute amounts and as percentages of total revenues, for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)											
	(RMB in thousands, except percentages)											
Cloud-based HCM solutions . . . . .	209,023	54.7	259,449	56.6	349,073	62.7	463,467	68.2	209,534	67.0	253,268	72.2
Professional services . . . . .	173,255	45.3	199,088	43.4	207,254	37.3	216,160	31.8	103,256	33.0	97,498	27.8
<b>Total . . . . .</b>	<b>382,278</b>	<b>100.0</b>	<b>458,537</b>	<b>100.0</b>	<b>556,327</b>	<b>100.0</b>	<b>679,627</b>	<b>100</b>	<b>312,790</b>	<b>100.0</b>	<b>350,766</b>	<b>100.0</b>

The professional services revenue presented in the table above include revenue from Beisen Shengya which we disposed of in September 2021 and Ruizheng HR Management which we disposed of in July 2020, other than revenue from our current implementation services and value-added services. Excluding inter-company transactions with the rest of the Group, (i) in the fiscal years of 2019, 2020, 2021 and 2022, revenues generated from Beisen Shengya were RMB40.6 million, RMB42.5 million, RMB46.8 million and RMB20.3 million, respectively; and (ii) in the fiscal years of 2019 and 2020, revenues generated from Ruizheng HR Management were RMB27.8 million and RMB13.2 million, respectively. For more information about Beisen Shengya and Ruizheng HR Management, see “—see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries.”

*Cloud-based HCM solutions.* We offer subscriptions to our cloud-based HCM solutions, and we derive revenues from subscriptions fees that give customers access to our cloud-based HCM solutions. We charge our customers fixed subscription fees at different prices for our cloud-based HCM solutions, based on the size of their workforce and the specific solution that the customer subscribes for.

*Professional services.* We generate revenues from providing on-demand professional services to our customers, which primarily include implementation services and certain value-added services. We typically charge our customers service fees based on a number of factors, including the type of services selected by our customers, the number of our technical specialists staffed on a given project, and the duration of our services. Historically, we also provided certain human resources consulting services through Ruizheng HR Management. As part of our business reorganization plan to streamline our business, we disposed of Ruizheng HR Management in July 2020. In the fiscal years of 2019 and 2020, professional services revenues generated from Ruizheng HR Management were RMB27.8 million and RMB13.2 million, respectively. For details, see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Ruizheng HR Management.”

In addition, we disposed of Beisen Shengya, which was primarily engaged in the provision of career planning service, in September 2021 as part of our business reorganization plan to focus on our main cloud-based HCM solutions business. For detailed discussions of the movements of our revenues, gross margin and net loss during the Track Record Period, see “—Period-to-Period Comparison of Results of Operations.”

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For details of our cloud-based HCM solutions and professional services, see “Business – Our Offerings.”

### Cost of Revenues

Our cost of revenues consists primarily of (i) employee benefit, representing salaries, benefits and share-based compensation relating to our operation and product support staff, including employees of our customer success and service teams and employees responsible for providing implementation services and daily product support with respect to our cloud-based HCM solutions, (ii) professional and technical service fees, primarily representing costs associated with third-party services directly attributable to the provision of our solutions and services, (iii) depreciation and amortization expenses associated with our daily business operations activities, (iv) traveling and office expenses incurred by our operation and product support staff, and (v) others.

The following table sets forth a breakdown of our cost of revenues by nature, in absolute amounts and percentages of revenues, for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)											
	(RMB in thousands, except percentages)											
Employee benefit . . . . .	100,593	26.3	124,509	27.2	128,485	23.1	204,492	30.1	89,407	28.6	118,285	33.7
Professional and technical service fees . . . . .	12,516	3.3	14,167	3.1	18,245	3.3	29,734	4.4	12,477	4.0	18,675	5.3
Depreciation and amortization . . . . .	9,713	2.5	14,910	3.3	14,061	2.5	21,627	3.2	8,997	2.9	14,833	4.2
Travelling and office expenses . . . . .	14,242	3.7	16,020	3.5	13,028	2.3	10,423	1.5	6,411	2.0	3,840	1.1
Others . . . . .	13,743	3.6	14,588	3.2	12,911	2.3	12,840	1.9	6,574	2.1	5,818	1.7
<b>Total . . . . .</b>	<b>150,807</b>	<b>39.4</b>	<b>184,194</b>	<b>40.3</b>	<b>186,730</b>	<b>33.5</b>	<b>279,116</b>	<b>41.1</b>	<b>123,866</b>	<b>39.6</b>	<b>161,451</b>	<b>46.0</b>

### Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit by offering type, in absolute amounts and as percentages of their respective revenues, or gross margins, for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)											
	(RMB in thousands, except percentages)											
Cloud-based HCM solutions . . . . .	167,389	80.1	200,878	77.4	281,378	80.6	355,157	76.6	164,154	78.3	189,439	74.8
Professional services . . . . .	64,082	37.0	73,465	36.9	88,219	42.6	45,354	21.0	24,770	24.0	(124)	(0.1)
<b>Total . . . . .</b>	<b>231,471</b>	<b>60.6</b>	<b>274,343</b>	<b>59.8</b>	<b>369,597</b>	<b>66.4</b>	<b>400,511</b>	<b>58.9</b>	<b>188,924</b>	<b>60.4</b>	<b>189,315</b>	<b>54.0</b>

Gross margin for our cloud-based HCM solutions is typically higher than that for our professional services. This is because our HCM solutions are cloud-based, standard products that generate recurring subscription revenues with limited incremental costs.

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### Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of (i) employee benefit, representing salaries, benefits and share-based compensation relating to our sales and marketing personnel, (ii) marketing expenses relating to our sales and marketing activities, (iii) traveling and office expenses incurred by our sales and marketing personnel, (iv) depreciation and amortization expenses associated with our sales and marketing activities, and (v) others.

The following table sets forth a breakdown of our selling and marketing expenses both in absolute amounts and as percentages of revenues for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)											
	(RMB in thousands, except percentages)											
Employee benefit . . . .	155,077	40.6	225,902	49.3	227,534	40.9	264,529	38.9	125,125	40.0	145,475	41.4
Marketing expenses . . . . .	13,787	3.6	18,005	3.9	15,928	2.9	25,318	3.7	10,637	3.4	12,533	3.6
Travelling and office expenses . . . . .	17,228	4.5	24,121	5.3	19,560	3.5	21,719	3.2	9,182	2.9	8,338	2.4
Depreciation and amortization . . . . .	10,236	2.7	16,337	3.6	12,888	2.3	12,689	1.9	6,291	2.0	7,276	2.1
Others . . . . .	10,426	2.7	10,871	2.4	8,398	1.5	6,745	1.0	4,640	1.5	3,824	1.1
<b>Total . . . . .</b>	<b>206,754</b>	<b>54.1</b>	<b>295,236</b>	<b>64.5</b>	<b>284,308</b>	<b>51.1</b>	<b>331,000</b>	<b>48.7</b>	<b>155,875</b>	<b>49.8</b>	<b>177,446</b>	<b>50.6</b>

### General and Administrative Expenses

Our general and administrative expenses consist primarily of (i) share-based payments for non-ESOP purposes, arising from certain share exchange and share repurchase transactions, and transactions among shareholders, as detailed in Note 26 to the Accountant’s Report included in Appendix I to this Document, (ii) employee benefit, representing salaries, benefits and share-based compensation relating to our administrative staff, (iii) professional service fees, representing costs associated with consulting and professional services, (iv) travelling and office expenses incurred by our administrative staff, (v) depreciation and amortization expenses associated with our administrative activities, and (vi) others.

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The following table sets forth a breakdown of the components of our general and administrative expenses both in absolute amounts and as percentages of revenues for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)											
	(RMB in thousands, except percentages)											
Share-based payments—non-ESOP . . . . .	81,126	21.2	2,499	0.5	—	—	53,348	7.8	53,348	17.1	—	—
Employee benefit . . . . .	48,909	12.8	82,560	18.0	66,776	12.0	83,793	12.3	37,644	12.0	43,888	12.5
Professional service fees . . . . .	9,573	2.5	6,943	1.5	5,951	1.1	46,446	6.8	23,185	7.4	9,454	2.7
Travelling and office expenses . . . . .	8,114	2.1	10,164	2.2	4,852	0.9	15,221	2.2	7,292	2.3	6,758	1.9
Depreciation and amortization . . . . .	2,986	0.8	3,589	0.8	2,826	0.5	4,349	0.6	1,464	0.5	1,942	0.6
Others . . . . .	4,830	1.3	4,418	1.0	2,708	0.4	3,459	0.5	2,294	0.7	2,387	0.7
<b>Total . . . . .</b>	<b>155,538</b>	<b>40.7</b>	<b>110,173</b>	<b>24.0</b>	<b>83,113</b>	<b>14.9</b>	<b>206,616</b>	<b>30.2</b>	<b>125,227</b>	<b>40.0</b>	<b>64,429</b>	<b>18.4</b>

We incurred share-based payments for non-ESOP purposes of RMB53.3 million in the fiscal year of 2022, as compared to nil in the fiscal year of 2021. This was due to the difference between the consideration we paid and the respective fair value of the repurchased shares during our Series F financing.

Our employee benefit increased from RMB48.9 million in the fiscal year of 2019 to RMB82.6 million in the fiscal year of 2020, primarily driven by the increased average compensation for our administrative staff. Our employee benefit decreased from RMB82.6 million in the fiscal year of 2020 to RMB66.8 million in the fiscal year of 2021, primarily because after the 2019 Stock Incentive Plan was adopted, we granted a substantial number of share awards on a one-time basis in the fiscal year of 2020 in recognition of past efforts that the relevant administrative staff had made, which resulted in a larger amount of share-based payments expenses being recognized during the same year as compared to the fiscal year of 2021. Our employee benefit increased from RMB66.8 million in the fiscal year of 2021 to RMB83.8 million in the fiscal year of 2022 and increased from RMB37.6 million for the six months ended September 30, 2021 to RMB43.9 million for the six months ended September 30, 2022, primarily due to the rising general and administrative staff headcount to support our business expansion, and to a lesser extent, the increased average compensation for our general and administrative staff.

Our professional service fees increased significantly from RMB6.0 million in the fiscal year of 2021 to RMB46.4 million in the fiscal year of 2022, primarily representing expenses that we incurred in connection with our Series F round financing.

### Research and Development Expenses

Our research and development expenses consist primarily of (i) employee benefit, representing salaries, benefits and share-based compensation relating to our research and development staff, (ii) depreciation and amortization expenses associated with our research and development activities, and (iii) others.



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The following table sets forth a breakdown of our research and development expenses both in absolute amounts and as percentages of revenues for the periods indicated.

	For the year ended March 31,								For the six months ended September 30,			
	2019		2020		2021		2022		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)											
	(RMB in thousands, except percentages)											
Employee Benefit	132,169	34.6	197,308	43.0	195,877	35.2	237,274	34.9	116,179	37.1	134,069	38.2
Depreciation and Amortization	7,618	2.0	11,499	2.5	10,696	1.9	12,413	1.8	5,858	1.9	7,290	2.1
Others	6,692	1.7	6,345	1.4	5,977	1.1	8,670	1.3	3,244	1.0	3,499	1.0
<b>Total</b>	<b>146,479</b>	<b>38.3</b>	<b>215,152</b>	<b>46.9</b>	<b>212,550</b>	<b>38.2</b>	<b>258,357</b>	<b>38.0</b>	<b>125,281</b>	<b>40.1</b>	<b>144,858</b>	<b>41.3</b>

### Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets primarily relate to impairment on trade receivables and other receivables. We recorded a net impairment loss reversal on financial assets and contract assets of RMB118,000 for the fiscal year of 2019. We recorded net impairment losses on financial assets and contract assets of RMB384,000, RMB1,026,000, RMB1,024,000 and RMB2,601,000 for the fiscal years of 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. We determine the provision for impairment of trade receivables and other receivables on a forward-looking basis and the expected lifetime losses are recognized from initial recognition of the assets by credit risks of our customers in accordance with IFRS 9. For further details, see Note 3.1 to the Accountant’s Report included in Appendix I to this Document.

### Other Income

Our other income consists primarily of (i) value-added tax refund relating to the sales of our cloud-based HCM solutions granted by the PRC tax authorities as a way to provide tax relief for companies in high-tech industries, (ii) government grants, representing financial assistance from local governments in the PRC, (iii) additional deductible input tax and (iv) others.

The following table sets forth a breakdown of our other income for the periods indicated.

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(Unaudited)					
	(RMB in thousands)					
Value added tax refund	22,695	20,989	22,264	29,688	14,325	14,097
Government grants	1,007	2,352	3,289	3,133	2,105	2,346
Additional deductible input tax	—	95	20	1,824	845	680
Others	162	874	655	284	175	146
<b>Total</b>	<b>23,864</b>	<b>24,310</b>	<b>26,228</b>	<b>34,929</b>	<b>17,450</b>	<b>17,269</b>

### Other Gains, Net

Our other gains, net consist primarily of (i) net foreign exchange (losses)/gains, (ii) fair value gains on foreign exchange forward contracts, (iii) net fair value gains on financial assets at fair value through profit or loss relating to our equity investments and investments in structured deposits and

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wealth management products, (iv) gains on disposal of subsidiaries, (v) net losses on disposal of property, plant and equipment, and (vi) others.

The following table sets forth a breakdown of our other gains, net for the periods indicated.

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)					
Net foreign exchange (losses) / gains . . . . .	(1,398)	(5,648)	25,733	23,863	5,214	(564)
Fair value gains on foreign exchange forward contracts . . .	—	—	5,625	20,341	15,014	—
Net fair value gains on financial assets at fair value through profit or loss . . . . .	3,708	3,984	13,146	17,479	4,793	21,191
Gains on disposal of subsidiaries . . . . .	1,154	4,132	—	11,875	12,432	—
Net losses on disposal of property, plant and equipment . . .	(40)	(228)	(112)	(187)	(256)	30
Others . . . . .	(155)	(110)	(325)	(377)	517	(1,398)
<b>Total</b> . . . . .	<b><u>3,269</u></b>	<b><u>2,130</u></b>	<b><u>44,067</u></b>	<b><u>72,994</u></b>	<b><u>37,714</u></b>	<b><u>19,259</u></b>

### Finance Income, Net

Our finance income represents interest income from our bank deposits, and our finance costs are comprised of interest expenses on our lease liabilities and bank borrowings. We recorded finance income, net of RMB0.4 million, RMB4.7 million, RMB3.0 million, RMB5.2 million and RMB1.4 million for the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

### Fair Value Changes of Redeemable Convertible Preferred Shares

Our fair value changes of redeemable convertible preferred shares arise primarily from the changes in the carrying amount of our redeemable convertible preferred shares in connection with the [REDACTED] Investments. Prior to the [REDACTED], such redeemable convertible preferred shares have not been traded in an active market and their value at each respective reporting date is determined using valuation techniques. Our Directors have used the discounted cash flow method to determine the underlying equity value of our Company, and adopted equity allocation model to determine the fair value of such redeemable convertible preferred shares. For details, see Note 3 to the Accountant’s Report included in Appendix I to this Document. For the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, we had fair value changes of redeemable convertible preferred shares of RMB317.7 million, RMB883.4 million, RMB752.8 million, RMB1,638.2 million and RMB5.0 million, respectively. Upon the completion of the [REDACTED], all of such redeemable convertible preferred shares will be automatically converted to our Shares, and we will no longer recognize change in fair value liabilities in respect of them. For additional information, see “—Indebtedness—Preferred Shares”, “History, Reorganization and Corporate Structure” and Note 31 to the Accountant’s Report included in Appendix I to this Document.

### Losses from Financial Instruments Issued to Investors

Prior to the Reorganization, certain [REDACTED] Investors held ordinary shares of the Onshore Holdco with preferential rights, pursuant to which such ordinary shares would become redeemable by these [REDACTED] Investors upon certain events that are out of our control. As we do not have the unconditional right to avoid delivering cash or other financial assets to settle the contractual obligation upon occurrence of these events, we recognize financial instruments issued to investors as our financial

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liabilities initially at the present value of the aggregate redemption amount. Such financial liabilities are subsequently measured at amortized cost.

We recorded losses from financial instruments issued to investors of RMB111.5 million for the fiscal year of 2019, primarily representing (i) changes in the carrying amount of the financial liabilities as a result of the interest accruals on the financial instruments issued to such [REDACTED] Investors in the Onshore Holdco, and (ii) the difference between the carrying amount of the financial liabilities and the fair value of such underlying financial instruments when they were subsequently derecognized upon share exchange during the course of the Reorganization. For additional information, see “History, Reorganization and Corporate Structure”.

### **Fair Value Changes of Warrant Liability**

Our fair value changes of warrant liability arise primarily from the changes in the carrying amount of the warrants issued by us to certain existing investors of our Group as part of our Reorganization. Pursuant to the terms of the warrants, such investors may exercise their rights to acquire our Preferred Shares under certain events. Our fair value changes of warrant liability increased from RMB13.2 million for the fiscal year of 2019 to RMB53.5 million for the fiscal year of 2020, attributable primarily to changes in the valuation of our Company driven by our strong business growth and improved business outlook. Our fair value changes of warrant liability decreased from RMB53.5 million for the fiscal year of 2020 to RMB32.6 million for the fiscal year of 2021, primarily due to a decrease in warrant liability as the foregoing investors exercised their warrants. The warrant liability was derecognized in June 2020 due to the exercise in full of the warrants by the relevant [REDACTED] Investors. As a result, our fair value changes of warranty liability were nil for the fiscal year of 2022 and the six months ended September 30, 2022. For additional information, see “History, Reorganization and Corporate Structure.”

### **Income Tax (Expense)/Credit**

We recorded income tax credit of RMB1.7 million for the fiscal year of 2019 and income tax expenses of RMB14.5 million, RMB16.7 million and income tax credit of RMB12.8 million and RMB4.3 million for the fiscal years of 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and the PRC.

#### ***Cayman Islands***

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

#### ***Hong Kong***

Our subsidiary incorporated in Hong Kong is subject to Hong Kong’s two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

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### ***PRC***

Our subsidiaries incorporated in China are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was last amended on December 29, 2018, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. For example, enterprises qualified as “High and New Technology Enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards.

### **Loss for the Year/Period**

Our loss for the year/period amounted to RMB690.2 million, RMB1,266.8 million, RMB940.1 million, RMB1,908.8 million and RMB162.8 million for the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

## **PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **Six Months Ended September 30, 2022 Compared to Six Months Ended September 30, 2021**

#### ***Revenues***

Our revenues increased by 12.1% from RMB312.8 million for the six months ended September 30, 2021 to RMB350.8 million for the six months ended September 30, 2022, primarily driven by the increased revenues generated from subscriptions to our cloud-based HCM solutions.

*Cloud-based HCM solutions.* Revenues generated from subscriptions to our cloud-based HCM solutions increased by 20.9% from RMB209.5 million for the six months ended September 30, 2021 to RMB253.3 million for the six months ended September 30, 2022. The increase in revenues was attributable to acquisition of new customers and increased subscription of our cloud-based HCM solutions by existing customers. Our customers of cloud-based HCM solutions increased from over 4,700 as of September 30, 2021 to over 4,900 as of September 30, 2022. We achieved a subscription revenue retention rate of 113% for the six months ended September 30, 2022. Accordingly, our ARR experienced a growth from RMB532.7 million as of September 30, 2021 to RMB618.9 million as of September 30, 2022.

Our acquisition of new customers and increased subscription by existing customers are both mainly driven by our enhanced product functionality, improved customer experience and increasing brand recognition, in part due to the growing awareness of the benefits of our digital cloud-based solutions during the COVID-19 pandemic. For the impact of the COVID-19 pandemic on our business, results of operations and financial position, see “—The Impact of and Our Responses to COVID-19.”

*Professional services.* Professional services revenues decreased by 5.6% from RMB103.3 million for the six months ended September 30, 2021 to RMB97.5 million for the six months ended September 30, 2022 due to the disposal of Beisen Shengya in September 2021.

#### ***Cost of Revenues***

Our cost of revenues increased by 30.3% from RMB123.9 million for the six months ended September 30, 2021 to RMB161.5 million for the six months ended September 30, 2022. The increase

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in our cost of revenues was primarily driven by the increases in (i) employee benefit of RMB28.9 million, attributable primarily to the rising operation and product support staff headcount to support our business expansion, and to a lesser extent, the increased average compensation for our operation and product support staff, and (ii) professional and technical service fees of RMB6.2 million, which was generally in line with our business growth.

### ***Gross Profit and Gross Margin***

As a result of the foregoing, our overall gross profit amounted to RMB188.9 million and RMB189.3 million for the six months ended September 30, 2021 and 2022, respectively. Our overall gross margin decreased from 60.4% for the six months ended September 30, 2021 to 54.0% for the six months ended September 30, 2022.

*Cloud-based HCM solutions.* Gross profit for our cloud-based HCM solutions increased from RMB164.2 million for the six months ended September 30, 2021 to RMB189.4 million for the six months ended September 30, 2022. Gross margin for our cloud-based HCM solutions decreased from 78.3% for the six months ended September 30, 2021 to 74.8% for the six months ended September 30, 2022.

*Professional services.* We recorded gross loss for our professional services of RMB0.1 million for the six months ended September 30, 2022, as compared to gross profit of RMB24.8 million for the six months ended September. Accordingly, we had gross profit margin of 24.0% and gross loss margin of 0.1% for the six months ended September 30, 2021 and 2022, respectively.

Our overall gross margin and gross margins for our cloud-based HCM solutions and professional services decreased for the six months ended September 30, 2022. In late 2021 and early 2022 when our business gradually recovered from the prior impact of the COVID-19 pandemic as it came under control in China, we increased investments in expanding our operation and product support teams to improve customer services and experience and support our continuous business growth. However, our revenue did not grow as anticipated during the six months ended September 30, 2022 amid the unexpected waves of new COVID-19 outbreaks across China, which has led to the aforesaid decreases in gross margins. The decrease in gross margin for our cloud-based HCM solutions, to a lesser extent, was also due to the increased depreciation and amortization expenses associated with our servers, as well as fees and costs incurred in connection with third-party services, such as server custody services and cloud computing services. The decrease in the gross margin for our professional services, particularly, was also attributable to the disposal of Beisen Shengya in September 2021. Beisen Shengya’s career planning services generally have a higher gross margin profile than the remaining professional services.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 13.8% from RMB155.9 million for the six months ended September 30, 2021 to RMB177.4 million for the six months ended September 30, 2022. The increase in our selling and marketing expenses was primarily driven by the increases in (i) employee benefit of RMB20.4 million, attributable primarily to the rising sales and marketing personnel headcount to support our business expansion, and to a lesser extent, the increased average compensation for our sales and marketing personnel, and (ii) marketing expenses of RMB1.9 million, as a result of our enhanced marketing and branding efforts.

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### *General and Administrative Expenses*

Our general and administrative expenses decreased by 48.6% from RMB125.2 million for the six months ended September 30, 2021 to RMB64.4 million for the six months ended September 30, 2022. The decrease in our general and administrative expenses was primarily due to the decreases in (i) share-based payments for non-ESOP purposes of RMB53.3 million, and (ii) professional and service fees of RMB13.7 million. These expenses were incurred in 2021 in connection with our Series F round financing.

### *Research and Development Expenses*

Our research and development expenses increased by 15.6% from RMB125.3 million for the six months ended September 30, 2021 to RMB144.9 million for the six months ended September 30, 2022, primarily driven by the increase in employee benefit of RMB17.9 million, attributable primarily to the rising research and development staff headcount to support our business expansion, and to a lesser extent, the increased average compensation for our research and development staff.

### *Net Impairment Losses on Financial Assets and Contract Assets*

Our net impairment losses on financial assets and contract assets increased significantly from RMB32 thousand for the six months ended September 30, 2021 to RMB2,601 thousand for the six months ended September 30, 2022, primarily because we increased our accrued impairment losses on our financial assets and contract assets as the size of such assets increased for the six months ended September 30, 2022.

### *Other Income*

Our other income remained relatively stable at RMB17.5 million and RMB17.3 million for the six months ended September 30, 2021 and 2022.

### *Other Gains, Net*

Our other gains, net decreased from RMB37.7 million for the six months ended September 30, 2021 to RMB19.3 million for the six months ended September 30, 2022, primarily due to the decreases in (i) fair value gains on foreign exchange forward contracts of RMB15.0 million as we redeemed our investment in such foreign exchange forward contracts, and (ii) gains on disposal of subsidiaries of RMB12.4 million in relation to the disposal of our equity interest in Beisen Shengya in September 2021 as part of our business reorganization plan to streamline our business. For details of such disposal, see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Beisen Shengya.”

### *Operating Loss*

As a result of the foregoing, our operating loss amounted to RMB163.5 million for the six months ended September 30, 2022, as compared to that of RMB162.3 million for the six months ended September 30, 2021.

### *Finance Income, Net*

Our finance income, net decreased from RMB2.9 million for the six months ended September 30, 2021 to RMB1.4 million for the six months ended September 30, 2022, primarily due to



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(i) the decrease in interest income from our bank deposits of RMB0.8 million, and (ii) the increase in interest expenses on lease liabilities of RMB0.8 million as we leased additional office space to support our business growth.

### *Fair Value Changes of Redeemable Convertible Preferred Shares*

We recorded fair value changes of redeemable convertible preferred shares of RMB5.0 million for the six months ended September 30, 2022, as compared to that of RMB660.6 million for the six months ended September 30, 2021. The movement in changes in the fair value of redeemable convertible preferred shares resulted from changes in the valuation of our Company.

### *Loss before Income Tax*

As a result of the foregoing, we recorded loss before income tax of RMB820.0 million and RMB167.1 million for the six months ended September 30, 2021 and 2022, respectively.

### *Income Tax (Expense)/Credit*

We recorded income tax credit of RMB4.3 million for the six months ended September 30, 2022, as compared to income tax expenses of RMB0.2 million for the six months ended September 30, 2021.

### *Loss for the Period*

As a result of the foregoing, we recorded loss for the period of RMB820.2 million and RMB162.8 million for the six months ended September 30, 2021 and 2022, respectively.

## **Fiscal Year Ended March 31, 2022 Compared to Fiscal Year Ended March 31, 2021**

### *Revenues*

Our revenues increased by 22.2% from RMB556.3 million for the fiscal year of 2021 to RMB679.6 million for the fiscal year of 2022, primarily driven by the increased revenues generated from subscriptions to our cloud-based HCM solutions.

*Cloud-based HCM solutions.* Revenues generated from subscriptions to our cloud-based HCM solutions increased by 32.8% from RMB349.1 million for the fiscal year of 2021 to RMB463.5 million for the fiscal year of 2022. The increase in revenues was attributable to acquisition of new customers and increased subscription of our cloud-based HCM solutions by existing customers. Our customers of cloud-based HCM solutions increased from over 4,200 as of March 31, 2021 to over 4,700 as of March 31, 2022. We achieved a subscription revenue retention rate of 117% for the fiscal year of 2022. Accordingly, our ARR experienced a growth from RMB444.6 million as of March 31, 2021 to RMB581.8 million as of March 31, 2022.

Our acquisition of new customers and increased subscription by existing customers are both mainly driven by our enhanced product functionality, improved customer experience and increasing brand recognition, in part due to the growing awareness of the benefits of our digital cloud-based solutions during the COVID-19 pandemic. For the impact of the COVID-19 pandemic on our business, results of operations and financial position, see “ – The Impact of and Our Responses to COVID-19.”

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*Professional services.* Professional services revenues increased by 4.3% from RMB207.3 million for the fiscal year of 2021 to RMB216.2 million for the fiscal year of 2022. The increase in our professional services revenues was primarily driven by the growing customers’ demand for our implementation services as we had continued to attract and engage a growing customer base who had increased their usage of our cloud-based HCM solutions. The increase was partially offset by the disposal of Beisen Shengya in September 2021. Excluding inter-company transactions with the rest of the Group, (i) in the fiscal years of 2019, 2020, 2021 and 2022, professional services revenues generated from Beisen Shengya were RMB40.6 million, RMB42.5 million, RMB46.8 million and RMB20.3 million, respectively. Beisen Shengya recorded net losses of RMB3.9 million, RMB5.1 million and RMB1.1 million in the fiscal year of 2020, 2021 and 2022 and net profit of RMB7.3 million, in the fiscal years of 2019, respectively.

### ***Cost of Revenues***

Our cost of revenues increased by 49.5% from RMB186.7 million for the fiscal year of 2021 to RMB279.1 million for the fiscal year of 2022. The increase in our cost of revenues was primarily driven by the increases in (i) employee benefit of RMB76.0 million, attributable primarily to the rising operation and product support staff headcount to support our business expansion, and to a lesser extent, the increased average compensation for our operation and product support staff, and (ii) professional and technical service fees of RMB11.5 million, which was generally in line with our business growth.

### ***Gross Profit and Gross Margin***

As a result of the foregoing, our overall gross profit increased by 8.4% from RMB369.6 million for the fiscal year of 2021 to RMB400.5 million for the fiscal year of 2022. Our overall gross margin decreased from 66.4% for the fiscal year of 2021 to 58.9% for the fiscal year of 2022.

*Cloud-based HCM solutions.* Gross profit for our cloud-based HCM solutions increased from RMB281.4 million for the fiscal year of 2021 to RMB355.2 million for the fiscal year of 2022. Gross margin for our cloud-based HCM solutions decreased from 80.6% for the fiscal year of 2021 to 76.6% for the fiscal year of 2022.

*Professional services.* Gross profit for our professional services decreased from RMB88.2 million for the fiscal year of 2021 to RMB45.4 million for the fiscal year of 2022. Gross margin for our professional services decreased from 42.6% for the fiscal year of 2021 to 21.0% for the fiscal year of 2022.

The decreases in our overall gross margin, gross margin for our cloud-based HCM solutions and gross profit and gross margin for our professional services were primarily because we hired a number of new operation and product support staff in the fiscal year of 2022 to improve customer services and experience and support our continuous business growth, whose work efficiency might not reach an optimum level during the course of orientation and onboarding training. To a lesser extent, it was also because we were no longer able to benefit from the PRC government’s relief policies in response to the COVID-19 pandemic for the fiscal year of 2022 as the COVID-19 pandemic had been under control in China. The decrease in the gross margin for our professional services, particularly, was also attributable to the disposal of Beisen Shengya in September 2021. Beisen Shengya’s career planning services generally have a higher gross margin profile than the remaining professional services.

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### *Selling and Marketing Expenses*

Our selling and marketing expenses increased by 16.4% from RMB284.3 million for the fiscal year of 2021 to RMB331.0 million for the fiscal year of 2022. The increase in our selling and marketing expenses was primarily driven by the increases in (i) employee benefit of RMB37.0 million, attributable primarily to the rising sales and marketing personnel headcount to support our business expansion, and to a lesser extent, the increased average compensation for our sales and marketing personnel, and (ii) marketing expenses of RMB9.4 million, as a result of our enhanced marketing and branding efforts.

### *General and Administrative Expenses*

Our general and administrative expenses increased by 148.6% from RMB83.1 million for the fiscal year of 2021 to RMB206.6 million for the fiscal year of 2022. The increase in our general and administrative expenses was primarily driven by the increases in (i) share-based payments for non-ESOP purposes of RMB53.3 million, primarily representing the difference between the consideration we paid and the respective fair value of the repurchased shares during our Series F financing, (ii) professional and service fees of RMB40.5 million, primarily representing expenses that we incurred in connection with our Series F round financing, and (iii) employee benefits of RMB17.0 million, attributable primarily to the rising general and administrative staff headcount to support our business expansion, and to a lesser extent, the increased average compensation for our general and administrative staff.

### *Research and Development Expenses*

Our research and development expenses increased by 21.6% from RMB212.6 million for the fiscal year of 2021 to RMB258.4 million for the fiscal year of 2022, primarily driven by the increase in employee benefit of RMB41.4 million, attributable primarily to the rising research and development staff headcount to support our business expansion, and to a lesser extent, the increased average compensation for our research and development staff.

### *Net Impairment Losses on Financial Assets and Contract Assets*

Our net impairment losses on financial assets and contract assets remained relatively stable at RMB1,026 thousand and RMB1,024 thousand for the fiscal years of 2021 and 2022, respectively.

### *Other Income*

Our other income increased from RMB26.2 million for the fiscal year of 2021 to RMB34.9 million for the fiscal year of 2022, primarily due to the increase in value added tax refund generally in line with our revenue growth and overall business expansion.

### *Other Gains, Net*

Our other gains, net increased from RMB44.1 million for the fiscal year of 2021 to RMB73.0 million for the fiscal year of 2022, primarily due to the recognitions of (i) fair value gains on foreign exchange forward contracts of RMB14.7 million, and (ii) gains on disposal of subsidiaries of RMB11.9 million in relation to the disposal of our equity interest in Beisen Shengya in September 2021 as part of our business reorganization plan to streamline our business. For details of such disposal, see “History, Reorganization and Corporate Structure – Disposal and Deregistration of Certain Subsidiaries – Beisen Shengya.”

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### *Operating Loss*

As a result of the foregoing, our operating loss amounted to RMB288.6 million for the fiscal year of 2022, as compared to that of RMB141.1 million for the fiscal year of 2021.

### *Finance Income, Net*

Our finance income, net increased from RMB3.0 million for the fiscal year of 2021 to RMB5.2 million for the fiscal year of 2022, primarily due to the increase in interest income from our bank deposits of RMB3.4 million.

### *Fair Value Changes of Redeemable Convertible Preferred Shares*

We recorded fair value changes of redeemable convertible preferred shares of RMB1,638.2 million for the fiscal year of 2022, as compared to that of RMB752.8 million for the fiscal year of 2021. The movement in changes in the fair value of redeemable convertible preferred shares resulted from changes in the valuation of our Company driven by our strong business growth and improved business outlook.

### *Loss before Income Tax*

As a result of the foregoing, we recorded loss before income tax of RMB923.4 million and RMB1,921.6 million for the fiscal years of 2021 and 2022, respectively.

### *Income Tax (Expense)/Credit*

We recorded income tax credit of RMB12.8 million for the fiscal year of 2022, as compared to income tax expenses of RMB16.7 million for the fiscal year of 2021.

### *Loss for the Year*

As a result of the foregoing, we recorded loss for the year of RMB940.1 million and RMB1,908.8 million for the fiscal years of 2021 and 2022, respectively.

## **Fiscal Year Ended March 31, 2021 Compared to Fiscal Year Ended March 31, 2020**

### *Revenues*

Our revenues increased by 21.3% from RMB458.5 million for the fiscal year of 2020 to RMB556.3 million for the fiscal year of 2021, primarily driven by the increased revenues generated from subscriptions to our cloud-based HCM solutions.

*Cloud-based HCM solutions.* Revenues generated from subscriptions to our cloud-based HCM solutions increased by 34.5% from RMB259.4 million for the fiscal year of 2020 to RMB349.1 million for the fiscal year of 2021. The increase in revenues was attributable to acquisition of new customers and increased subscription of our cloud-based HCM solutions by existing customers. Our customers of cloud-based HCM solutions increased from over 3,800 as of March 31, 2020 to over 4,200 as of March 31, 2021. We achieved a subscription revenue retention rate of 113% for the fiscal year of 2021. Accordingly, our ARR experienced a growth from RMB328.3 million as of March 31, 2020 to RMB444.6 million as of March 31, 2021.

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Our acquisition of new customers and increased subscription by existing customers are both mainly driven by our enhanced product functionality, improved customer experience and increasing brand recognition, in part due to the growing awareness of the benefits of our digital cloud-based solutions during the COVID-19 pandemic. For the impact of the COVID-19 pandemic on our business, results of operations and financial position, see “—The Impact of and Our Responses to COVID-19.”

*Professional services.* Professional services revenues increased by 4.1% from RMB199.1 million for the fiscal year of 2020 to RMB207.3 million for the fiscal year of 2021. The increase in our professional services revenues was primarily driven by the growing customers’ demand for our implementation services as we had continued to attract and engage a growing customer base who had increased their usage of our cloud-based HCM solutions. The increase was partially offset by the decrease in revenues generated from Ruizheng HR Management that we disposed of in July 2020.

### ***Cost of Revenues***

Despite our net revenue growth, our cost of revenues remained relatively stable at RMB184.2 million and RMB186.7 million for the fiscal years of 2020 and 2021, respectively, primarily as a result of (i) our efforts to optimize our internal organizational structure and headcount, and to a lesser extent, (ii) the reduction in the amount of social insurance contributions for our operation and product support staff due to the PRC government’s relief policies in response to the COVID-19 pandemic.

### ***Gross Profit and Gross Margin***

As a result of the foregoing, our overall gross profit increased by 34.7% from RMB274.3 million for the fiscal year of 2020 to RMB369.6 million for the fiscal year of 2021. Our overall gross margin increased from 59.8% for the fiscal year of 2020 to 66.4% for the fiscal year of 2021, primarily because (i) we optimized our internal organizational structure and headcount, resulting in our reduced operational costs, and (ii) we benefited from the PRC government’s relief policies in response to the COVID-19 pandemic.

*Cloud-based HCM solutions.* Gross profit for our cloud-based HCM solutions increased from RMB200.9 million for the fiscal year of 2020 to RMB281.4 million for the fiscal year of 2021. Gross margin for our cloud-based HCM solutions remained relatively stable at 77.4% and 80.6% in the fiscal years of 2020 and 2021, respectively.

*Professional services.* Gross profit for our professional services increased from RMB73.5 million for the fiscal year of 2020 to RMB88.2 million for the fiscal year of 2021. Gross margin for our professional services increased from 36.9% for the fiscal year of 2020 to 42.6% for the fiscal year of 2021 for the same reasons as discussed above with respect to our overall gross margin.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses decreased by 3.7% from RMB295.2 million for the fiscal year of 2020 to RMB284.3 million for the fiscal year of 2021. The decrease was primarily due to the decreases in (i) marketing expenses of RMB2.1 million as our sales and marketing activities were temporarily affected by the COVID-19 pandemic in early 2020, (ii) depreciation and amortization of RMB3.5 million, and (iii) traveling and office expenses of RMB4.6 million, as a result of our reduced office space and sales and marketing personnel headcount as part of our efforts to optimize our



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operational processes and sales and marketing efficiency. The decrease was partially offset by an increase in employee benefit, primarily driven by the increased average compensation for our sales and marketing personnel.

### *General and Administrative Expenses*

Our general and administrative expenses decreased by 24.6% from RMB110.2 million for the fiscal year of 2020 to RMB83.1 million for the fiscal year of 2021, attributable primarily to our improved operational processes and efficiency. Specifically, the decrease in our general and administrative expenses was primarily due to the decreases in (i) employee benefit of RMB15.8 million, primarily because after the 2019 Stock Incentive Plan was adopted, we granted a substantial number of share awards on a one-time basis in the fiscal year of 2020 in recognition of past efforts that the relevant administrative staff had made, which resulted in a larger amount of share-based payments expenses being recognized during the same year as compared to the fiscal year of 2021, and (ii) traveling and office expenses of RMB5.3 million as a result of our reduced office space and administrative staff headcount.

### *Research and Development Expenses*

Our research and development expenses remained relatively stable at RMB215.2 million and RMB212.6 million for the fiscal years of 2020 and 2021, respectively. Specifically, our employee benefit decreased from RMB197.3 million for the fiscal year of 2020 to RMB195.9 million for the fiscal year of 2021, attributable primarily to the decreased share-based payments expenses.

### *Net Impairment Losses on Financial Assets and Contract Assets*

We had net impairment losses on financial assets and contract assets of RMB1,026 thousand for the fiscal year of 2021, as compared to that of RMB384 thousand for the fiscal year of 2020, primarily because we increased our accrued impairment losses on our financial assets and contract assets as the size of such assets increased for the fiscal year of 2021.

### *Other Income*

Our other income increased from RMB24.3 million for the fiscal year of 2020 to RMB26.2 million for the fiscal year of 2021, primarily due to the increase of RMB1.3 million refund by the PRC tax authorities of service charges relating to value added tax.

### *Other Gains, Net*

Our other gains, net increased from RMB2.1 million for the fiscal year of 2020 to RMB44.1 million for the fiscal year of 2021, primarily due to the increases in (i) net foreign exchange gains of RMB31.4 million as a result of a stronger Renminbi to U.S. dollars exchange rate, (ii) net fair value gains on financial assets at fair value through profit or loss of RMB9.2 million attributable primarily to changes in the valuation of Beijing Black Mirror, our investee company, and (iii) fair value gains on foreign exchange forward contracts of RMB5.6 million. For more information on Beijing Black Mirror, see “—Discussion of Certain Key Balance Sheet Items—Financial Assets at Fair Value through Profit or Loss.”



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### *Operating Loss*

As a result of the foregoing, our operating loss amounted to RMB141.1 million for the fiscal year of 2021, as compared to that of RMB320.2 million for the fiscal year of 2020.

### *Finance Income, Net*

Our finance income, net decreased from RMB4.7 million for the fiscal year of 2020 to RMB3.0 million for the fiscal year of 2021, primarily due to the decrease in interest income from our bank deposits of RMB2.4 million.

### *Fair Value Changes of Redeemable Convertible Preferred Shares*

We recorded fair value changes of redeemable convertible preferred shares of RMB752.8 million for the fiscal year of 2021, as compared to that of RMB883.4 million for the fiscal year of 2020, primarily due to changes in the valuation of our Company.

### *Loss before Income Tax*

As a result of the foregoing, we recorded loss before income tax of RMB1,252.3 million and RMB923.4 million for the fiscal years of 2020 and 2021, respectively.

### *Income Tax Expenses*

Our income tax expenses increased from RMB14.5 million for the fiscal year of 2020 to RMB16.7 million for the fiscal year of 2021, primarily due to the increases in the taxable income attributable to certain of our controlled entities in the PRC.

### *Loss for the Year*

As a result of the foregoing, we recorded loss for the year of RMB1,266.8 million and RMB940.1 million for the fiscal years of 2020 and 2021, respectively.

## **Fiscal Year Ended March 31, 2020 Compared to Fiscal Year Ended March 31, 2019**

### *Revenues*

Our revenues increased by 19.9% from RMB382.3 million for the fiscal year of 2019 to RMB458.5 million for the fiscal year of 2020.

*Cloud-based HCM solutions.* Revenues generated from subscriptions to our cloud-based HCM solutions increased by 24.1% from RMB209.0 million for the fiscal year of 2019 to RMB259.4 million for the fiscal year of 2020. The increase in revenues was attributable to acquisition of new customers and increased subscription of our cloud-based HCM solutions by existing customers. Our customers of cloud-based HCM solutions increased from approximately 3,300 as of March 31, 2019 to approximately 3,800 as of March 31, 2020. We achieved a subscription revenue retention rate of 105% for the fiscal year of 2020. Our acquisition of new customers and increased subscription by existing customers are both mainly driven by our enhanced product functionality, improved customer experience and increasing brand recognition.

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*Professional services.* Professional services revenues increased by 14.9% from RMB173.3 million for the fiscal year of 2019 to RMB199.1 million for the fiscal year of 2020. The increase in our professional services revenues was primarily driven by the growing customers’ demand for our implementation services and value-added services as we had continued to attract and engage a growing customer base who had increased their usage of our cloud-based HCM solutions.

### ***Cost of Revenues***

Our cost of revenues increased by 22.1% from RMB150.8 million for the fiscal year of 2019 to RMB184.2 million for the fiscal year of 2020. The increase in our cost of revenues was primarily driven by the increases in (i) employee benefit of RMB23.9 million, attributable primarily to the rising operation and product support staff headcount to support our business expansion, and (ii) depreciation and amortization of RMB5.2 million.

### ***Gross Profit and Gross Margin***

As a result of the foregoing, our gross profit increased by 18.5% from RMB231.5 million for the fiscal year of 2019 to RMB274.3 million for the fiscal year of 2020. Our gross margin remained relatively stable at 60.6% and 59.8% for the fiscal years of 2019 and 2020, respectively.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 42.8% from RMB206.8 million for the fiscal year of 2019 to RMB295.2 million for the fiscal year of 2020. The increase in our selling and marketing expenses was primarily driven by the increases in (i) employee benefit of RMB70.8 million, attributable primarily to the rising sales and marketing personnel headcount to support our business expansion, (ii) marketing expenses of RMB4.2 million, as a result of our enhanced marketing and branding efforts and (iii) depreciation and amortization of RMB6.1 million. Our selling and marketing expenses, as percentages of total revenues, increased from 54.1% for the fiscal year of 2019 to 64.5% for the fiscal year of 2020, primarily due to the increased employee benefit as a result of our expanded sales and marketing personnel headcount.

### ***General and Administrative Expenses***

Our general and administrative expenses decreased by 29.2% from RMB155.5 million for the fiscal year of 2019 to RMB110.2 million for the fiscal year of 2020. The decrease was primarily due to the decrease in share-based payments of RMB78.6 million, primarily because we recognized share-based payments for non-ESOP purposes of RMB47.4 million in the fiscal year of 2019 in connection with our Reorganization, which amount was not recorded in the fiscal year of 2020. The decrease was partially offset by an increase in employee benefit of RMB33.7 million, primarily driven by the increased average compensation for our administrative staff.

### ***Research and Development Expenses***

Our research and development expenses increased by 46.9% from RMB146.5 million for the fiscal year of 2019 to RMB215.2 million for the fiscal year of 2020. The increase in our research and development expenses was primarily driven by the increases in employee benefit of RMB65.1 million, attributable primarily to the rising research and development staff headcount to support our business expansion. Accordingly, our research and development expenses, as percentages of total revenues, increased from 38.3% for the fiscal year of 2019 to 46.9% for the fiscal year of 2020.

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### *Net Impairment Losses on Financial Assets and Contract Assets*

We had a net impairment loss on financial assets and contract assets of RMB0.38 million for the fiscal year of 2020, compared to a net reversal of impairment loss of RMB0.12 million for the fiscal year of 2019, primarily because we increased our accrued impairment losses on our financial assets and contract assets as the size of such assets increased for the fiscal year of 2020.

### *Other Income*

Our other income remained relatively stable at RMB23.9 million and RMB24.3 million for the fiscal years of 2019 and 2020, respectively.

### *Other Gains, Net*

Our other gains, net decreased from RMB3.3 million for the fiscal year of 2019 to RMB2.1 million for the fiscal year of 2020, primarily due to the increase in net foreign exchange losses of RMB4.3 million, which was partially offset by the increase in gains on disposal of subsidiaries of RMB3.0 million in relation to the disposal of our equity interest in Ruizheng HR Management.

### *Operating Loss*

As a result of the foregoing, our operating loss amounted to RMB320.2 million for the fiscal year of 2020, as compared to that of RMB250.0 million for the fiscal year of 2019.

### *Finance Income, Net*

Our finance income, net increased from RMB0.4 million for the fiscal year of 2019 to RMB4.7 million for the fiscal year of 2020, primarily due to the increase in interest income from our bank deposits of RMB4.4 million.

### *Fair Value Changes of Redeemable Convertible Preferred Shares*

We recorded losses in changes in fair value of redeemable convertible preferred shares of RMB883.4 million for the fiscal year of 2020, as compared to that of RMB 317.7 million for the fiscal year of 2019. The movement in changes in the fair value of redeemable convertible preferred shares resulted from changes in the valuation of our Company driven by our strong business growth and improved business outlook.

### *Loss before Income Tax*

As a result of the foregoing, we recorded loss before income tax expenses of RMB691.9 million and RMB1,252.3 million for the fiscal years of 2019 and 2020, respectively.

### *Income Tax Credit / Expenses*

We recorded income tax credit of RMB1.7 million for the fiscal year of 2019, as compared to income tax expenses of RMB14.5 million for the fiscal year of 2020, primarily because we recognized certain deductible losses as deferred income tax for the fiscal year of 2019.

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### *Loss for the Year*

As a result of the foregoing, we recorded loss for the year of RMB690.2 million and RMB1,266.8 million for the fiscal years of 2019 and 2020, respectively.

### DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this Document.

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
Total non-current assets	128,670	94,126	84,927	186,064	207,655
Total current assets	596,283	503,499	507,890	1,848,641	1,659,536
<b>Total assets</b>	<b>724,953</b>	<b>597,625</b>	<b>592,817</b>	<b>2,034,705</b>	<b>1,867,191</b>
Total non-current liabilities	1,878,158	2,879,283	32,510	6,672,607	7,454,618
Total current liabilities	386,280	556,723	4,103,589	642,448	610,703
<b>Total liabilities</b>	<b>2,264,438</b>	<b>3,436,006</b>	<b>4,136,099</b>	<b>7,315,055</b>	<b>8,065,321</b>
<b>Total deficits</b>	<b>(1,539,485)</b>	<b>(2,838,381)</b>	<b>(3,543,282)</b>	<b>(5,280,350)</b>	<b>(6,198,130)</b>
<b>Total deficits and liabilities</b>	<b>724,953</b>	<b>597,625</b>	<b>592,817</b>	<b>2,034,705</b>	<b>1,867,191</b>

We recorded net liabilities throughout the Track Record Period, attributable primarily to the warrants and/or redeemable convertible preferred shares issued in connection with our [REDACTED] Investments. The warrant liability had been derecognized in June 2020, and the redeemable convertible preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. As a result, upon the completing of the [REDACTED], our redeemable convertible preferred shares will be re-designated from financial liabilities to equity such that our current net liabilities position is expected to change to a net assets position. Our net liabilities increased from RMB1,539.5 million as of March 31, 2019 to RMB2,838.4 million as of March 31, 2020 attributable primarily to loss for the year of RMB1,266.8 million. Our net liabilities increased from RMB2,838.4 million as of March 31, 2020 to RMB3,543.3 million as of March 31, 2021 attributable primarily to loss for the year of RMB940.1 million, as offset by currency translation differences of RMB202.4 million and share-based payments of RMB33.5 million. Our net liabilities further increased from RMB3,543.3 million as of March 31, 2021 to RMB5,280.4 million as of March 31, 2022 attributable primarily to loss for the year of RMB1,908.8 million, as offset by currency translation differences of RMB130.6 million and share-based payments of RMB53.6 million. Our net liabilities subsequently increased from RMB5,280.4 million as of March 31, 2022 to RMB6,198.1 million as of September 30, 2022 attributable primarily to loss for period of RMB162.8 million, currency translation differences of RMB756.3 million and fair value changes of redeemable preferred shares due to own credit risk of RMB4.3 million. For further details, see the consolidated statements of changes in deficits set out in the Accountant’s Report included in Appendix I to this Document.

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

	As of March 31,				As of	As of
	2019	2020	2021	2022	September 30, 2022	January 31, 2023
	(RMB in thousands)					
<b>Current assets</b>						
Assets classified as held for sale . . . . .	—	2,700	—	—	—	—
Contract acquisition costs . . . . .	8,942	12,610	17,254	22,064	16,757	18,481
Contract assets . . . . .	1,319	3,303	1,332	2,713	2,657	4,473
Trade receivables . . . . .	11,169	12,327	13,355	22,174	26,588	29,755
Other receivables and prepayments . . .	17,161	11,520	18,851	24,716	29,260	28,355
Derivative financial instruments . . . . .	—	—	527	—	—	—
Financial assets at fair value through profit or loss . . . . .	10,800	176,868	125,293	1,297,642	1,303,640	1,154,786
Term deposits . . . . .	289,541	92,106	105,141	190,446	201,634	182,531
Restricted cash . . . . .	—	728	11,063	180	81	213
Cash and cash equivalents . . . . .	257,351	191,337	215,074	288,706	78,919	157,934
<b>Total current assets</b> . . . . .	<b>596,283</b>	<b>503,499</b>	<b>507,890</b>	<b>1,848,641</b>	<b>1,659,536</b>	<b>1,576,528</b>
<b>Current liabilities</b>						
Redeemable convertible preferred shares . . . . .	—	—	3,558,177	—	—	—
Warrant liability . . . . .	57,112	114,576	—	—	—	—
Trade payables . . . . .	1,879	2,663	1,172	4,703	9,709	6,894
Other payables and accruals . . . . .	147,832	203,917	171,476	202,210	175,345	186,599
Contract liabilities . . . . .	150,220	214,348	349,527	398,407	390,395	387,135
Lease liabilities . . . . .	29,237	21,219	23,237	37,128	35,254	31,536
<b>Total current liabilities</b> . . . . .	<b>386,280</b>	<b>556,723</b>	<b>4,103,589</b>	<b>642,448</b>	<b>610,703</b>	<b>612,164</b>
<b>Net current assets / (liabilities)</b> . . . . .	<b>210,003</b>	<b>(53,224)</b>	<b>(3,595,699)</b>	<b>1,206,193</b>	<b>1,048,833</b>	<b>964,364</b>

We recorded net current liabilities of RMB53.2 million and RMB3,595.7 million as of March 31, 2020 and 2021, respectively. Our net current liabilities position as of each of these dates was mainly due to the warrants and/or redeemable convertible preferred shares in connection with our [REDACTED] Investments. The foregoing redeemable convertible preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED]. See also “Risk Factors—Risks Relating to Our Business and Industry—We recorded net liabilities and net current liabilities during the Track Record Period.”

We recorded net current assets of RMB964.4 million as of January 31, 2023, as compared to RMB1,048.8 million as of September 30, 2022, primarily due to the decrease in financial assets at fair value through profit or loss of RMB148.9 million. The decrease in net current assets was partially offset by an increase in cash and cash equivalents of RMB79.0 million.

We recorded net current assets of RMB1,048.8 million as of September 30, 2022, as compared to net current assets of RMB1,206.2 million as of March 31, 2022, primarily due to the decrease in cash and cash equivalents of RMB209.8 million as we continue to invest in our business expansion. The decrease in net current assets was partially offset by a decrease in other payables and accruals of RMB26.9 million, in relation to the decrease in salary and welfare payable as we settled employees’ annual bonuses over the period.

We recorded net current assets of RMB1,206.2 million as of March 31, 2022, as compared to net current liabilities of RMB3,595.7 million as of March 31, 2021, primarily due to (i) redeemable

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convertible preferred shares of RMB3,558.2 million being re-classified as non-current liabilities due to the extension of their earliest redemption date in April 2021, (ii) the increase in financial assets at fair value through profit or loss of RMB1,172.3 million, attributable to the increase in our structured deposits, and (iii) the increase in term deposits of RMB85.3 million.

We recorded net current liabilities of RMB3,595.7 million as of March 31, 2021, as compared to net current liabilities of RMB53.2 million as of March 31, 2020, primarily due to (i) the recognition of redeemable convertible preferred shares of RMB3,558.2 million, and (ii) the increase in contract liabilities of RMB135.2 million. The increase in net current liabilities was partially offset by a decrease in warrant liability of RMB114.6 million.

We recorded net current liabilities of RMB53.2 million as of March 31, 2020, as compared to net current assets of RMB210.0 million as of March 31, 2019, primarily due to (i) the decrease in term deposits of RMB197.4 million, (ii) the increase in contract liabilities of RMB64.1 million, (iii) the increase in warrant liability of RMB57.5 million, and (iv) the increase in other payables and accruals of RMB56.1 million. The increase in net current liabilities was partially offset by an increase in financial assets at fair value through profit or loss of RMB166.1 million.

### Cash and Cash Equivalents

During the Track Record Period, we had cash and cash equivalents of RMB257.4 million, RMB191.3 million, RMB215.1 million, RMB288.7 million and RMB78.9 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. For a detailed analysis of our cash flow during the Track Record Period, see “—Liquidity and Capital Resources—Cash Flow Analysis.”

### Financial Assets at Fair Value through Profit or Loss

During the Track Record Period, our financial assets at fair value through profit or loss consisted primarily of our investment in certain structured deposits and wealth management products issued by major and reputable commercial banks in the PRC, and equity investment in Beijing Black Mirror and Beisen Shengya.

Beijing Black Mirror, an OKR and performance management service provider in China, was founded by Mr. Zhang, former director and chief technology officer of our Onshore Holdco. Beijing Black Mirror is focused on the provision of OKR software and related services and has developed proprietary technologies for developing OKR software for HCM purposes. OKR software are dedicated tools for setting, communicating, tracking, and measuring goals and results within organizations. One of the most prominent use cases of OKR software is HCM where they are deployed to track teams’ and individuals’ progress towards pre-determined tasks as well as an organization’s progress towards its broad objectives. We believe our investment in Beijing Black Mirror builds a mutually relationship with Beijing Black Mirror where we may leverage its experience, expertise and technology capabilities to incorporate more OKR components into our cloud-based HCM solutions to better serve customers and tap into our target markets. As of the Latest Practicable Date, our Onshore Holdco held approximately 10.2% equity interest in Beijing Black Mirror. In addition, Mr. Ji Weiguo, our executive Director and chief executive officer, is a limited partner with less than 5% interest of a limited partnership that holds approximately 51.7% equity interest in Beijing Black Mirror. For further information on Beijing Black Mirror, see “History, Reorganization and Corporate Structure—Disposal and Deregistration of Certain Subsidiaries—Sen Yun Technology.”



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The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
<b>Current assets</b>					
Structured deposit . . . . .	—	170,085	122,280	1,297,642	1,303,640
Wealth management product . . . . .	10,800	6,783	3,013	—	—
<b>Non-current assets</b>					
Unlisted equity investment . . . . .	3,870	5,083	15,314	23,294	25,451
<b>Total</b> . . . . .	<b>14,670</b>	<b>181,951</b>	<b>140,607</b>	<b>1,320,936</b>	<b>1,329,091</b>

During the Track Record Period, we invested primarily in structured products with low risk profiles that typically have a term ranging from one to six months. In addition, we also made investment in wealth management products with the underlying assets being primarily investments in various types of assets that meet regulatory requirements and have high liquidity and market credit rating, including bonds, inter-bank deposits, bond funds and other money market instruments. To monitor and control the investment risks associated with our structured deposits and wealth management product portfolio, we have established a set of internal risk management policies and guidelines. Steered by Ms. Liu Xianna, our chief financial officer, our finance department is responsible for overseeing our investment portfolio. Ms. Liu has been supervising our investment activities since she joined our Group and was highly involved in our historical investments. For relevant experience, qualifications and expertise of Ms. Liu, see “Director and Senior Management—Directors—Executive Directors.” Our investment strategy related to structured deposits and wealth management product portfolio focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We primarily invest in structured deposits and wealth management products issued by major commercial banks in China with relatively low risks for a short- to mid-term of no more than one year. We make investment decisions related to structured deposits and wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Our finance department proposes, analyzes and evaluates potential investment in structured deposits and wealth management products based on recommendations of our relationship and account managers at reputable banks in China. Prior to making any material investment or modifying our existing investment portfolio, the proposal shall be approved by our Board.

Additionally, we have been, and may continue prudently evaluating and considering a wide array of potential strategic investments in emerging businesses in China’s HCM market to diversify our product offerings, improve our technological capabilities, and broaden our customer base. Supervised by Ms. Liu, our investor relations department is responsible for identifying, reviewing and pursuing strategic investments that are complementary to our growth strategies. Prior to making any investment decision, our investor relations department will thoroughly assess any potential investments based on multiple criteria, including the detailed information about the potential investees, before the proposal is provided to our Directors or shareholders for approval. We closely monitor the operational and financial performance of our acquired business and investees. From time to time, we may also

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decide to dispose of certain or all of our equity interests in our investee companies to achieve financial returns or to align with our business focus. Our internal procedures for exit decisions are substantially similar to the procedures for investment decisions.

Our investments in these assets after the [REDACTED] will be subject to the compliance with relevant laws, regulations and rules, including Chapter 14 of, and other applicable rules under the Listing Rules.

Our financial assets at fair value through profit or loss amounted to RMB14.7 million, RMB182.0 million, RMB140.6 million, RMB1,320.9 million and RMB1,329.1 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. The movement in the amount of our financial assets at fair value through profit or loss during the Track Record Period was attributable primarily to the increase or decrease in our structured deposits. Our investment in structured deposit increased significantly from RMB122.3 million as of March 31, 2021 to RMB1,297.6 million as of March 31, 2022, mainly because we received the proceeds from our Series F financing round.

### Trade Receivables

Trade receivables represent outstanding amounts due from customers for our solutions and services that we performed in the ordinary course of business. A trade receivable is recorded when we have an unconditional right to consideration and upon invoicing the customer based on the payment schedule provided in the relevant agreements. Our trade receivables are generally due for settlement within one year and therefore are all classified as current assets.

Our trade receivables amounted to RMB11.2 million, RMB12.3 million, RMB13.4 million, RMB22.2 million and RMB26.6 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022. The increase in our trade receivables throughout the Track Record Period was attributable primarily to the growing customers’ demand for our solutions and services as we had continued to attract and engage a growing customer base who had increased their usage of our cloud-based HCM solutions. This was also generally in line with our overall business growth over the periods.

Below sets forth an aging analysis of trade receivables based on date of recognition.

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
<b>Aging</b>					
Up to 6 months . . . . .	10,586	10,459	12,326	18,565	22,422
6 months to 1 year . . . . .	468	1,460	1,235	3,064	4,297
1 to 2 years . . . . .	317	655	317	1,269	2,897
Over 2 years . . . . .	55	2	—	134	385
	<b>11,426</b>	<b>12,576</b>	<b>13,878</b>	<b>23,032</b>	<b>30,001</b>
Less: allowance for impairment of trade receivables . . . . .	(257)	(249)	(523)	(858)	(3,413)
	<b>11,169</b>	<b>12,327</b>	<b>13,355</b>	<b>22,174</b>	<b>26,588</b>

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

	For the year ended March 31,				For the six months ended September 30,
	2019	2020	2021	2022	2022
Trade receivables turnover days <sup>(1)</sup> .....	12.4	9.6	8.7	9.9	13.8

*Note:*

(1) Trade receivables turnover days are based on the average balance of trade receivables divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The numbers of days for the fiscal years ended March 31 and the six months ended September 30 are 365 days and 183 days, respectively.

Our trade receivables turnover days remained relatively stable at 12.4 days, 9.6 days, 8.7 days, 9.9 days and 13.8 days for the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

As of the Latest Practicable Date, RMB11.1 million, or 37.1% of our trade receivables outstanding as of September 30, 2022 had been subsequently collected.

We will continue to strengthen our management in trade receivables and improve the collection rate in the future, and our Directors are of the view that sufficient provision has been made to trade receivables and the risk of not being able to recover the remaining trade receivables is relatively low based on our evaluation of the historical credit standing and the credit records of these customers as most of our trade receivables are due from reputable large-scale enterprises. For further information about our accounting for trade receivables and description of our impairment policies, please refer to Note 3.1(b) to the Accountant’s Report included in Appendix I to this Document.

### Contract Assets

Contract assets represent our rights to receive consideration for obligations partially performed and not yet billed under subscription agreements with customers because such rights are conditional upon our future performance of our remaining obligations under such agreements, such as provision of implementation services. Our contract assets amounted to RMB1.3 million, RMB3.3 million, RMB1.3 million, RMB2.7 million and RMB2.7 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively.

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

	For the year ended March 31,				For the six months ended September 30,
	2019	2020	2021	2022	2022
Contract assets turnover days <sup>(1)</sup> .....	1.1	1.9	1.5	1.1	1.4

*Note:*

(1) Contract assets turnover days are based on the average balance of contract assets divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The numbers of days for the fiscal years ended March 31 and the six months ended September 30 are 365 days and 183 days, respectively.

Our contract assets turnover days were 1.1 days, 1.9 days, 1.5 days, 1.1 days and 1.4 days for the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

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As of the Latest Practicable Date, RMB1.3 million, or 46.4% of our contract assets as of September 30, 2022 had been subsequently settled.

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

	For the year ended March 31,				For the six months ended September 30,
	2019	2020	2021	2022	2022
	Trade receivables and contract asset turnover days <sup>(1)</sup> . . . . .	13.5	11.4	10.2	11.0

*Note:*

(1) Trade receivables and contract asset turnover days are based on the average balance of trade receivables and contract assets divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The numbers of days for the fiscal years ended March 31 and the six months ended September 30 are 365 days and 183 days, respectively.

Our trade receivables and contract assets turnover days remained relatively stable at 13.5 days, 11.4 days, 10.2 days, 11.0 days and 15.2 days for the fiscal years of 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, respectively.

### Contract Acquisition Costs

Our contract acquisition costs relate to the sales commissions payable by us to our sales personnel for sales of our cloud-based HCM solutions to customers, which are initially capitalized as assets upon the customers’ payment of the subscription fees and are subsequently recognized as selling and marketing expenses over an estimated period of benefit. During the Track Record Period, the sales commissions offered by us to our sales personnel typically ranged from zero to 20% of the contract value, depending primarily on the sales personnel’s performance. Contract acquisition costs are classified as current assets if they are expected to be paid within one year or less. Otherwise they are presented as non-current assets. The following table sets forth a breakdown of our contract acquisition costs as of the dates indicated.

	As of March 31,				As of September 30,
	2019	2020	2021	2022	2022
	(RMB in thousands)				
Current portion . . . . .	8,942	12,610	17,254	22,064	16,757
Non-current portion . . . . .	9,033	10,240	15,910	19,095	26,261
<b>Total</b> . . . . .	<b>17,975</b>	<b>22,850</b>	<b>33,164</b>	<b>41,159</b>	<b>43,018</b>

Our contract acquisition costs amounted to RMB18.0 million, RMB22.9 million, RMB33.2 million, RMB41.2 million and RMB43.0 million as of March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022. The increase in our contract acquisition costs over time was primarily due to the rising product sales, which resulted from the growing customer acceptance of our cloud-based HCM solutions as we have continued to improve product functionality and customer experience and enhance brand awareness. The increase was also in line with the overall growth of our business during the Track Record Period.

As of the Latest Practicable Date, RMB7.8 million, or 18.1% of our contract acquisition costs as of September 30, 2022 had been subsequently recognized as selling and marketing expenses.

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### Other Receivables and Prepayments

The following table sets forth our other receivables and prepayments as of the dates indicated.

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
<b>Non-current:</b>					
Rental and other deposits .....	9,285	7,791	8,001	10,319	11,037
Prepayment for property, plant and equipment .....	651	—	996	4,897	357
Loan to employee .....	3,000	2,237	1,400	600	200
<b>Subtotal</b> .....	<b>12,936</b>	<b>10,028</b>	<b>10,397</b>	<b>15,816</b>	<b>11,594</b>
<b>Current:</b>					
Rental and other deposits .....	1,944	3,948	3,201	7,343	4,144
Prepaid services and goods .....	2,373	2,613	9,914	5,162	8,228
Deferred [REDACTED] .....	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tax refunds receivable .....	6,075	486	1,694	2,968	2,809
Input tax to be certified and VAT allowance .....	848	1,279	630	2,419	2,617
Prepaid rent and property management fee ...	1,065	913	1,493	1,067	1,950
Receivable from disposal of a subsidiary .....	—	—	—	—	1,216
Loan to employee and petty cash .....	2,086	1,292	1,165	852	867
Interest receivable .....	1,650	314	107	55	469
Others .....	1,385	839	811	961	1,002
<b>Subtotal</b> .....	<b>17,426</b>	<b>11,684</b>	<b>19,015</b>	<b>25,538</b>	<b>29,488</b>
<b>Total</b> .....	<b>30,362</b>	<b>21,712</b>	<b>29,412</b>	<b>41,354</b>	<b>41,082</b>
Less: allowance for impairment of other receivables .....	(265)	(164)	(164)	(822)	(228)
<b>Net book amount</b> .....	<b>30,097</b>	<b>21,548</b>	<b>29,248</b>	<b>40,532</b>	<b>40,854</b>

The current portion of our other receivables and prepayments consists primarily of (i) rental and other deposits, (ii) prepaid services and goods, (iii) deferred [REDACTED], (iv) tax refunds receivable, (v) input tax to be certified and VAT allowance, (vi) prepaid rent and property management fee, (vii) receivable from disposal of equity investment in Beisen Shengya, (viii) loan to employee and petty cash, (ix) interest receivables, and (x) others.

The current portion of our other receivables and prepayments decreased from RMB17.4 million as of March 31, 2019 to RMB11.7 million as of March 31, 2020, primarily due to the decreased tax refunds receivable as a result of the shortened tax refund cycle driven by the tax authorities’ streamlined process. The current portion of our other receivables and prepayments increased from RMB11.7 million as of March 31, 2020 to RMB19.0 million as of March 31, 2021, primarily due to the increased prepaid services and goods driven by our enhanced marketing and research and development efforts, which was generally in line with our overall business growth. The current portion of our other receivables and prepayments increased from RMB19.0 million as of March 31, 2021 to RMB25.5 million as of March 31, 2022, primarily attributable to the recognition of deferred [REDACTED] in connection with the [REDACTED] and the [REDACTED] of RMB[REDACTED] and the increase in rental and other deposits of RMB4.1 million driven by our business growth. The current portion of our other receivables and prepayments increased from RMB25.5 million as of March 31, 2022 to RMB29.5 million as of September 30, 2022, primarily attributable to the increases in (i) prepaid services and goods of RMB3.1 million driven by our enhanced marketing and research and development efforts, which was generally in line with our overall business growth, (ii) deferred [REDACTED]

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[REDACTED] of RMB[REDACTED] in connection with the [REDACTED] and the [REDACTED], and (iii) receivable from disposal of equity investment in Beisen Shengya of RMB1.2 million.

The non-current portion of our other receivables and prepayments consists primarily of (i) rental and other deposits, (ii) prepayment for property, plant and equipment, and (iii) loan to employee relating to our employees.

The non-current portion of our other receivables and prepayments decreased from RMB12.9 million as of March 31, 2019 to RMB10.0 million as of March 31, 2020, attributable mainly to the decreased rental and other deposits which, in turn, was mainly due to rental deposits for certain leases being re-classified as current assets as their remaining terms were less than one year. The non-current portion of our other receivables and prepayments remained relatively stable at RMB10.4 million as of March 31, 2021, as compared to RMB10.0 million as of March 31, 2020. The non-current portion of our other receivables and prepayments increased from RMB10.4 million as of March 31, 2021 to RMB15.8 million as of March 31, 2022, attributable primarily to the increased prepayment for property, plant and equipment and long-term rental deposits as a result of our expanded leased office space. The non-current portion of our other receivables and prepayments decreased from RMB15.8 million as of March 31, 2022 to RMB11.6 million as of September 30, 2022, attributable primarily to the decrease in prepayment for property, plant and equipment of RMB4.5 million.

As of the Latest Practicable Date, RMB16.5 million, or 40.2% of our prepayment and other receivables outstanding as of September 30, 2022 had been subsequently settled.

### Property, Plant and Equipment

Our property and equipment consists primarily of electronic equipment, leasehold improvement and furniture, fittings and equipment. The following table sets forth a breakdown of our property and equipment as of the dates indicated:

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
Electronic equipment . . . . .	20,912	29,316	35,199	54,936	74,394
Leasehold improvement . . . . .	14,975	19,775	20,008	30,050	43,289
Furniture and office equipment . . . . .	4,594	5,453	5,096	4,804	4,999
Less: Accumulated depreciation . . . . .	(20,561)	(33,814)	(44,535)	(55,000)	(65,537)
<b>Total</b> . . . . .	<b><u>19,920</u></b>	<b><u>20,730</u></b>	<b><u>15,768</u></b>	<b><u>34,790</u></b>	<b><u>57,145</u></b>

The gross book value of our property and equipment amounted to RMB40.5 million, RMB54.5 million, RMB60.3 million, RMB89.8 million and RMB122.7 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. The increase in the gross book value of our property and equipment over time was primarily due to the acquisition of electronic equipment and addition of leasehold improvement to support our continuous business growth.

Accumulated depreciation with respect to our property and equipment was RMB20.6 million, RMB33.8 million, RMB44.5 million, RMB55.0 million and RMB65.5 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. The increase in accumulated depreciation over time was generally in line with the increase in the gross book value of our property and equipment.



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### Right-of-Use Assets

Our right-of-use assets relate primarily to the leases of our office space. We recorded right-of-use assets of RMB50.9 million, RMB30.3 million, RMB26.6 million, RMB78.4 million and RMB68.3 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. The movement in the amount of our right-of-use assets throughout the Track Record Period was primarily because we adjusted our leased office space from time to time, catering to the changing size of our workforce and our evolving business needs.

### Trade Payables

Our trade payables represent unpaid liabilities for products and services provided to us by our suppliers, which were primarily cloud computing and server custody services during the Track Record Period, prior to the end of each fiscal year or period. Trade payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

Our trade payables amounted to RMB1.9 million, RMB2.7 million, RMB1.2 million, RMB4.7 million and RMB9.7 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. The movement in the amount of our trade payables during the Track Record Period was primarily because we settled our payment with the suppliers from time to time based on the schedule as provided in the supply agreements.

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

	For the year ended March 31,				For the six months ended September 30,
	2019	2020	2021	2022	2022
Trade payables turnover days <sup>(1)</sup> .....	3.5	4.5	3.8	3.8	8.2

*Note:*

(1) Trade payables turnover days are based on the average balance of trade payables divided by cost of revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The numbers of days for the fiscal years ended March 31 and the six months ended September 30 are 365 days and 183 days, respectively.

The following table sets forth the aging analysis of our trade payables as of the dates indicated.

	As of March 31,				As of September 30,
	2019	2020	2021	2022	2022
	(RMB in thousands)				
Up to 6 months .....	1,837	2,648	1,172	4,703	9,709
6 months to 1 year .....	12	5	—	—	—
1 to 2 years .....	30	10	—	—	—
	<u>1,879</u>	<u>2,663</u>	<u>1,172</u>	<u>4,703</u>	<u>9,709</u>

As of the Latest Practicable Date, RMB9.7 million, or 100.0% of our trade payables outstanding as of September 30, 2022 had been subsequently settled.

### Other Payables and Accruals

Other payables and accruals consist primarily of (i) payable for share repurchase, representing the Onshore Holdco’s obligation to pay one of its investors an amount equal to the exercise price of the

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warrant issued by us to the investor as part of the Reorganization to acquire our Preferred Shares, as detailed in “—Warrant Liability” below, (ii) salary and welfare payable, representing salary and benefits payable to our employees and social insurance and housing provident fund contributions to be made for our employees, (iii) accrued for other taxes, (iv) accrued service and goods, (v) accrued [REDACTED], (vi) accrued staff reimbursement, and (vii) others.

The following table sets forth our other payables and accruals as of the dates indicated.

	As of March 31,				As of
	2019	2020	2021	2022	September 30, 2022
	(RMB in thousands)				
Payable for share repurchase . . . . .	100,000	100,000	—	—	—
Salary and welfare payable . . . . .	32,348	76,613	134,267	149,226	129,956
Accrued for other taxes . . . . .	9,233	18,078	31,268	42,493	35,771
Accrued service and goods . . . . .	4,633	5,848	1,363	4,888	3,623
Accrued [REDACTED] . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued staff reimbursement . . . . .	1,032	1,827	2,606	2,450	628
Others . . . . .	586	1,551	1,972	497	653
<b>Total</b> . . . . .	<b>147,832</b>	<b>203,917</b>	<b>171,476</b>	<b>202,210</b>	<b>175,345</b>

Our other payables and accruals increased from RMB147.8 million as of March 31, 2019 to RMB203.9 million as of March 31, 2020, primarily due to the increased salary and welfare payable as a result of our expanded headcount. Our other payables and accruals decreased from RMB203.9 million as of March 31, 2020 to RMB171.5 million as of March 31, 2021, primarily due to the decreased payable for share repurchase as we settled the payment with the investor in June 2020 after the investor exercised its warrant in full to acquire our Preferred Shares. Our other payables and accruals increased from RMB171.5 million as of March 31, 2021 to RMB202.2 million as of March 31, 2022, primarily due to an RMB15.0 million increase in salary and welfare payable, and an RMB11.2 million increase in accrued for other taxes, both of which were attributable primarily to the expanded employee headcount. Our other payables and accruals decreased from RMB202.2 million as of March 31, 2022 to RMB175.3 million as of September 30, 2022, primarily due to an RMB19.3 million decrease in salary and welfare payable as we settled employees’ annual bonuses over the period.

### Contract Liabilities

As we typically charge customers upfront for our cloud-based HCM solutions and professional services they purchase, our contract liabilities primarily represent payments received in advance of revenue recognition in relation to customers’ subscriptions to our cloud-based HCM solutions and purchases of our professional services. Our contract liabilities are recognized as revenues upon transfer of control to our customers of the promised HCM solutions and services, and the recognition of contract liabilities does not involve any cash outflow.

Our contract liabilities increased from RMB210.7 million as of March 31, 2019 to RMB286.0 million as of March 31, 2020, and RMB381.1 million as of March 31, 2021, and further to RMB420.7 million as of March 31, 2022. The increase of our contract liabilities over these three fiscal years was generally in line with our overall business expansion during these periods. Our contract liabilities decreased from RMB420.7 million as of March 31, 2022 to RMB409.2 million as of September 30, 2022, mainly due to revenue recognition.

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As of February 28, 2023, RMB200.3 million, or 48.9% of our contract liabilities as of September 30, 2022 had been subsequently recognized as revenues.

### Lease Liabilities

Our lease liabilities represent the present value of outstanding lease payments under our lease agreements.

The following table sets forth our lease liabilities as of the dates indicated:

	As of March 31,				As of September 30,	As of January 31,
	2019	2020	2021	2022	2022	2023
	(RMB in thousands)					
Current .....	29,237	21,219	23,237	37,128	35,254	31,536
Non-current .....	20,256	7,129	962	39,399	32,350	23,912
	<u>49,493</u>	<u>28,348</u>	<u>24,199</u>	<u>76,527</u>	<u>67,604</u>	<u>55,448</u>

The carrying amount of our lease liabilities decreased from RMB49.5 million as of March 31, 2019 to RMB28.3 million as of March 31, 2020 and RMB24.2 million as of March 31, 2021, and further to RMB76.5 million as of March 31, 2022, primarily due to the lease payments that we had made over the periods. The carrying amount of our lease liabilities amounted to RMB67.6 million and RMB55.4 million as of September 30, 2022 and January 31, 2023, respectively.

### Redeemable Convertible Preferred Shares

Our redeemable convertible preferred shares primarily represent the equity investment made by certain [REDACTED] Investors as such [REDACTED] investors were granted the right to require our Company to redeem all or a portion of the [REDACTED] Preferred Shares they held if the [REDACTED] is not consummated within a certain period. As of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, we recorded redeemable convertible preferred shares of RMB1,797.4 million, RMB2,800.5 million, RMB3,558.2 million, RMB6,610.9 million and RMB7,403.5 million, respectively. Upon [REDACTED] and the conversion of such redeemable convertible preferred shares into our Shares, such liability will be derecognized and accounted for as an increase in share capital and share premium.

For details, see “History, Reorganization and Corporate Structure – [REDACTED] Investments,” and Note 31 to the Accountant’s Report in Appendix I to this Document.

### Warrant Liability

As part of the Reorganization, we issued warrants to certain existing investors of our Group, which permit such investors to acquire our Preferred Shares. Our warrant liability amounted to RMB57.1 million, RMB114.6 million, nil, nil and nil as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively. We recorded warrant liability as of March 31, 2020 in relation to the warrants held by Beis Investment (BVI) Ltd., one of such existing investors. Our warrant liability had vanished as of March 31, 2021 after Beis Investment (BVI) Ltd. had exercised its warrants in full to acquire our Preferred Shares. Warrants issued to all other investors were exercised shortly after issuance so no warrant liability was recorded with respect to the warrants held by these investors during the Track Record Period. For details, see Note 32 to the Accountant’s Report in Appendix I to this Document.

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### LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations and shareholder equity contributions. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, the net [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. We had cash and cash equivalents of RMB257.4 million, RMB191.3 million, RMB215.1 million, RMB288.7 million and RMB78.9 million as of March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, respectively.

#### Cash Flow Analysis

The following table sets forth our cash flows for the periods indicated:

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	(RMB in thousands)				(Unaudited)	
Operating cash flows before movements in working capital . . . . .	(141,723)	(188,230)	(110,872)	(206,757)	(96,989)	(146,544)
Change in working capital . . . . .	60,570	116,639	146,127	45,506	(40,636)	(40,544)
Interest received . . . . .	779	8,157	4,620	7,863	1,623	2,800
Interest paid . . . . .	(1,992)	(2,094)	(1,378)	(2,628)	(1,102)	(1,856)
Income tax paid . . . . .	(1,008)	—	—	(22)	—	—
Net cash (outflow) / inflow from operating activities . . . . .	(83,374)	(65,528)	38,497	(156,038)	(137,104)	(186,144)
Net cash (outflow) / inflow from investing activities . . . . .	(231,304)	29,432	21,912	(1,272,675)	(830,914)	(9,033)
Net cash inflow / (outflow) from financing activities . . . . .	479,010	(33,555)	(29,165)	1,514,726	1,539,777	(19,260)
<b>Net (decrease) / increase in cash and cash equivalents . . . . .</b>	<b>164,332</b>	<b>(69,651)</b>	<b>31,244</b>	<b>86,013</b>	<b>571,759</b>	<b>(214,437)</b>
Cash and cash equivalents at the beginning of the fiscal year/period . . . . .	106,604	257,351	191,337	215,074	215,074	288,706
Effects of exchange rate changes on cash and cash equivalents . . . . .	(13,585)	3,637	(7,507)	(12,381)	(26,818)	4,650
<b>Cash and cash equivalent at end of the year/period . . . . .</b>	<b>257,351</b>	<b>191,337</b>	<b>215,074</b>	<b>288,706</b>	<b>760,015</b>	<b>78,919</b>

#### *Net Cash (Outflow) / Inflow from Operating Activities*

We recorded net cash outflow from operating activities of RMB83.4 million, RMB65.5 million, RMB156.0 million and RMB186.1 million for the fiscal years ended March 31, 2019, 2020 and 2022 and the six months ended September 30, 2022, respectively, which were attributable primarily to our operating loss for the same periods. We briefly recorded net cash inflow from operating activities of RMB38.5 million for the fiscal year ended March 31, 2021. This was primarily due to our narrowed operating loss during the same year as a result of (i) our efforts to optimize our internal organizational structure and headcount, and to a lesser extent, (ii) the reduction in the amount of social insurance contributions for our operation and product support staff due to the PRC government’s relief policies in

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response to the COVID-19 pandemic. Since we operate a subscription-based SaaS business model, we have invested heavily in customer acquisition and engagement and product development and innovations to drive market acceptance of our solutions and rapidly ramp up our business presence. While these investments typically would not translate into immediate financial returns and have in part contributed to our historical operating loss positions, we believe that they are indispensable to achieving our current scale and market leadership, as well as long-term path to profitability.

Net cash outflow from operating activities for the six months ended September 30, 2022 was RMB186.1 million, which consisted primarily of loss before income tax expenses of RMB167.1 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include net fair value gains on financial assets measured at fair value through profit or loss of RMB21.2 million, depreciation of right-of-use assets of RMB20.3 million and depreciation and amortization of RMB11.1 million. The amount was further adjusted by changes in working capital, primarily including (i) decrease in salary and welfare payable of RMB19.1 million as we settled employees’ annual bonuses, and (ii) decrease in contract liabilities of RMB11.5 million, mainly due to revenue recognition.

Net cash outflow from operating activities for the fiscal year ended March 31, 2022 was RMB156.0 million, which consisted primarily of loss before income tax expenses of RMB1,921.6 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include changes in fair value of redeemable convertible preferred shares of RMB1,638.2 million, and share-based payments expenses of RMB107.0 million. The amount was further adjusted by changes in working capital, primarily including increase in contract liabilities of RMB54.6 million, which was generally in line with our overall business expansion.

Net cash inflow from operating activities for the fiscal year of 2021 was RMB38.5 million, which consisted primarily of loss before income tax expenses of RMB923.4 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include changes in fair value of convertible redeemable preferred shares of RMB752.8 million, share-based payments expenses of RMB33.5 million, and depreciation of right-of-use assets of RMB28.8 million. The amount was further adjusted by changes in working capital, primarily including (a) increase in contract liabilities of RMB95.0 million, which was generally in line with our overall business expansion, and (b) increase in salary and welfare payable of RMB57.4 million, attributable primarily to our expanded headcount.

Net cash outflow from operating activities for the fiscal year of 2020 was RMB65.5 million, which consisted primarily of loss before income tax expenses of RMB1,252.3 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include changes in fair value of convertible redeemable preferred shares of RMB883.4 million, share-based payments of RMB77.9 million, and depreciation of right-of-use assets of RMB32.0 million. The amount was further adjusted by changes in working capital, primarily including (a) increase in contract liabilities of RMB75.3 million, which was generally in line with our overall business expansion, and (b) increase in salary and welfare payable of RMB42.4 million, attributable primarily to the our expanded headcount.

Net cash outflow from operating activities for the fiscal year of 2019 was RMB83.4 million, which consisted primarily of loss before income tax expenses of RMB691.9 million, adjusted for

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certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include changes in fair value of convertible redeemable preferred shares of RMB317.7 million and losses from financial instruments issued to investors of RMB111.5 million. The amount was further adjusted by changes in working capital, including (a) increase in contract liabilities of RMB53.1 million, which was generally in line with our overall business expansion, and (b) increase in salary and welfare payable of RMB12.1 million, attributable primarily to our expanded headcount.

We seek to improve our net cash outflow position by continuously driving revenue growth and improving cost management. In particular, we intend to take steps to improve our operational efficiency in various aspects of our daily operations, including continuing to manage and control:

- cost of revenues by, among other things, (i) streamlining and optimizing implementation process such that we can assign more junior engineers with lower labor costs to execute implementation tasks, (ii) continuing to improve the capacity of our servers and reduce the associated costs through server leasing, and (iii) enhancing our PaaS capabilities and opening our PaaS infrastructure to more customers, thereby optimizing costs associated with our professional services.
- selling and marketing expenses by, among other things, (i) optimizing the performance evaluation system for our sales force to focus more on profitability, (ii) continuing to improve the efficiency of our sales and marketing activities through optimizing our advertising channel mix, and (iii) exploring the potential to collaborate with channel partners across China.
- research and development expenses by, among other things, (i) continuing to optimize our product development planning and process to lower costs, and (ii) optimizing the team structure of our research and development team.
- general and administrative expenses as we ramp up our presence outside of China’s tier 1 cities, where rent for new office space will be substantially lower.

For a detailed discussion of the underlying reasons for our losses historically, and the specific measures to achieve our long-term profitability, see “Business—Business Sustainability.”

### ***Net Cash Inflow / (Outflow) from Investing Activities***

Net cash outflow from investing activities for the six months ended September 30, 2022 was RMB9.0 million, which consisted primarily of (i) proceeds from disposal of financial assets at fair value through profit and loss of RMB1,805.3 million, and (ii) proceeds from maturities of term deposits of RMB522.7 million, partially offset by (a) payments for financial assets at fair value through profit or loss of RMB1,793.0 million, and (b) purchase of term deposits of RMB510.5 million.

Net cash outflow from investing activities for the fiscal year of 2022 was RMB1,272.7 million, which consisted primarily of (i) payments for financial assets at fair value through profit or loss of RMB2,253.0 million, and (ii) purchase of term deposits of RMB1,024.8 million, partially offset by (a) proceeds from disposal of financial assets at fair value through profit or loss of RMB1,114.1 million and (b) proceeds from maturities of term deposits of RMB920.7 million.

Net cash inflow from investing activities for the fiscal year of 2021 was RMB21.9 million, which consisted primarily of (i) proceeds from disposal of financial assets at fair value through profit



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or loss of RMB1,029.8 million, and (ii) proceeds from maturities of term deposits of RMB83.7 million, partially offset by (a) payments for financial assets at fair value through profit or loss of RMB970.0 million, and (b) purchase of term deposits of RMB103.6 million.

Net cash inflow from investing activities for the fiscal year of 2020 was RMB29.4 million, which consisted primarily of (i) proceeds from maturities of term deposits of RMB296.6 million, and (ii) proceeds from disposal of financial assets at fair value through profit or loss of RMB270.8 million, partially offset by (a) payments for financial assets at fair value through profit or loss of RMB434.0 million, and (b) purchase of term deposits of RMB90.9 million.

Net cash outflow from investing activities for the fiscal year of 2019 was RMB231.3 million, which consisted primarily of (i) purchase of term deposits of RMB289.7 million, and (ii) payments for financial assets at fair value through profit or loss of RMB112.9 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB197.1 million.

### *Net Cash (Outflow) / Inflow from Financing Activities*

Net cash outflow from financing activities for the six months ended September 30, 2022 was RMB19.3 million, which was contributed by the principal elements of lease payments.

Net cash inflow from financing activities for the fiscal year of 2022 was RMB1,514.7 million, which consisted primarily of proceeds from issuance of redeemable convertible preferred shares of RMB1,701.0 million, partially offset by payment for shares repurchase of RMB146.4 million. Both of the proceeds from issuance of redeemable convertible preferred shares and payment for shares repurchase were relating to our Series F financing.

Net cash outflow from financing activities for the fiscal year of 2021 was RMB29.2 million, which was contributed by the principal elements of lease payments.

Net cash outflow from financing activities for the fiscal year of 2020 was RMB33.6 million, which was contributed by the principal elements of lease payments.

Net cash inflow from financing activities for the fiscal year of 2019 was RMB479.0 million, which consisted primarily of proceeds from issuance of redeemable convertible preferred shares of RMB503.0 million relating to our Series E financing, partially offset by principal elements of lease payments of RMB23.4 million.

## FINANCIAL INFORMATION

### INDEBTEDNESS

The following table sets out our indebtedness as of the dates indicated:

	As of March 31,				As of	As of
	2019	2020	2021	2022	September 30, 2022	January 31, 2023
	(RMB in thousands)					
<b>Current</b>						
Lease liabilities . . . . .	29,237	21,219	23,237	37,128	35,254	31,536
Redeemable convertible preferred shares . . . . .	—	—	3,558,177	—	—	—
<b>Non-current</b>						
Lease liabilities . . . . .	20,256	7,129	962	39,399	32,350	23,912
Redeemable convertible preferred shares . . . . .	1,797,425	2,800,457	—	6,610,924	7,403,472	9,071,589
<b>Total</b> . . . . .	1,846,918	2,828,805	3,582,376	6,687,451	7,471,076	9,127,037

### Banking Facilities

We have historically obtained banking facilities from reputable commercial banks in China to be used for working capital and other general corporate purposes. As of the Latest Practicable Date, we had unutilized banking facilities of RMB40.0 million.

### Lease Liabilities

For details of our lease liabilities, see “—Discussion of Certain Key Balance Sheet Items—Lease Liabilities.”

### Preferred Shares

We have historically issued several series of redeemable convertible preferred shares, consisting of Series A, B, B-1, C, D, E and F Preferred Shares, to investors. Upon the completion of the [REDACTED], all of such preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing investors have the right to require us to redeem such preferred shares if the [REDACTED] is not consummated on or prior to a certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information about Our Major [REDACTED] Investors.”

If we were to be required to redeem all such preferred shares, the aggregate redemption price shall be the sum of the aggregate consideration for the issuance of such preferred shares, plus applicable interest accrued thereon. For more information about the terms of such preferred shares, including their conversion and redemption features, see Note 31 to the Accountant’s Report set out in Appendix I to this Document. Balance of such redeemable convertible preferred shares as of September 30, 2022 equals to RMB7,403.5 million. As of the Latest Practicable Date, we had a total 46,975,085 of outstanding Series A Preferred Shares, Series B Preferred Shares, Series B-1 Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series E Preferred Shares and Series F Preferred Shares.

The redemption of the Preferred Shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition. See “Risk Factors—Fair value changes in redeemable convertible preferred shares issued to [REDACTED] investors and related valuation uncertainty may materially affect our financial condition and results of operations.”

## FINANCIAL INFORMATION

Except as disclosed above, as of January 31, 2023, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since January 31, 2023 and up to the Latest Practicable Date.

### Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities.

### KEY FINANCIAL RATIOS

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

	For the year ended/As of March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
					(Unaudited)	
Total revenue growth (%) . . . . .	N/A	19.9	21.3	22.2	27.7	12.1
Cloud-based HCM solutions . . . . .	N/A	24.1	34.5	32.8	32.5	20.9
Professional services . . . . .	N/A	14.9	4.1	4.3	18.8	(5.6)
Gross margin (%) . . . . .	60.6	59.8	66.4	58.9	60.4	54.0
Cloud-based HCM solutions . . . . .	80.1	77.4	80.6	76.6	78.3	74.8
Professional services . . . . .	37.0	36.9	42.6	21.0	24.0	(0.1)
Adjusted net loss margin (non-IFRS measure) (%) <sup>(1)</sup> . . . . .	(72.8)	(54.9)	(21.8)	(24.1)	(25.6)	(43.4)

Note:

<sup>(1)</sup> Calculated using adjusted net loss (non-IFRS measure) divided by revenues for a given period.

### CAPITAL EXPENDITURES

Our historical capital expenditures primarily included purchase of property and equipment and intangible assets. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended March 31,				For the six months ended September 30,	
	2019	2020	2021	2022	2021	2022
					(Unaudited)	
					(RMB in thousands)	
Payments for property, plant and equipment . . . . .	20,143	17,654	10,705	42,215	15,066	34,141
Payments for intangible assets . . . . .	82	602	—	7	—	—
<b>Total</b> . . . . .	<b>20,225</b>	<b>18,256</b>	<b>10,705</b>	<b>42,222</b>	<b>15,066</b>	<b>34,141</b>

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### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

We mainly have capital commitments with respect to purchase of fixed assets and office renovation. Capital expenditure contracted for at the end of the reporting period but not recognized as liabilities were as follows:

	As of March 31,				As of September 30,
	2019	2020	2021	2022	2022
	(RMB in thousands)				
Within 1 year .....	2,462	1,703	880	10,885	1,410

#### Operating Lease Commitments

We lease certain offices under non-cancellable operating lease arrangements with lease terms less than one year, which can be exempted from IFRS 16. Our future aggregate minimum lease payments for such short-term non-cancellable operating leases were as follows:

	As of March 31,				As of September 30,
	2019	2020	2021	2022	2022
	(RMB in thousands)				
Within 1 year .....	5,879	1,732	238	1,118	1,013

### RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. As part of our Reorganization, we issued a warrant to Gongqingcheng Yuanxi, one of our shareholders, to acquire our Preferred Shares with exercise price equal to its original investment in our Onshore Holdco, and our Onshore Holdco also had an obligation to pay Gongqingcheng Yuanxi such amount. These transactions were completed in June 2020. As of March 31, 2019, 2020, 2021 and 2022 and six months ended September 30, 2022, balances with such related party were RMB100.0 million, RMB100 million, nil, nil and nil, respectively. During the Track Record Period, we also paid compensation to our key management members, including executive directors and other members of our Company’s senior management team, who are considered as related parties of our Company. Compensation are payable to these key management members amounted to RMB10.6 million, RMB11.3 million, RMB12.4 million, RMB15.0 million and RMB2.8 million in the fiscal year ended March 31, 2019, 2020, 2021 and 2022 and six months ended September 30, 2022, respectively. In the fiscal year ended March 31, 2019, we entered into transactions with certain related parties in a total amount of approximately RMB2.2 million. For details of our historical related party transactions, see Note 36, “Related party transactions,” to the Accountant’s Report included in Appendix I to this Document. Other than the above, we did not have any related party transactions during the Track Record Period.

Our Directors are of the view that each of these related party transactions was conducted in the ordinary course of business 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 non-reflective of our future performance.

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## FINANCIAL INFORMATION

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### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

#### Material Subsequent Events

There were no other material subsequent events that took place after September 30, 2022.

### FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Risk management is carried out under policies approved by our Board. The management identifies and evaluates financial risks in close co-operation with our operating units.

#### Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of any entity within our Group. Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which we conduct business may affect our consolidated financial position and consolidated statement of comprehensive loss.

For the year ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021, the foreign currency assets and liabilities of our entities are mainly PRC entities’ cash and cash equivalents denominated in USD, and Beisen HK’s intra-group loan receivables due from a subsidiary, Sendou Shanghai, located in mainland China which were denominated in RMB. The foreign exchange risk we are facing mainly comes from movements in the USD/RMB. During the six months ended September 30, 2022, we have determined that it will not settle the intra-group loans provided by Beisen HK to Sendou Shanghai as we planned to use all the amounts in the PRC operation. Thus, the intra-group loans have been designated as being part of Beisen HK’s net investment in the subsidiary, Sendou Shanghai, and the exchange difference amounting to approximately RMB134,021,000 that arises subsequently to the designation is recognized in other comprehensive income on consolidation. Therefore, we did not record any exchange gains/(losses) in relation to the intra-group loans from Beisen HK to Sendou Shanghai in the six months ended September 30, 2022. During the Track Record Period, we did not have any derivative financial instrument for which hedging accounting was applied.

For our subsidiaries in mainland China whose functional currency is Renminbi, if U.S. dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, loss before

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## FINANCIAL INFORMATION

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income tax for the year would have been approximately RMB6.4 million lower/higher, RMB5.0 million, RMB4.9 million and RMB4.7 million higher/lower for the years ended March 31, 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, and RMB19,000 and RMB20,000 lower/higher for the year ended March 31, 2022 and the six months ended September 30, 2022, as a result of net foreign exchange gains or losses on translation of net monetary assets denominated in U.S. dollars, regardless of the foreign exchange forward contracts.

For our subsidiary outside mainland China whose functional currency is U.S. dollars, if Renminbi had strengthened/weakened by 5% against U.S. dollars with all other variables held constant, loss before income tax for the year would have been approximately nil, RMB10.7 million, RMB14.8 million, RMB59.2 million, RMB37.6 million and RMB39,000 lower/higher for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets dominated in Renminbi, regardless of the foreign exchange forward contracts.

We entered into foreign currency forwards in relation to projected purchases that do not satisfy the requirements for hedge accounting (economic hedges). During the Track Record Period, we did not have any derivative financial instrument for which hedging accounting was applied.

### **Credit Risk**

We are exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits as well as trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

#### *(i) Credit risk of cash and cash equivalents, restricted cash and term deposits*

To manage risk arising from cash and cash equivalents, restricted cash and term deposits, we only transact with stated-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in the PRC, Hong Kong and the United States of America. There has been no recent history of default in relation to these financial institutions. The expected credit loss is immaterial.

#### *(ii) Credit risk of trade receivables, other receivable and contract assets*

We have policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and our management performs ongoing credit evaluations of the counterparties. For other receivables, we make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The main exposure to credit risk at each of the reporting dates is the carrying value of our trade receivables and contract assets.

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Impairment on other receivables is measured as twelve-month expected credit losses since our Directors believe that there has been no significant increase in credit risk since initial recognition. The movements of expected credit losses are presented in Note 3.1 to the Accountant’s Report included in Appendix I to this Document.



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Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with us. Where financial assets and contracts have been written off, we continue to engage in activities to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

### Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we regularly monitor our liquidity risk and maintain adequate cash and cash equivalents to meet our liquidity requirements.

The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of our financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of March 31, 2019</b>					
Trade payables	1,879	—	—	—	1,879
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	106,060	—	—	—	106,060
Lease liabilities	30,915	17,794	4,162	—	52,871
	<u>138,854</u>	<u>17,794</u>	<u>4,162</u>	<u>—</u>	<u>160,810</u>
<b>As of March 31, 2020</b>					
Trade payables	2,663	—	—	—	2,663
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	108,496	—	—	—	108,496
Lease liabilities	21,987	8,422	—	—	30,409
	<u>133,146</u>	<u>8,422</u>	<u>—</u>	<u>—</u>	<u>141,568</u>
<b>As of March 31, 2021</b>					
Trade payables	1,172	—	—	—	1,172
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	4,606	—	—	—	4,606
Lease liabilities	23,930	4,695	2,233	—	30,858
	<u>29,708</u>	<u>4,695</u>	<u>2,233</u>	<u>—</u>	<u>36,636</u>
<b>As of March 31, 2022</b>					
Trade payables	4,703	—	—	—	4,703
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	10,491	—	—	—	10,491
Lease liabilities	39,736	30,711	15,568	—	86,015
	<u>54,930</u>	<u>30,711</u>	<u>15,568</u>	<u>—</u>	<u>101,209</u>
<b>As of September 30, 2022</b>					
Trade payables	9,709	—	—	—	9,709
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	7,696	—	—	—	7,696
Lease liabilities	37,724	29,054	4,759	—	71,537
	<u>55,129</u>	<u>29,054</u>	<u>4,759</u>	<u>—</u>	<u>88,942</u>

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As of March 31, 2019, 2020, 2022 and September 30, 2022, redeemable convertible preferred shares were classified as a non-current liability, whereas as of March 31, 2021, redeemable convertible preferred shares were classified as current liability, because the shareholder of such redeemable convertible preferred shares can demand us to redeem their preferred shares within 12 months as of March 31, 2021, while they cannot demand us to redeem their preferred shares within 12 months for the other presented balance sheet dates.

The maximum exposure of the redemption of redeemable convertible preferred shares is the contractual redemption price, which is equal to 100% of the issue price of the respective redeemable convertible preferred shares plus interests calculated using respective interest rate during the period from the issuance of the redeemable convertible preferred shares until the date on which the redemption price is paid in full, and plus any declared but unpaid dividends if a redemption event occurs as described in Note 31 to the Accountant’s Report included in Appendix I to this Document. We recognize the redeemable convertible preferred shares at fair value through profit or loss. Accordingly, redeemable convertible preferred shares are managed on a fair value basis rather than by maturing dates.

### DIVIDENDS

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. 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.

### WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account our available cash and cash equivalents, financial assets at fair value through profit or loss (short-term), term deposits (short-term), restricted cash (short-term) and the estimated net [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, 2022, the Company did not have any distributable reserves.

### [REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED] expenses, such as [REDACTED] fees and [REDACTED], and (ii) [REDACTED] expenses, comprising professional fees paid to

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our legal advisors and Reporting Accountant for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], accounting for approximately of [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED] expenses, we expect to pay [REDACTED] expenses of HK\$[REDACTED] million, professional fees paid to our legal advisors and Reporting Accountant of HK\$[43] million and other fees and expenses of HK\$[30] million. An estimated amount of HK\$[REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED] % of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and the remaining amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon [REDACTED]. We did not record any [REDACTED] expenses for the fiscal years ended March 31, 2019, 2020 and 2021. For the fiscal year ended March 31, 2022 and the six months ended September 30, 2022, we recorded [REDACTED] expenses (excluding [REDACTED] expenses) of RMB19.7 million and RMB6.4 million, respectively. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the fiscal year ending March 31, 2023.

### 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, 2022, being the latest period reported on in the Accountant’s Report, and there has been no event since September 30, 2022 that would materially affect the information shown in the Accountant’s Report set out in Appendix I.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, 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.

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## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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### OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As at the Latest Practicable Date and immediately prior to the [REDACTED], Mr. Wang controlled 28.15% of the aggregate voting power of our total issued and outstanding Shares, through (i) Zhaosen, which is controlled by Huisen Holding Limited, a limited company wholly owned by Sen Talent Holdings Limited, and in turn wholly owned by Ark Trust (Singapore) Ltd., (ii) Ms. Zhou, being Mr. Wang’s spouse, (iii) Senyan, an employee shareholding platform incorporated in BVI and wholly owned by Xiasen Limited, which is controlled by Mr. Wang as its general partner, and (iv) the Offshore AIC Parties, being Mr. Wang, Mr. Ji, Zhaosen, Weisen and Senyan, all of which agreed, among other things, to vote at the Shareholders’ meetings in accordance with the instructions of Mr. Wang in relation to all matters put before the Shareholders or cause the Director appointed by the Offshore AIC Parties to vote pursuant to the opinion of Mr. Wang in relation to all matters put before the Board, pursuant to the Offshore Acting-in-concert Agreement. Weisen is controlled by Guosen Holding Limited, a limited company wholly owned by Sen Platform Holdings Limited, and in turn wholly owned by Ark Trust (Singapore) Ltd. is engaged by Mr. Wang (for his own family trust) and Mr. Ji (for his own family trust), respectively, and in each applicable case to act in accordance with the instructions of Mr. Wang and Mr. Ji, as the trustee of a family trust established by each of Mr. Wang and Mr. Ji respectively, in each case as the settlor the beneficiaries of which respective family trust in each case includes Mr. Wang, Mr. Ji and their family members, respectively. For details of the arrangements agreed among the Offshore AIC Parties, see “History, Reorganization and Corporate Structure—Acting in Concert Arrangements—Offshore Acting-in-concert Agreement”. Therefore, Mr. Wang, Mr. Ji, Zhaosen, Weisen, Senyan, Ms. Zhou, Huisen Holding Limited, Sen Talent Holdings Limited, Guosen Holding Limited, Sen Platform Holdings Limited, Ark Trust (Singapore) Ltd. and Xiasen Limited comprise our Single Largest Group of Shareholders before the [REDACTED].

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming that (a) the [REDACTED] is not exercised; (b) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED]; and (c) no other shares are issued pursuant to the [REDACTED] Share Option Plan), our Single Largest Group of Shareholders will continue to control approximately [26.72]% of the aggregate voting power of our total issued and outstanding Shares and will remain as our Single Largest Group of Shareholders upon [REDACTED]. For details of the shareholding of our Single Largest Group of Shareholders immediately prior to and following the completion of the [REDACTED], see “History, Reorganization and Corporate Structure”.

### INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Single Largest Group of Shareholders, being our Offshore AIC Parties, and their respective close associates after [REDACTED], taking into consideration the factors below.

#### Management Independence

We are able to carry on our business independently from our Single Largest Group of Shareholders from a management perspective. Our Board consists of 7 Directors, including 4 executive Directors and 3 independent non-executive Directors.

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and

## **RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS**

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will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, see “Directors and Senior Management”;

- (c) we have 3 independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Single Largest Group of Shareholders which would support our independent management. For details, see “– Corporate Governance” in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Single Largest Group of Shareholders and their respective close associates after the [REDACTED].

### **Operational Independence**

We do not rely on the Single Largest Group of Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Single Largest Group of Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of the Single Largest Group of Shareholders and their respective close associates.

### **Financial Independence**

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on the Single Largest Group of Shareholders and their respective close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED].

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Single Largest Group of Shareholders and their respective close associates. As of the Latest Practicable Date, there was no outstanding loans or

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## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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guarantee provided by or granted to our Single Largest Group of Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received a series of [REDACTED] Investments from third-party investors independently. See “History, Reorganization and Corporate Structure” for details of the [REDACTED] Investments.

Based on the above, our Directors believe that we do not place undue reliance on the Single Largest Group of Shareholders after [REDACTED].

## INTERESTS OF OUR SINGLE LARGEST GROUP OF SHAREHOLDERS IN OTHER BUSINESSES

None of the members of our Single Largest Group of Shareholders was, as of the Latest Practicable Date, interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

## CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Group of Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Single Largest Group of Shareholders and their respective close associates has a material interest, the Single Largest Group of Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with the Single Largest Group of Shareholders and their respective associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual and independent basis, whether there is any conflict of interests between the Group and the Single Largest Group of Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the Single Largest Group of Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and



## **RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS**

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- (g) we have appointed Guotai Junan Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Single Largest Group of Shareholders, and to protect minority Shareholders’ interests after **[REDACTED]**.

**SHARE CAPITAL**

**AUTHORIZED AND ISSUED SHARE CAPITAL**

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the [REDACTED].

[As of the Latest Practicable Date, our current authorized share capital is US\$50,000 divided into 452,612,915 Ordinary Shares of a nominal or par value of US\$0.0001 each, 5,051,552 Series A Preferred Shares of a nominal or par value of US\$0.0001 each, 8,985,728 Series B Preferred Shares of a nominal or par value of US\$0.0001 each, 2,120,830 Series B-1 Preferred Shares of a nominal or par value of US\$0.0001 each, 7,291,583 Series C Preferred Shares of a nominal or par value of US\$0.0001 each, 5,685,103 Series D Preferred Shares of a nominal or par value of US\$0.0001 each, 7,581,595 Series E Preferred Shares of a nominal or par value of US\$0.0001 each, and 10,670,694 Series F Preferred Shares of a nominal or par value of US\$0.0001 each.]

Conditional upon the [REDACTED] becoming unconditional, each share in our then issued and unissued share capital will be [REDACTED] into [REDACTED] shares of the corresponding class with nominal of [REDACTED], and the Preferred Shares will be converted into Ordinary Shares of our Company on a one-to-one basis by way of re-designation each ranking pari passu in all respect with the Ordinary Shares in issue, in each case immediately before the completion of the [REDACTED]. As a consequence of the [REDACTED] and re-designation, immediately prior to the completion of the [REDACTED], the authorized share capital of our Company will be US\$50,000 divided into [REDACTED] Shares of a nominal or par value of US\$[REDACTED].

Assuming that (i) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], (ii) the [REDACTED] is not exercised, (iii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan upon [REDACTED], immediately after the [REDACTED] and the [REDACTED] (iv) no other Shares are issued pursuant to the [REDACTED] Share Option Plan, the share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED] will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Aggregate nominal value of Shares (US\$)</u>
Shares in issue (including the Shares upon re-designation of the Preferred Shares) .....	[REDACTED]	[REDACTED]
Shares to be issued pursuant to the [REDACTED] .....	[REDACTED]	[REDACTED]
Shares to be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the [REDACTED] and the [REDACTED] .....	[REDACTED]	[REDACTED]
<b>Total</b> .....	<b>[REDACTED]</b>	<b>[REDACTED]</b>

## SHARE CAPITAL

Assuming that (i) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], (ii) the [REDACTED] is exercised in full, (iii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately following the [REDACTED] and the [REDACTED], (iv) no other Shares are issued pursuant to the [REDACTED] Share Option Plan, the share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED] will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Aggregate nominal value of Shares</u> (US\$)
Shares in issue (including the Shares upon re-designation of the Preferred Shares) .....	[REDACTED]	[REDACTED]
Shares to be issued pursuant to the [REDACTED] .....	[REDACTED]	[REDACTED]
Shares to be issued pursuant to the [REDACTED] .....	[REDACTED]	[REDACTED]
Shares to be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the [REDACTED] and the [REDACTED] .....	[REDACTED]	[REDACTED]
<b>Total</b> .....	<b>[REDACTED]</b>	<b>[REDACTED]</b>

### Assumptions

The above table also does 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.

## POTENTIAL CHANGES TO SHARE CAPITAL

### Circumstances under which General Meetings are Required

Upon completion of the [REDACTED] and 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. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix III to this Document for further details.

### Employee Incentive Plans

We adopted the [REDACTED] Share Option Plan and the RSU Plan. See “Statutory and General Information—D. [REDACTED] Share Option Plan” and “Statutory and General Information—E. RSU Plan” in Appendix IV to this Document for further details.

## SHARE CAPITAL

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### 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 with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the [REDACTED] (excluding any Shares to be issued pursuant to the exercise of the [REDACTED] and including 23,761,790 Shares to be issued immediately after the completion of the [REDACTED] and the [REDACTED], pursuant to the exercised options under the [REDACTED] Share Option Plan); and
- the total number of Shares repurchased by us under the authority referred to in the paragraph headed “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- 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
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information—A. Further Information about our Group—5. Resolutions of our Shareholders dated [●], 2023” in Appendix IV to this Document for further details of this general mandate to allot, issue and deal with Shares.

### 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 with a total number of up to 10% of the total number of our Shares in issue immediately following the completion of the [REDACTED] (excluding any Shares to be issued pursuant to the exercise of the [REDACTED] and including 23,761,790 Shares to be issued immediately after the completion of the [REDACTED] and the [REDACTED] pursuant to the exercised options under the [REDACTED] Share Option Plan).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information about our Group—6. Repurchases of Our Shares” in Appendix IV to this Document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

## **SHARE CAPITAL**

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- 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
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information—A. Further Information about our Group—5. Resolutions of our Shareholders dated [●], 2023” in Appendix IV to this Document for further details of this general mandate to repurchase Shares.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] and assuming that (i) the [REDACTED] is not exercised; (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan, the following persons will have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of substantial shareholder	Capacity/ Nature of Interest	Number of Shares / underlying shares held as of the Latest Practicable Date <sup>(1)</sup>	Approximate percentage of interest in our Company as of the Latest Practicable Date	Approximate percentage of interest in our Company immediately after the completion of the [REDACTED] <sup>(2)</sup>
			(%)	(%)
Mr. Wang <sup>(3)(5)</sup>	Beneficiary of a trust	8,105,437 (L)	11.86	[REDACTED]
	Founder of a trust			
	Interest in controlled corporation	3,067,035 (L)	4.49	[REDACTED]
	Beneficial interest	1,500,000(L)	—	[REDACTED]
	Interest of Spouse	783,410 (L)	—	[REDACTED]
Ms. Zhou Dan (周丹) <sup>(3)</sup>	Beneficiary of a trust	8,105,437 (L)	11.86	[REDACTED]
	Interest of Spouse	3,067,035 (L)	4.49	[REDACTED]
		1,500,000(L)	—	[REDACTED]
	Beneficial interest	783,410 (L)	—	[REDACTED]
Mr. Ji <sup>(4)</sup>	Beneficiary of a trust, Founder of a trust	8,064,437 (L)	11.80	[REDACTED]
Zhaosen <sup>(3)</sup>	Beneficial interest	8,105,437 (L)	11.86	[REDACTED]
Huisen Holding Limited <sup>(3)</sup>	Interest in controlled corporation	8,105,437 (L)	11.86	[REDACTED]
Weisen <sup>(4)</sup>	Beneficial interest	8,064,437 (L)	11.80	[REDACTED]
Guosen Holding Limited <sup>(4)</sup>	Interest in controlled corporation	8,064,437 (L)	11.80	[REDACTED]
Senyan <sup>(5)</sup>	Beneficial interest	3,067,035 (L)	4.49	[REDACTED]
Xiasen Limited <sup>(5)</sup>	Interest in controlled corporation	3,067,035 (L)	4.49	[REDACTED]
Sen Talent Holdings Limited <sup>(3)</sup>	Interest in controlled corporation	8,105,437 (L)	11.86	[REDACTED]
Sen Platform Holdings Limited <sup>(4)</sup>	Interest in controlled corporation	8,064,437 (L)	11.80	[REDACTED]
Ark Trust (Singapore) Ltd. <sup>(3)(4)</sup>	Trustee	16,169,874 (L)	23.66	[REDACTED]
Mr. Zuo Lingye <sup>(6)</sup>	Interest in controlled corporation	10,620,066 (L)	15.54	[REDACTED]
Shanghai Jingwei Equity Investment Management Co., Ltd. (上海經為股權投資管理有限公司) <sup>(6)</sup>	Interest in controlled corporation	5,591,399 (L)	8.18	[REDACTED]
Hangzhou Jingwei Tengchuang Investment Management Partnership (Limited Partnership) (杭州經緯騰創投資管理合夥企業 (有限合夥)) <sup>(6)</sup>	Interest in controlled corporation	5,591,399 (L)	8.18	[REDACTED]



## SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/ Nature of Interest	Number of Shares / underlying shares held as of the Latest Practicable Date <sup>(1)</sup>	Approximate percentage of interest in our Company as of the Latest Practicable Date  (%)	Approximate percentage of interest in our Company immediately after the completion of the [REDACTED] <sup>(2)</sup>  (%)
Jingwei Chuangda <sup>(6)</sup>	Beneficial interest	5,591,399 (L)	8.18	[REDACTED]
Shanghai Jingsheng Investment Management Co., Ltd. (上海經勝投資管理有限公司) <sup>(6)</sup>	Interest in controlled corporation	5,028,667(L)	7.36	[REDACTED]
Shanghai Changchuang Investment Management Partnership (Limited Partnership) (上海昶創投資管理合夥企業(有限合夥)) <sup>(6)</sup>	Interest in controlled corporation	5,028,667(L)	7.36	[REDACTED]
Chuangji Investment <sup>(6)</sup>	Beneficial interest	5,028,667(L)	7.36	[REDACTED]
Mr. Zhou Kui <sup>(7)</sup>	Interest in controlled corporation	6,403,990(L)	9.37	[REDACTED]
Sequoia Tianjin <sup>(7)</sup>	Interest in controlled corporation	6,403,990(L)	9.37	[REDACTED]
Sequoia Huansen <sup>(7)</sup>	Interest in controlled corporation	6,403,990(L)	9.37	[REDACTED]
Max Woods Limited <sup>(7)</sup>	Beneficial interest	6,403,990(L)	9.37	[REDACTED]
Mr. Peng Zhijian <sup>(8)</sup>	Interest in controlled corporation	5,650,900(L)	8.27	[REDACTED]
Yuan Capital Ltd. <sup>(8)</sup>	Interest in controlled corporation	5,650,900(L)	8.27	[REDACTED]
Genesis Capital Ltd. <sup>(8)</sup>	Interest in controlled corporation	5,650,900(L)	8.27	[REDACTED]
Genesis Capital <sup>(8)</sup>	Beneficial interest	5,650,900(L)	8.27	[REDACTED]
Shenzhen Capital <sup>(9)</sup>	Interest in controlled corporation	5,461,963(L)	7.99	[REDACTED]
Shenzhen Capital (Hong Kong) Company Limited <sup>(9)</sup>	Interest in controlled corporation	5,461,963(L)	7.99	[REDACTED]
SCGC <sup>(9)</sup>	Beneficial interest	5,461,963(L)	7.99	[REDACTED]
SoftBank Group Corp. <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SVF II GP (Jersey) Limited <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SVF II Aggregator (Jersey) L.P. <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SoftBank Vision Fund II-2 L.P. <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SVF II Holdings (DE) LLC <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SVF II Investment Holdings LLC <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SVF II Investment Holdings (Subco) LLC <sup>(10)</sup>	Interest in controlled corporation	4,104,113(L)	6.00	[REDACTED]
SVF Bandicoot <sup>(10)</sup>	Beneficial interest	4,104,113(L)	6.00	[REDACTED]

## SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/ Nature of Interest	Number of Shares / underlying shares held as of the Latest Practicable Date <sup>(1)</sup>	Approximate percentage of interest in our Company as of the Latest Practicable Date  (%)	Approximate percentage of interest in our Company immediately after the completion of the [REDACTED] <sup>(2)</sup>  (%)
Matrix China Management V, L.P. <sup>(11)</sup>	Interest in controlled corporation	3,631,271(L)	5.31	[REDACTED]
Matrix China V GP GP, Ltd. <sup>(11)</sup>	Interest in controlled corporation	3,631,271(L)	5.31	[REDACTED]
Matrix V	Beneficial interest	3,289,205(L)	4.81	[REDACTED]
Matrix V-A	Beneficial interest	342,066(L)	0.50	[REDACTED]

*Notes:*

- (1) The number of Shares held assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis, and the letter “L” denotes the person’s long position in the Shares.
- (2) The table above assumes (i) completion of the [REDACTED] and the [REDACTED]; (ii) the [REDACTED] is not exercised; (iii) 23,761,790 are to be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iv) no other Shares are issued under the [REDACTED] Share Option Plan.
- (3) Zhaosen is a limited liability company which is owned by (i) Xiasen Limited as to 1%, an exempted company with limited liability wholly owned by Mr. Wang and (ii) Huisen Holding Limited as to 99%, a limited company incorporated in BVI wholly owned by Sen Talent Holdings Limited, a BVI limited company, which is in turn wholly owned by Ark Trust (Singapore) Ltd., as the trustee for a trust established by Mr. Wang (as settlor and protector) for the benefit of Mr. Wang and his family. As such, each of Mr. Wang, Ark Trust (Singapore) Ltd., Sen Talent Holdings Limited and Huisen Holding Limited is deemed to be interested in 8,105,437 Shares owned by Zhaosen under the SFO.  
As of the Latest practicable Date, Mr. Wang was granted 1,500,000 options pursuant to the [REDACTED] Share Option Plan on March 1, 2023, details of which are set out in “Statutory and General Information—D. [REDACTED] Share Option Plan—2. Outstanding share options” in the Appendix IV.  
As of the Latest practicable Date, Ms. Zhou Dan (周丹), Mr. Wang’s spouse, was granted, taking into account of the [REDACTED], (i) 783,410 options on January 1, 2019 pursuant to the [REDACTED] Share Option Plan, which were all exercised and 783,410 Shares are to be issued pursuant to the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (ii) 1,277,160 options on March 1, 2023, which were not vested. For details, see “Statutory and General Information—D. [REDACTED] Share Option Plan—2. Outstanding share options” in the Appendix IV. As such, Mr. Wang is deemed to be interested in 2,060,570 Shares Ms. Zhou Dan is interested in under the SFO. Ms. Zhou Dan is also deemed to be interested in the Shares Mr. Wang is interested in under the SFO.
- (4) Weisen is a limited liability company which is owned by (i) Xisen Limited as to 1%, an exempted company with limited liability wholly owned by Mr. Ji and (ii) Guosen Holding Limited as to 99%, a limited company incorporated in BVI wholly owned by Sen Platform Holdings Limited, a BVI limited company, which is in turn wholly owned by Ark Trust (Singapore) Ltd., as the trustee for a trust established by Mr. Ji (as settlor and protector) for the benefit of Mr. Ji and his family. As such, each of Mr. Ji, Ark Trust (Singapore) Ltd., Sen Platform Holdings Limited and Guosen Holding Limited is deemed to be interested in 8,064,437 Shares owned by Weisen under the SFO.  
As of the Latest practicable Date, Mr. Ji was granted 1,500,000 options pursuant to the [REDACTED] Share Option Plan on March 1, 2023, details of which are set out in “Statutory and General Information—D. [REDACTED] Share Option Plan—2. Outstanding share options” in the Appendix IV.
- (5) Senyan is our employee shareholding platform incorporated in BVI with limited liability on July 16, 2019 with Xiasen Limited serving as its general partner. Xiasen Limited is wholly owned by Mr. Wang. Senyan was established to reflect the total award shares granted to the eligible employees of our Onshore Holdco held by Beisen Zongheng, prior to the Reorganization. See “History, Reorganization and Corporate Structure” in this Document for details. As such, each of Mr. Wang and Xiasen Limited is deemed to be interested in 3,067,035 Shares owned by Senyan under the SFO.
- (6) Jingwei Chuangda is a limited liability partnership established in the PRC with Hangzhou Jingwei Tengchuang Investment Management Partnership (Limited Partnership) (杭州經緯騰創投資管理合夥企業(有限合夥)), an Independent Third Party whose general partner is Shanghai Jingwei Equity Investment Management Co., Ltd. (上海經為股權投資管理有限公司, “Shanghai Jingwei”), acting as its general partner. Chuangji Investment is a limited liability partnership established in the PRC with Shanghai Changchuang Investment Management Partnership (Limited Partnership) (上海昶創投資管理合夥企業(有限合夥)), an Independent Third Party whose general partner is Shanghai Jingsheng Investment Management Co., Ltd. (上海經勝投資管理有限公司, “Shanghai Jingsheng”), acting as its general partner. Both Shanghai Jingwei and Shanghai Jingsheng are investment companies controlled by Mr. Zuo Lingye. As such, Mr. Zuo Lingye is deemed to be interested in 10,620,066 Shares collectively held by Jingwei Chuangda and Chuangji Investment under the SFO.
- (7) Max Woods Limited, which was incorporated in the Cayman Islands on July 26, 2018 and wholly owned by Beijing Sequoia Huansen Management Consulting Center (Limited Partnership) (北京紅杉桓森管理諮詢中心(有限合夥)), “Sequoia Huansen” and ultimately controlled by Sequoia Huansen’s general partner, Sequoia Capital Equity Investment Management (Tianjin) Co., Ltd. (紅杉資本股權投資

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## SUBSTANTIAL SHAREHOLDERS

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- 管理 (天津) 有限公司, “**Sequoia Tianjin**”). Mr. Zhou Kui held 70% interests in Sequoia Tianjin As such, each of Sequoia Huansen, Sequoia Tianjin and Mr. Zhou Kui is deemed to be interested in 6,403,990 Shares held by Max Woods Limited under the SFO.
- (8) Genesis Capital I LP (“**Genesis Capital**”), an exempted limited partnership established in the Cayman Islands in July 2015, of which the general partner is Genesis Capital Ltd., which is wholly owned by Yuan Capital Ltd. and thus in turn wholly owned by Mr. Peng Zhijian. As such, each of Genesis Capital Ltd., Yuan Capital Ltd. and Mr. Peng Zhijian is deemed to be interested in 5,650,900 Shares held by Genesis Capital.
- (9) SCGC is a company incorporated under the laws of the BVI, wholly-owned by Shenzhen Capital (Hong Kong) Company Limited which is in turn wholly owned by Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司, “**Shenzhen Capital**”). As such, each of Shenzhen Capital (Hong Kong) Company Limited and Shenzhen Capital is deemed to be interested in 5,461,963 Shares held by SCGC.
- (10) SVF II Bandicoot (DE) LLC (“**SVF Bandicoot**”) is a company incorporated in Delaware, United States, which is directly owned by SVF II Investment Holdings (Subco) LLC. The sole member of SVF II Investment Holdings (Subco) LLC is SVF II Investment Holdings LLC, which is controlled by SVF II Holdings (DE) LLC. The sole member of SVF II Holdings (DE) LLC is SVF II Aggregator (Jersey) L.P., whose general partner is SVF II GP (Jersey) Limited and sole limited partner is SoftBank Vision Fund II-2 L.P., both of which are in turn ultimately wholly owned by SoftBank Group Corp., a company listed on Tokyo Stock Exchange (stock code: 9984). As such, each of SVF II Investment Holdings (Subco) LLC, SVF II Investment Holdings LLC, SVF II Holdings (DE) LLC, SVF II Aggregator (Jersey) L.P., SVF II GP (Jersey) Limited, SoftBank Vision Fund II-2 L.P. and SoftBank Group Corp. is deemed to be interested in 4,104,113 Shares held by SVF Bandicoot.
- (11) Matrix China V GP GP, Ltd. is the general partner of Matrix China Management V, L.P., which is the general partner of both Matrix Partners China V, L.P. (“**Matrix V**”) and Matrix Partners China V-A, L.P. (“**Matrix V-A**”). As such, each of Matrix China V GP GP, Ltd. and Matrix China Management V, L.P. is deemed to be interested in 3,631,271 Shares collectively held by Matrix V and Matrix V-A under the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (assuming (i) the [REDACTED] is not exercised (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

As of the date of this Document, our Board of Directors comprises six Directors, including three executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out certain information regarding our Directors<sup>(1)</sup>:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>	<u>Date of Appointment as our Director and/or Senior Management</u>	<u>Date of Joining Our Group</u>	<u>Roles and Responsibilities</u>
Mr. Wang Zhaohui (王朝暉) . . . . .	47	Chairman of the Board of Directors	April 6, 2018	May 17, 2005	Responsible for overall strategic planning and presiding over the Board affairs
		Executive Director	April 6, 2018		
Mr. Ji Weiguo (紀偉國) . . .	47	Executive Director	April 6, 2018	May 17, 2005	Responsible for overall strategic planning, as well as the overall research and development of our Company
		Chief executive officer	April 6, 2018		
Ms. Liu Xianna (劉憲娜) . .	47	Executive Director	December 31, 2021	November 1, 2018	Responsible for the financial, legal, commercial and government affairs of the Company
		Chief financial officer	May 1, 2021		
Mr. Du Kui (杜葵) . . . . .	57	Independent non-executive Director	[Date of this Document]	[Date of this Document]	Supervising and providing independent judgment to our Board
Mr. Zhao Hongqiang (趙宏強) . . . . .	44	Independent non-executive Director	[Date of this Document]	[Date of this Document]	Supervising and providing independent judgment to our Board
Mr. Ge Ke (葛珂) . . . . .	48	Independent non-executive Director	[Date of this Document]	[Date of this Document]	Supervising and providing independent judgment to our Board

*Note:* Mr. He Jiabo, who has served as an executive Director and the president of our Company since September 25, 2018, resigned from directorship and his position as the president of our Company effective from November 30, 2022. Considering Mr. He’s extensive industry knowledge, experience and familiarity of the Group’s business, and to ensure smooth handover and transition, the Company has entered into an one-year employment contract with Mr. He with effect from December 1, 2022 to secure his advisory services as a

## DIRECTORS AND SENIOR MANAGEMENT

consultant of the Company on part time basis in connection with new product directions, market penetration, and differentiation strategies from competitors, on an as-needed basis.

### Executive Directors

**Mr. Wang Zhaohui (王朝暉)**, aged 47, the Co-founder of our Group, has been serving as an executive Director and the chairman of the Board of our Company since April 6, 2018. He is primarily responsible for overall strategic planning and presiding over the Board affairs. Concurrently, Mr. Wang holds various directorships and management positions in our subsidiaries and Consolidated Affiliated Entity and details are set out in the table below:

Name of our Subsidiary and Consolidated Affiliated Entity	Directorship and/or Management Position	Date of Appointment
Onshore Holdco .....	Manager	November 5, 2020
	Chairman of the board of directors	January 5, 2011
Beijing WFOE .....	Executive director and manager	November 5, 2020
Chengdu WFOE .....	Executive director and manager	November 19, 2020

Mr. Wang has nearly 20 years of experience in the HCM industry and corporate management in China. Prior to founding our Group, Mr. Wang served as the general manager in Beijing Beisen Shengshi Technology Development Co., Ltd. (北京北森盛世科技發展有限公司) (“**Beisen Shengshi**”), a company primarily engaged in talent evaluation, where he was responsible for the overall management of the company, from March 2002 to April 2005. Beisen Shengshi was subsequently deregistered on June 30, 2006 and was solvent at the time of its deregistration. He also served in Beisen Shengya, a former subsidiary of the Group which is primarily engaged in career solution for universities, as the general manager from July 2016 to June 2021 and an executive director from April 2009 to September 2021, where he was responsible for the over management of the company.

Mr. Wang obtained a bachelor’s degree in chemical engineering from North China Institute of Technology (華北工學院, currently known as North University of China (中北大學)) in the PRC in July 1997.

**Mr. Ji Weiguo (紀偉國)**, aged 47, the Co-founder of our Group, has been serving as an executive Director and the chief executive officer of our Company since April 6, 2018. He is primarily responsible for overall strategic planning, as well as the overall research and development of our Company. Mr. Ji has served as the executive director of Chengdu WFOE from January 3, 2019 to November 18, 2020. Concurrently, Mr. Ji holds various directorships and management positions in our subsidiaries and Consolidated Affiliated Entity, and details are set out in the table below:

Name of our Subsidiary and Consolidated Affiliated Entity	Directorship and/or Management Position	Date of Appointment
Onshore Holdco .....	Executive director	May 17, 2005
Sendou Shanghai .....	Executive director	July 3, 2019

Mr. Ji has nearly 20 years of experience in the HCM industry in China. Prior to founding our Group, Mr. Ji has worked together with Mr. Wang, our Co-founder, at Beisen Shengshi from December 2002 to April 2005, where he served as the product manager and was responsible for management of product research and development.

Mr. Ji obtained his bachelor’s degree in mechanical design and manufacturing in Zhengzhou College of Light Industry (鄭州輕工業學院, currently known as Zhengzhou University of Light



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## DIRECTORS AND SENIOR MANAGEMENT

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Industry (鄭州輕工業大學)) in the PRC in July 1997 and received a master’s degree of business administration in international management from Shanghai International MBA program, which was offered through a partnership between Tongji University (同濟大學) in the PRC and École nationale des ponts et chaussées in France in October 2004.

**Ms. Liu Xianna (劉憲娜)**, aged 47, has been serving as an executive Director and the chief financial officer of our Company since December 31, 2021 and May 1, 2021, respectively. She was appointed as a joint company secretary in December 31, 2021. Ms. Liu joined our Group on November 1, 2018 as the vice president of finance of the Onshore Holdco. Concurrently, Ms. Liu has been serving as an executive director of Onshore Holdco since June 18, 2021. She is primarily responsible for the financial, legal, commercial and government affairs of the Company.

Prior to joining our Group, Ms. Liu served as the financial manager in Emerson Process Management (Tianjin) Valves Co., Ltd. (艾默生過程管理(天津)閥門有限公司), a company primarily focusing on automation solution with highly reliable flow control technologies, where she was responsible for the overall management of the factory’s financial affairs, until October 2009. From November 2009 to June 2012, she served as the financial manager in Cabot Chemical (Tianjin) Company Ltd. (卡博特化工(天津)有限公司), a company primarily engaged in specialty chemicals and performance materials manufacturing, where she was responsible for the overall financial affairs in Tianjin Factory. After that, she worked in Cabot (China) Co., Ltd. (卡博特(中國)投資有限公司) as the financial director in Greater China, a company headquartered in Boston primarily engaged in overall management of all specialty chemicals and performance materials manufacturing sites and trading companies in mainland China, where she was responsible for the overall financial affairs in Mainland China and Hong Kong as a director of Greater China. From March 2015 to October 2018, she served as the financial director in Amazon (China) Holding Company Limited (亞馬遜(中國)投資有限公司), a company primarily engaged in online shopping and AWS business in China, where she took in charge of the financial affairs of logistics division of Amazon in China. She has been serving as the visiting professor of Tianjin University of Finance & Economics (天津財經大學) since May 2014 and the off campus advisor of University of International Business and Economics (對外經濟貿易大學) since September 2019.

Ms. Liu received a bachelor’s degree in accounting from Tianjin University of Commerce (天津商業大學) in the PRC in July 1997 and received a master’s degree of business administration from California American University in the United States in July 2002. She was admitted as a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, Institute Of Public Accountants in the Australia and Institute of Financial Accountants in the United Kingdom in March 2010, January 2017 and January 2017 respectively. She was qualified to act as the independent non-executive director of companies listed on The Science and Technology Innovation Board and Main Board by Shanghai Stock Exchange (上海證券交易所) and Shenzhen Stock Exchange (深圳證券交易所) in July 2019. She was evaluated as the Senior Financial Management Talent (財務管理高級人才) by Enterprise Financial Management Association of China (中國企業財務管理協會) in October 2020. She has been admitted as an internal affiliate of Hong Kong Institute of Certified Public Accountants (香港會計師公會) on February 23, 2022.

### Independent non-executive Directors

**Mr. Du Kui (杜葵)**, aged 57, has been appointed as an independent non-executive Director of our Company effective as of the date of this Document. He is primarily responsible for supervising and providing independent judgment to our Board.



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## DIRECTORS AND SENIOR MANAGEMENT

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Prior to joining our Group, Mr. Du served as the president in Beijing Renzhongren Expansion Training Co., Ltd. (北京人眾人拓展訓練有限公司), a nationwide training enterprise focusing on experiential learning technology, where he was responsible for management and business operation of the company, since December 2000. He then served as the general director in China Youth Association for Economic development (中國青年創業促進會), an institution primarily engaged in promoting the development of the market economy and the progress of youth, and an authorized principal of legal representative in Ying Charity Foundation (瀛公益基金會), an institution primarily engaged in supporting youth entrepreneurship, since January 2013. Currently, he has been serving as the chief counsel in Renhezhenгдаo Management Consulting (Beijing) Co., Ltd. (人合正道管理諮詢(北京)有限公司), a consulting firm primarily engaged in corporation training, where he was responsible for strategy planning and clients training, since September 2013. Meanwhile, he has also been serving as a non-executive Director in Keen Offshore Engineering Co., Ltd. (廣東精鋼海洋工程股份有限公司), a marine engineering company engaged in integrating research, development, design, manufacturing and offshore construction, since May 2016.

Mr. Du received a bachelor’s degree in education from Beijing Normal University (北京師範大學) in the PRC in June 1985. He also received a master’s degree of public administration and management from University of Antwerp in the Kingdom of Belgium in October 1994.

**Mr. Zhao Hongqiang (趙宏強)**, aged 45, has been appointed as an independent non-executive Director of our Company effective as of the date of this Document. He is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Zhao worked in KPMG LLP, a global accounting firm providing audit, tax and advisory services, in the United States from August 2001 to February 2009, with the most recent position being Audit Manager. He also previously held the position of assistant chief auditor at the Public Company Accounting Oversight Board, a regulatory oversight agency under the SEC. Mr. Zhao also served as vice president of finance at SouFun Holdings Limited (currently known as Fang Holdings Limited), a leading real estate internet portal in China listed on New York Stock Exchange (stock code: SFUN) from May 2013 to August 2014. Moreover, he served as the chief financial officer of Beijing Branch of Lede Technology Co., Ltd (樂得科技有限公司, currently known as NetEase Lede Technology Co., Ltd (網易樂得科技有限公司)), a company primarily engaged in online virtual trading, from October 2014 to October 2015. Mr. Zhao currently holds several directorships in several public companies, including:

- Bairong Inc. (百融雲創), a leading independent AI-powered technology platform in China serving the financial services industry listed on Hong Kong Stock Exchange (stock code: 6608), where he, has been serving as its chief financial officer since October 2014 and its executive Director since June 2018, is responsible for financial strategy, financial management and investor relations;
- HUYA Inc., a leading China-based game live streaming company listed on New York Stock Exchange (stock code: HUYA), where he has served as its independent director since May 2018; and
- Li Auto, Inc. (理想汽車), an innovator in China’s new energy vehicle market listed on Nasdaq Stock Exchange (stock code: LI) and Hong Kong Stock Exchange (stock code: 2015), where he has served as its independent director and is responsible for providing independent opinion and judgement to the board of directors since July 2020.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zhao received a bachelor’s degree in accounting from Tsinghua University (清華大學) in the PRC in July 1999 and a master’s degree in accountancy from George Washington University in the United States in July 2001.

**Mr. Ge Ke (葛珂)**, aged 48, has been appointed as an independent non-executive Director of our Company effective as of the date of this Document. He is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Ge Ke served several positions in Kingsoft Group, which refers to 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), and its subsidiaries, where he served as the assistant to the chief executive officer since 1999, and then successively served as the chief officer in the distribution department, a vice president and a senior vice president in charge of overall office software business. Mr. Ge has served as an executive director in Zhuhai Kingsoft Office Software Co., Ltd. (珠海金山辦公軟件有限公司) from 2011 to 2021. He has currently served as the chairman of the board of directors 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), since July 2016, and also holds several positions in other members of Kingsoft Group. Mr. Ge has been serving as an executive director in Beijing Qiwen Yiwei Investment Co., Ltd. (北京奇文壹緯投資有限責任公司), an investment company, where he was responsible for overall management and business operation since October 2015. He has also been serving as a director in Ray Tower Limited (耀聲有限公司) where he was responsible for overall management and business operation since July 2015.

Mr. Ge received a bachelor’s degree in engineering from Nanjing University (南京大學) in July 1995.

### SENIOR MANAGEMENT

Our senior management team comprises of Mr. Ji Weiguo and Ms. Liu Xianna, who are each an executive Director of our Company. See their biographies in the subsection headed “—Directors—Executive Directors”. Our senior management is responsible for the day-to-day management and operation of our business.

### DIRECTORS’ AND SENIOR MANAGEMENT’S INTERESTS

Except as may be disclosed below, none of our Directors and members of senior management are related to other Directors or members of senior management as at the Latest Practicable Date.

Except as disclosed above, each of our Directors and members of senior management has not been a director of any public company whose 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.

Except as disclosed above, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

As of the Latest Practicable Date, save for the interests in the Shares of our Company held indirectly by Mr. Wang, Mr. Ji and Ms. Liu, which are disclosed in the section headed “Statutory and

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## DIRECTORS AND SENIOR MANAGEMENT

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General Information—C. Further Information about Our Directors—3. Disclosure of Interests” 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.

Except as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

### JOINT COMPANY SECRETARIES

**Ms. Liu Xianna (劉憲娜)**, aged 47, has been serving as an executive Director and the chief financial officer of the Company since December 31, 2021 and May 1, 2021, respectively. She was appointed as a joint company secretary in December 31, 2021. For details of her biography, see “—Executive Directors.”

**Ms. Au Wai Ching (區慧晶)** is one of the joint company secretaries of our Company and was appointed on December 31, 2021.

Ms. Au joined SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider, in January 2016, and currently serves as a manager in corporate services. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained a bachelor’s degree in business administration and a master’s degree in professional accounting and corporate governance from the City University of Hong Kong in July 2012 and July 2016, respectively.

### MANAGEMENT AND CORPORATE GOVERNANCE

#### Board Committees

Our Board delegates certain responsibilities to various committees. In accordance with the relevant laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### *Audit Committee*

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Zhao Hongqiang, Mr. Ge Ke and Mr. Du Kui. Mr. Zhao Hongqiang, who has financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- making recommendation to the Board on the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;

## DIRECTORS AND SENIOR MANAGEMENT

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- overseeing the Company’s financial reporting system and internal control procedures; and
- dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.

### *Remuneration Committee*

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Ge Ke, Mr. Ji Weiguo and Mr. Du Kui. Mr. Ge Ke serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company’s policy and structure for all Directors’ and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approve management’s remuneration proposals with reference to the Board’s goals and objectives;
- reviewing and approving the compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment and compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- dealing with other matters that are authorized by the Board.

### *Nomination Committee*

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Wang Zhaohui, Mr. Ge Ke and Mr. Du Kui. Mr. Wang Zhaohui serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the issuer’s corporate strategy;
- making recommendations to the board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive;
- evaluating the balance of skills, knowledge and experience on the Board before appointments are made by the Board and formulating, or assisting the Board to formulate, a board diversity policy for the Company;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
- assessing and reviewing the independence of independent non-executive Directors; and
- dealing with other matters that are authorized by our Board.

## DIRECTORS AND SENIOR MANAGEMENT

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### Board Diversity Policy

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business administration, education, development policy, accounting and engineering. Our board diversity policy is well implemented as evidenced by the fact that there are both male and female Directors ranging from 47 years old to 57 years old with different nationalities and experience from different industries and sectors. After due consideration, our Board believes that based on our existing business model and specific needs, and the background of our Directors, the composition of our Board satisfies the principles under the Board Diversity Policy.

We will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, given that one out of six of our Directors is female, our Board will, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group’s business plans, use its best endeavors to actively identify female individuals suitably qualified to become our Board members after [REDACTED] (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles). We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [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.

### Corporate Governance

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after [REDACTED].

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors received their remuneration in the form of salaries, housing allowances and other allowances, benefits in kind, the employer’s contribution to the pension schemes and discretionary bonuses. We determine the compensation of our Directors based on each Director’s responsibilities, qualification, position and seniority. Each of our independent non-executive Directors has signed an



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## DIRECTORS AND SENIOR MANAGEMENT

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appointment letter with our Company for a term of three years effective upon the date of this Document. For more information on the appointment letters, see “Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors’ Service Contracts” in Appendix IV to this Document.

For the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, the aggregate amount of emoluments paid or payable to our Directors amounted to approximately RMB10.2 million, RMB11.4 million, RMB9.7 million, RMB15.0 million and RMB2.8 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors for the fiscal year ending March 31, 2023 to be approximately RMB7.8 million. The actual remuneration of Directors in 2023 may be different from the expected remuneration.

For each of the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022, there were one, one, one, two and two Directors among the five highest paid individuals. The total emolument for the remaining individuals among the five highest paid individuals for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022 were RMB10.7 million, RMB11.8 million, RMB12.4 million, RMB12.4 million and RMB2.6 million, respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Director or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary or Consolidated Affiliated Entity of our Company.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary or Consolidated Affiliated Entity to our Directors or the five highest paid individuals during the Track Record Period.

### EMPLOYEE INCENTIVE PLANS

During the Track Record Period, We adopted the [REDACTED] Share Option Plan on July 15, 2019, which was amended on April 23, 2020, September 26, 2021 and December 31, 2021. We have also adopted the RSU Plan on December 31, 2021. The principal terms of the [REDACTED] Share Option Plan and the RSU Plan are summarized in the paragraph headed “Statutory and General Information—D. [REDACTED] Share Option Plan” and “Statutory and General Information—E. RSU Plan” in Appendix IV to this Document.

### COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;



## DIRECTORS AND SENIOR MANAGEMENT

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- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [REDACTED] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after [REDACTED].

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## FUTURE PLANS AND USE OF [REDACTED]

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### FUTURE PLANS

See the section headed “Business—Our Growth Strategies” for a detailed description of our future plans.

### USE OF [REDACTED]

The table below sets forth the estimated net [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this Document) . . . . .	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this Document) . . . . .	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this Document) . . . . .	HK\$[REDACTED]

We intend to use the net [REDACTED] we will receive from the [REDACTED] for the following purposes, assuming an [REDACTED] of HK\$[REDACTED] per Share.

Implementing many of the initiatives described below requires us to continue to invest in labor costs. As indicated in the tables below, we expect to incur increasing labor costs between the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2028, primarily due to our growing headcounts as our business continues to scale. As we expand our product and technology development initiatives, the number of our R&D personnel, mostly software developers and product managers, tends to increase generally proportionally. We are also expected to recruit more sales and marketing and customer success and service personnel to support the expected growth in our customer base. In the meantime, we expect to invest substantially in offering competitive compensation, benefits and incentives to attract and retain talents in the foreseeable future. Such investments are expected to generally increase between the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2028, mainly attributable to the increasing labor cost and intensifying competition for highly qualified talents within China’s HCM digitalization market, according to CIC. Despite the increasing competition for qualified employees, China’s HCM digitalization market or cloud-based HCM solutions is expected to have a sufficient supply of research and development talents and sales and marketing talents. According to CIC and the Ministry of Industry and Information Technology of the PRC, there are over eight million employees in China’s software industry in 2021, most of which are research and development talents and sales and marketing talents. We expect to benefit from greater economies of scale and synergies over time in the long run alongside our business growth. See “Business—Business Sustainability.”

## FUTURE PLANS AND USE OF [REDACTED]

The following table sets forth our experience and qualification requirements for different types of employees to be hired:

Positions	Experience/Qualification Expectations
Product manager	<ul style="list-style-type: none"> <li>Over five years of project management experience, and familiar with enterprises software, cloud computing, SaaS and other related fields, and having extensive experience in enterprise products is preferred;</li> <li>Prefer candidates with e-HR and talent management backgrounds.</li> </ul>
Software engineer	<ul style="list-style-type: none"> <li>Over five years of front-end R&amp;D experience, and over two years of front-end architecture R&amp;D experience;</li> <li>Prefer candidates with working experience with front-end architecture platforms and top-tier Internet companies.</li> </ul>
Testing manager	<ul style="list-style-type: none"> <li>Bachelor or above degree in computer science or related majors;</li> <li>Over five years of testing experience covering web, mobile apps and other multi-terminal use cases and over two years of team management experience;</li> <li>Prefer candidates with testing experience with HCM software, online education software, PaaS platform and SaaS products.</li> </ul>
Sales manager	<ul style="list-style-type: none"> <li>Bachelor or above degree;</li> <li>Prefer candidates with prior work experience as sales representatives in the SaaS and the broader software industries or business connections in our target industries.</li> </ul>
Customer success manager	<ul style="list-style-type: none"> <li>Bachelor or above degree;</li> <li>Prefer candidates with prior work experience as sale representatives in the SaaS and the broader software industries or business connections in our target industries.</li> </ul>
Delivery manager	<ul style="list-style-type: none"> <li>Bachelor or above degree in computer science, human resources or related majors;</li> <li>Over five years of HCM software project implementation experience;</li> <li>Prefer candidates familiar with HR business and management process of large enterprises or group companies, familiar with management in recruitment, attendance and payroll.</li> </ul>

The following future plans, including the anticipated investments in labor costs, will be funded using not only the net [REDACTED] of the [REDACTED] but also the cash generated from our operating and other financing activities. In addition, the expected increases in the number of employees between the fiscal year ended March 31, 2024 and the fiscal year ended March 31, 2028 as set out in the tables below represent our current estimates and the actual number and timing of new hires may differ from our estimates due to various factors that include, but are not limited to, those discussed under “Risk Factors.”

- (1) *Further upgrade our integrated cloud-based HCM solutions.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be allocated over the next five years to further upgrade our integrated cloud-based HCM solutions. More specifically:
  - (i). *Integrate more seamlessly our cloud-based HCM solutions.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be used to make our suite of cloud-based HCM solutions more seamlessly integrated. We will be focusing on the following three main areas of integration:
    - *Use case integration.* We intend to further integrate the use cases covered by our cloud-based HCM solutions. We will focus on integrating solutions designed for employees and

**FUTURE PLANS AND USE OF [REDACTED]**

HR managers, and the solutions for other different roles within organizations. We intend to leverage data-enabled business intelligence and AI technologies to facilitate integration and information sharing across our different solutions.

- *Talent data & profile integration.* We will focus on enhancing our solutions so that our customers can better and more efficiently integrate, synthesize and analyze data collected from various stages of the employee lifecycle to generate actionable HCM insights. We intend to leverage such data and our extensive expertise in people science to help customers create their own digital “talent profiles.” These “talent profiles” will integrate information about the skills, qualifications, accomplishments, and career preferences of their workforces to enable organizations to more effectively identify, select, assess and develop talents. We also intend to expand our relationships with selected key-account customers and work closely with them for the trial and testing of digital talent profiles.
- *User interface (UI) integration.* We will offer a more unified interface and visualization system across our full suite of solutions. The unified interface will include single sign-on, consistent navigation structures and unified menus to access data and processes.

To facilitate our integration endeavors, we intend to expand our dedicated team of product managers, software managers and testing managers. Substantially all of the [REDACTED] allocated for the forgoing initiatives will consist of labor costs. We intend to hire a total of 64 new product managers, software managers and testing managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

Allocation of the Estimated Use of [REDACTED]	Areas	Estimated No. of Staff to be Hired
Approximately [REDACTED]% or HK\$[REDACTED]	Use case integration	FY2024: 3
		FY2025: 4
		FY2026: 6
		FY2027: 6
		FY2028: 6
		<b>Total: 25</b>
Approximately [REDACTED]% or HK\$[REDACTED]	Talent data & profile integration	FY2024: 4
		FY2025: 4
		FY2026: 6
		FY2027: 6
		FY2028: 6
		<b>Total: 26</b>
Approximately [REDACTED]% or HK\$[REDACTED]	User interface (UI) integration	FY2024: 2
		FY2025: 2
		FY2026: 3
		FY2027: 3
		FY2028: 3
		<b>Total: 13</b>

	FY2024	FY2025	FY2026	FY2027	FY2028	Total
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(HK\$ in millions)

**Labor costs** ... [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Positions	Estimated Average Salary per annum (HK\$ in million)	FY2024	FY2025	FY2026	FY2027	FY2028
Product manager	[REDACTED]	2	2	3	3	3
Software engineer	[REDACTED]	5	7	8	9	9
Testing manager	[REDACTED]	2	2	3	3	3
<b>Total</b>		<u>9</u>	<u>11</u>	<u>14</u>	<u>15</u>	<u>15</u>

**FUTURE PLANS AND USE OF [REDACTED]**

(ii). *Enhance the functionality and features of our Core HCM Solutions.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be invested to enhance the functionality and features of our Core HCM Solutions in order to better meet our customers’ needs and use cases. We will have a dedicated team of product managers, software managers and testing managers focusing on the following two main areas:

- Developing more industry-specific solutions, features and use cases in order to attract customers from a broader range of industries. For example, as we have come to realize that many manufacturing companies face challenges with scheduling shifts for a large number of employees, we have recently launched tailor-made functions to allow manufacturing customers to schedule shifts by employee group, batch and other predefined models, or on a revolving basis. We have recently added new features to Attendance Management Cloud on mobile devices, to enable managers and workers of our manufacturing customers, who typically do not own or have access to their personal computers while working, to conveniently manage their time and scheduling. We are in the process of developing additional industry-specific solutions and features.
- Upgrading our solutions to better address the needs of large-sized enterprises operating in multiple different industries that have less than 10,000 employees. These enterprises have extensive people management needs, often associated with their complex organization structures and large, geographically dispersed workforces. These needs have hardly been met by traditional HCM approaches, suggesting significant opportunities for our integrated cloud-based solutions. We believe that serving these enterprises will also facilitate our land-and-expand go-to-market strategy. Our current focus is to address the core HCM needs of large enterprises in the internet, manufacturing and chain retail industries.

Substantially all of the [REDACTED] allocated to enhance the functionality and features of our Core HCM Solutions will consist of labor costs. We intend to hire a total of 64 new product managers, software managers and testing managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

Allocation of the Estimated Use of [REDACTED]	Areas	Estimated No. of Staff to be Hired
Approximately [REDACTED] % or HK\$[REDACTED]	Develop more industry-specific solutions, features and use cases	FY2024: 5
		FY2025: 6
		FY2026: 7
		FY2027: 8
		FY2028: 8
		<b>Total: 34</b>
Approximately [REDACTED] % or HK\$[REDACTED]	Upgrade solutions to better address the needs of large-sized enterprises	FY2024: 4
		FY2025: 5
		FY2026: 7
		FY2027: 7
		FY2028: 7
		<b>Total: 30</b>

	FY2024	FY2025	FY2026	FY2027	FY2028	Total
	<i>(HK\$ in millions)</i>					
<b>Labor costs . . .</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**FUTURE PLANS AND USE OF [REDACTED]**

<u>Positions</u>	<u>Estimated Average Salary per annum (HK\$ in million)</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Product manager . . . . .	[REDACTED]	2	2	3	3	3
Software engineer . . . . .	[REDACTED]	5	7	8	9	9
Testing manager . . . . .	[REDACTED]	2	2	3	3	3
<b>Total</b> . . . . .		<u>9</u>	<u>11</u>	<u>14</u>	<u>15</u>	<u>15</u>

(iii). *Upgrade our other HCM solutions.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be invested to upgrade our other HCM solutions. We will have a dedicated team of product managers, software managers and testing managers focusing on upgrading HCM solutions and developing technologies and IT services, such as data storage and analytics services, necessary to support feature development and enhancements. We intend to solidify our leadership position across a number of other HCM solutions, such as Recruitment Cloud and Assessment Cloud. We will continue to upgrade these solutions with additional features and functionality. For example, with respect to Recruitment Cloud, we will leverage data-enabled business intelligence and AI technologies to launch more digital tools to make the hiring process more efficient and transparent for both organizations and the prospective employees. These new tools will include an AI-powered resume analyzer that automatically screens and scores resumes based on criteria set by the recruiters and intelligent candidate matching and ranking to help organizations identify candidates that best match their job requirements. In addition, while E-learning Cloud currently serves mainly as a virtual learning tool for employees, we intend to integrate it more deeply with our other solutions, such as Succession Cloud and People Analytics Solutions, to give organizations a better picture of their workforce performances across the entire employee lifecycle. We will also invest in developing new solutions to cover more use cases across the employee lifecycle. For example, we intend to develop what we call “motivation solution,” an employee-centric tool designed to improve employee engagement, motivation and connections.

Substantially all of the [REDACTED] allocated upgrade our other HCM solutions will consist of labor costs. We intend to hire a total of 22 new product managers, software managers and testing managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>Total</u>
	<i>(HK\$ in millions)</i>					
<b>Labor costs</b> . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

<u>Positions</u>	<u>Estimated Average Salary per annum (HK\$ in million)</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Product manager . . . . .	[REDACTED]	1	1	1	1	1
Software engineer . . . . .	[REDACTED]	1	2	3	3	3
Testing manager . . . . .	[REDACTED]	1	1	1	1	1
<b>Total</b> . . . . .		<u>3</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>



**FUTURE PLANS AND USE OF [REDACTED]**

In connection with our plan to upgrade our integrated cloud-based HCM solutions, the following table sets forth key projects and their implementation timeline:

<u>Project</u>	<u>Description</u>	<u>Implementation Timeline</u>	<u>Estimated No. of Staff to be Hired</u>
Development and implementation of HCM solutions designed for manufacturing enterprises	These solutions will be purpose-built to address people management needs of large manufacturing enterprises, particularly associated with their complex organization structures and large, geographically dispersed workforces	By end of the fiscal year ended March 31, 2024	FY2024: 1  <b>Total: 1</b>
Development of “Real-time Survey”	“Real-time Survey” is a solution that helps enterprises more effectively conduct internal surveys and identify potential employee-relations issues and makes recommendations	By end of the fiscal year ended March 31, 2024	FY2024: 1 FY2025: 1  <b>Total: 2</b>
Development of “Skill Cloud”	Skill Cloud is a solution that utilizes AI technologies to help enterprises develop a systematic review of the skillsets needed for particular positions	By end of the fiscal year ended March 31, 2024	FY2025: 1  <b>Total: 1</b>
Development of gamified assessment tools	These tools are designed to help enterprises more effectively engage employees and conduct assessments through the usage of interactive gaming elements	By end of the fiscal year ended March 31, 2024	FY2025: 1  <b>Total: 1</b>
Development and implementation of HCM solutions designed retail enterprises	These solutions will be purpose-built to address HCM needs of retail companies, such as those relating to their relatively more flexibility schedules and diverse payroll patterns	By end of the fiscal year ended March 31, 2024	FY2025: 1  <b>Total: 1</b>
Development and implementation of “talent profiles”	“Talent profiles” are solutions designed to integrate information about the skills, qualifications, accomplishments, and career preferences of enterprises’ workforces to enable them to more effectively identify, select, assess and develop talents	By end of the fiscal year ended March 31, 2026	FY2024: 1 FY2026: 5 FY2027: 5 FY2028: 5  <b>Total: 16</b>

(2) *Continue to enhance our technology development capabilities.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be allocated over the next five years to continue to enhance our technology development capabilities. More specifically:

(i). *Upgrade our PaaS infrastructure.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be used to upgrade our PaaS infrastructure. We will have a dedicated team of product managers, software managers and testing managers focusing on upgrading our PaaS infrastructure and developing a wide suite of standardized development tools. Enhancing our PaaS infrastructure is also a critical

## FUTURE PLANS AND USE OF [REDACTED]

part of our efforts to further upgrade our integrated cloud-based HCM solutions. We have designed “PaaS” to be a single, unified “infrastructure” underlying our iTalentX platform, synchronizing our solutions for a wide variety of use cases. Having a unified infrastructure allows us to share workforce data seamlessly across our solutions for different use cases, generating valuable insights across the entire employment lifecycle that are otherwise hard to obtained through traditional, isolated on-premise software. According to CIC, we are the only service provider in China that offers cloud-based HCM solutions based on a unified and open PaaS infrastructure.

- We will upgrade our PaaS infrastructure and make it available to more selected large-size customers so that they can develop tailor-made applications and functions for their own specific business scenarios. As part of the foregoing initiatives, we also intend to improve the operation and maintenance of our PaaS infrastructure for enhanced stability, efficiency and performances.
- We will also develop a wide suite of standardized development tools, such as SDKs and APIs, which are basic programs that can be easily deployed and combined to develop more sophisticated software. We and our customers, as well as selected independent software vendors, or ISVs, can use these development tools to more efficiently develop HCM solutions using our PaaS infrastructure. As more customers and ISVs use our PaaS infrastructure, they will develop more solutions, or development tools that can be made available for use for future applications. This in turn allows us to attract more developers using our PaaS infrastructure, generating a self-reinforcing flywheel effect that nurtures a vibrant developer community on our platform.
- We will also expand our application store to increase monetization potential of our PaaS infrastructure. We currently operate an online application store where our customers can find and access for free selected HCM software and applications developed by our in-house developers. Going forward, as more customers use our PaaS infrastructure to develop their own software, we intend to help them make such software available on our application store for access by the broader developer community. We believe these efforts will pay the way for us to monetize our PaaS infrastructure in the long run, although we do not have any imminent plans to charge fees or commissions to participants of our application store. As of the date of this document, we have not entered into any agreement, arrangement or understanding with any third party regarding the foregoing plans to upgrade our PaaS infrastructure and to expand our application store.

Substantially all of the [REDACTED] allocated to upgrade our PaaS infrastructure will consist of labor costs. We intend to hire a total of 85 new product managers, software managers and testing managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

Allocation of the Estimated Use of [REDACTED]	Areas	Estimated No. of Staff to be Hired
Approximately [REDACTED]% or HK\$[REDACTED]	Upgrade PaaS infrastructure	FY2024: 5 FY2025: 6 FY2026: 8 FY2027: 8 FY2028: 8 <b>Total: 35</b>

**FUTURE PLANS AND USE OF [REDACTED]**

Allocation of the Estimated Use of [REDACTED]	Areas	Estimated No. of Staff to be Hired
Approximately [REDACTED]% or HK\$[REDACTED]	Develop standardized development tools	FY2024: 5
		FY2025: 6
		FY2026: 8
		FY2027: 8
		FY2028: 8
		<b>Total: 35</b>
Approximately [REDACTED]% or HK\$[REDACTED]	Expand application store	FY2024: 2
		FY2025: 2
		FY2026: 3
		FY2027: 4
		FY2028: 4
		<b>Total: 15</b>

	FY2024	FY2025	FY2026	FY2027	FY2028	Total
	<i>(HK\$ in millions)</i>					
<b>Labor costs</b> . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Positions	Estimated Average Salary per annum (HK\$ in million)	FY2024	FY2025	FY2026	FY2027	FY2028
Product manager . . . . .	[REDACTED]	2	3	4	4	4
Software engineer . . . . .	[REDACTED]	8	8	11	12	12
Testing manager . . . . .	[REDACTED]	2	3	4	4	4
<b>Total</b> . . . . .		<u>12</u>	<u>14</u>	<u>19</u>	<u>20</u>	<u>20</u>

- (ii). *Expand R&D teams with enhanced R&D efficiency.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be invested in technologies and system enhancements to expand our internal R&D teams and enhance our R&D efficiency. We will expand our dedicated team of product managers, software managers and testing managers specialized in data-enabled business intelligence and AI, and provide regular internal and external training to our R&D teams.

We intend to continue to increase our R&D efficiency and economies of scale through our PaaS infrastructure. Our R&D economies of scale is supported by our PaaS infrastructure that supports and integrates all of our cloud-based HCM solutions. This infrastructure has enabled us to develop new modules and applications more easily and cost-efficiently. The out-of-the-box functionality of the PaaS infrastructure eliminates the need to build core modules from scratch for each product enhancement or new customer or use case. Through the low code or no code development tools that the PaaS infrastructure offers, developers can simply drag and drop preconfigured modules and functionality with little to no coding required so as to quickly develop new applications, resulting in significantly reduced time required for software development. We also plan to increase our R&D efficiency by streamlining our existing integrated product development (IPD) model which is a well-designed R&D process that allows multi-disciplinary internal teams to efficiently collaborate and develop products based on customer needs and feedback. Through this model, we maintain a list of customers’ feature requests and prioritizes developing those most commonly shared by our customers; for one-off personalized feature requests, we offer customized product development services to customers to address their specific business needs and, in some cases, open the PaaS infrastructure

**FUTURE PLANS AND USE OF [REDACTED]**

to selected customers and business partners free of charge in order for their in-house IT specialists to customize product functions and features.

Substantially all of the [REDACTED] allocated to expand R&D teams and enhance our R&D efficiency will consist of labor costs. We intend to hire a total of 43 new product managers, software managers and testing managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>Total</u>
<b>Labor costs</b> . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<i>(HK\$ in millions)</i>					
<b>Positions</b>	<b>Estimated Average Salary per annum (HK\$ in million)</b>					
	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	
Product manager . . . . .	[REDACTED]	1	1	2	2	2
Software engineer . . . . .	[REDACTED]	4	5	6	6	6
Testing manager . . . . .	[REDACTED]	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Total</b> . . . . .		<u><b>6</b></u>	<u><b>7</b></u>	<u><b>10</b></u>	<u><b>10</b></u>	<u><b>10</b></u>

In connection with our plan to continue to enhance our technology development capabilities, the following table sets forth our key projects and their implementation timeline:

<u>Project</u>	<u>Description</u>	<u>Timeline</u>	<u>Estimated No. of Staff to be Hired</u>
Development of the DeOps system for our PaaS infrastructure	We intend to upgrade DeOps system for our PaaS infrastructure capable of supporting frequent, large-scale product upgrades and deployment needs for 10,000 customers	By end of the fiscal year ended March 31, 2024	FY2024: 2  <b>Total: 2</b>
Development of troubleshooting and alert systems for our PaaS infrastructure	We intend to establish a robust troubleshooting system that allows us to efficiently identify and alert on system failures and errors to ensure the security and reliability of our PaaS infrastructure	By end of the fiscal year ended March 31, 2024	FY2024: 2  <b>Total: 2</b>
Development of the “PaaS ISV Development Center”	We intend to build “PaaS ISV Development Center,” a digital system where selected independent software vendors, or ISVs, can use the diverse development tools we offer to efficiently develop HCM solutions using our PaaS infrastructure	By end of the fiscal year ended March 31, 2024	FY2024: 2 FY2025: 7 FY2026: 10 FY2027: 10 FY2028: 10  <b>Total: 39</b>

**FUTURE PLANS AND USE OF [REDACTED]**

Implementing the initiatives as set forth in (1) and (2) above generally requires us to recruit more R&D employees, and increase our general R&D expenditures. As a result, we expect our research and development expenses to continue to increase. Since we will make continued substantial investments in product development, we may be required to fund these initiatives other than from the net [REDACTED] from the [REDACTED], which may place constraints on our working capital and liquidity. However, we expect that these initiatives will have a long-term positive impact on our revenues and growth prospects as they allow us to attract more customers and expand their use of our solutions and services over time.

(3) *Strengthen our sales and marketing efforts.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be invested over the next five years to strengthen our sales and marketing efforts. More specifically:

(i). *Expand our sales force nationwide.* Approximately [REDACTED]% or approximately HK\$[REDACTED] will be used to expand our sales force nationwide. Our investments will include offering competitive compensation and regular on-the-job training to our sales personnel, establishing local subsidiaries and branches offices, and building relationships with customers and business partners in the local markets, among other things. We intend to further penetrate in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, which we refer to as “top-tier cities,” in which we have already built a strong track record. We also plan to expand our sales teams in high-growth non-top-tier cities, such as Suzhou, Nanjing, Wuhan, Chengdu and Chongqing, where we believe there is significant unmet demand for integrated cloud-based HCM solutions. For the fiscal years ended March 31, 2020, 2021 and 2022 and the six months ended September 30, 2022, the revenues generated from top-tier cities represented 60.2%, 64.8%, 63.6% and 63.7%, respectively, of our total revenues for the same periods.

Substantially all of the [REDACTED] allocated to expand our sales force nationwide will consist of labor costs. We intend to hire a total of 26 new software managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

Allocation of the Estimated Use of [REDACTED]	Areas	Estimated No. of Staff to be Hired
Approximately [REDACTED]% or HK\$[REDACTED]  .....	Top-tier cities	FY2024: 2 FY2025: 0 FY2026: 2 FY2027: 2 FY2028: 2 <b>Total: 8</b>
Approximately [REDACTED]% or HK\$[REDACTED]  .....	High-growth non-top-tier cities	FY2024: 3 FY2025: 1 FY2026: 4 FY2027: 4 FY2028: 6 <b>Total: 18</b>

	FY2024	FY2025	FY2026	FY2027	FY2028	Total
<b>Labor costs</b> . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(HK\$ in millions)

**FUTURE PLANS AND USE OF [REDACTED]**

<u>Positions</u>	<u>Estimated Average Salary per annum (HK\$ in million)</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Sales manager .....	[REDACTED]	5	1	6	6	8
<b>Total</b> .....		<b>5</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>8</b>

- (ii). Expand and diversify our sales and marketing channels. Approximately [REDACTED]% or approximately HK\$[REDACTED] will be invested in expanding and diversifying our sales and marketing channels. We plan to actively organize and participate in various industry events, such as industry forums, seminars, conferences and solution showcases, to strengthen our relationships with existing customers and build relationships with potential customers and expand our influences through word-of-mouth referrals. We also intend to invest in online sales and marketing channels, including advertisements strategically placed on professional and social network platforms.
- (iii). Improve our sales and marketing technologies. Approximately [REDACTED]% or approximately HK\$[REDACTED] will be invested in improving our technologies used in sales and marketing. For example, we intend to leverage AI-powered algorithms and processes that automatically assign leads to the most suitable sales personnel, in order to maximize conversion of potential leads to subscriptions and enhance customer experience. We also intend to continue to invest in adopting world-leading B2B marketing automation solutions and customer information and interaction management systems. We also plan to purchase user labeling and profiling tools developed by third parties that help us more effectively engage in content marketing with target customers.

In connection with our plan to strengthen our sales and marketing efforts, the following table sets forth our expansion plans by regions and their implementation timeline:

<u>Regions</u>	<u>Description of expansion plans and timeline</u>
Top-tier cities	We intend to further penetrate in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, with incremental [REDACTED] of 15% each year between fiscal year ended March 31, 2023 and fiscal year ended March 31, 2026
High-growth non-top-tier cities	We intend to expand our sales teams and establish branches and local offices in selected lower-tier cities. For example, we plan to establish local offices in Zhengzhou and Hefei in the fiscal year ended March 31, 2024, local offices in Xi’an, Shenyang and Shijiazhuang by end of the fiscal year ended March 31, 2026.

By implementing the initiatives set forth in (3) above, we expect to incur additional sales and marketing expenses due to increased salesforce and expanded sales and marketing activities. However, we expect these initiatives to enable us to expand our customer base with greater cross-selling and up-selling opportunities which, in turn, benefits our revenue and profitability in the long run.

- (4) Enhance our customer success and services capabilities. Approximately [REDACTED]% or approximately HK\$[REDACTED] will be allocated over the next five years to enhance our customer success and services capabilities. We will have a dedicated team of customer success managers and delivery managers. These employees will be responsible for providing advice to customers on how to best utilize our solutions, sharing with customers our industry insights and product upgrades, and solving critical problems in product



**FUTURE PLANS AND USE OF [REDACTED]**

applications. Our customer success and service teams are also responsible for addressing complaints and concerns from customers and providing solutions to mitigate and make-positive any unsatisfactory experience. We will improve our firm-wide customer success systems. More specifically, we intend to formulate and implement our firm-wide customer service policy and standards, including a tiered customer services model through which we provide differentiated services and support to customers based on their nature, size, sophistication, and subscriptions of our solutions. We have also recently introduced a unified set of quantifiable key performance indicators, or KPIs, such as response time and number of customer visits, to evaluate the performance of our operation and product support personnel and better track customer satisfaction. Substantially all of the [REDACTED] allocated to enhance our customer success and services capabilities will consist of labor costs. We intend to hire a total of 46 new customer success managers and delivery managers whose compensation will be funded by the [REDACTED] of the [REDACTED] in the next five years. The following tables set forth details of our recruitment plans and allocation of labor costs:

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>Total</u>
	<i>(HK\$ in millions)</i>					
<b>Labor costs</b> . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

<u>Positions</u>	<u>Estimated Average Salary per annum (HK\$ in million)</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
Customer success manager . . . . .	[REDACTED]	2	3	2	2	4
Delivery manager . . . . .	[REDACTED]	6	6	6	6	9
<b>Total</b> . . . . .		<u>8</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>13</u>

In connection with our plan to enhance our customer success and services capabilities, the following table sets forth key projects and their implementation timeline:

<u>Project</u>	<u>Description</u>	<u>Timeline</u>	<u>Estimated No. of Staff to be Hired</u>
“Core” Customer Success Program	We will implement a “Core” Customer Success Program to support the rapidly increasing adoption of our Core HCM solutions by customers. As part of this program, we intend to build a team of seasoned product managers to lead the implementation of our Core HCM solutions in top-tier cities and maintain a sizable customer service consultant team who serve our customers remotely from our customer care center in Suzhou	By end of the fiscal year ended March 31, 2024	FY2024: 5 FY2025: 5  <b>Total: 10</b>
Development of a tiered customer services	We intend to develop a tiered customer services model allowing us to provide differentiated services and support to customers based on their nature, size, sophistication, and subscriptions of our solutions	By end of the fiscal year ended March 31, 2025	FY2024: 2 FY2025: 2 FY2026: 2  <b>Total: 6</b>

## FUTURE PLANS AND USE OF [REDACTED]

Project	Description	Timeline	Estimated No. of Staff to be Hired
Development of a Share Service Center (SSC) center	We plan to establish a new SSC located in a lower-tier city to support growth in customer base. The use of an SSC center will help us reduce service duplication and business unit silos within our organization by integrating service functions into a single department.	By end of the fiscal year ended March 31, 2026	FY2024: 1 FY2025: 2 FY2026: 6 FY2027: 8 FY2028: 13
<b>Total: 30</b>			

By implementing the initiatives set forth in (4) above, we expect to incur additional cost of revenue due to increased customer success and service personnel. However, we expect these initiatives to enable us to increase customer satisfaction and thereby increase our subscription revenue retention rate in the long run.

- (5) Approximately [REDACTED]% or approximately HK\$[REDACTED] is expected to be used for working capital and other general corporate purposes.

If the [REDACTED] is exercised in full, and net [REDACTED] that we will receive will be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share. In the event that the [REDACTED] is exercised in full, we intend to apply the additional net [REDACTED] to the above purpose in the proportions stated above on a pro rata basis.

To the extent that the net [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we will only place the net [REDACTED] as short-term deposits only at licensed banks or financial institutions, as defined under the PRC laws, located in the PRC. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]



**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE OF THE [REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

*The following is the text of a report set out on pages [I-1 to I-3], received from the Company’s reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

**ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEISEN HOLDING LIMITED AND MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

***Introduction***

We report on the historical financial information of Beisen Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4 to I-100], which comprises the consolidated statements of financial position as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, the company statements of financial position as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, and the consolidated statements of comprehensive loss, the consolidated statements of changes in deficits and the consolidated statements of cash flows for each of the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-4 to I-100] 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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

***Reporting accountant’s responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting

accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022 and the consolidated financial position of the Group as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

### ***Review of stub period comparative financial information***

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of changes in deficit and the consolidated statement of cash flows for the six months ended September 30, 2021 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, 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 International 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 Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

*Dividends*

We refer to note [33] to the Historical Financial Information which states that no dividends have been paid by Beisen Holding Limited in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**  
Certified Public Accountants  
Hong Kong  
[Date]

**I HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended March 31				Six months ended September 30	
		2019	2020	2021	2022	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenues from contracts with customers .....	6	382,278	458,537	556,327	679,627	312,790	350,766
Cost of revenues .....	9	(150,807)	(184,194)	(186,730)	(279,116)	(123,866)	(161,451)
<b>Gross profit .....</b>		<b>231,471</b>	<b>274,343</b>	<b>369,597</b>	<b>400,511</b>	<b>188,924</b>	<b>189,315</b>
Selling and marketing expenses .....	9	(206,754)	(295,236)	(284,308)	(331,000)	(155,875)	(177,446)
General and administrative expenses .....	9	(155,538)	(110,173)	(83,113)	(206,616)	(125,227)	(64,429)
Research and development expenses .....	9	(146,479)	(215,152)	(212,550)	(258,357)	(125,281)	(144,858)
Net impairment losses on financial assets and contract assets .....	3.1	118	(384)	(1,026)	(1,024)	(32)	(2,601)
Other income .....	7	23,864	24,310	26,228	34,929	17,450	17,269
Other gains, net .....	8	3,269	2,130	44,067	72,994	37,714	19,259
<b>Operating loss .....</b>		<b>(250,049)</b>	<b>(320,162)</b>	<b>(141,105)</b>	<b>(288,563)</b>	<b>(162,327)</b>	<b>(163,491)</b>
Finance income .....		2,429	6,821	4,413	7,811	4,010	3,214
Finance costs .....		(1,992)	(2,094)	(1,378)	(2,628)	(1,102)	(1,856)
<b>Finance income, net .....</b>	11	<b>437</b>	<b>4,727</b>	<b>3,035</b>	<b>5,183</b>	<b>2,908</b>	<b>1,358</b>
Losses from financial instruments issued to investors .....	30	(111,461)	—	—	—	—	—
Fair value changes of redeemable convertible preferred shares .....	31	(317,678)	(883,369)	(752,797)	(1,638,199)	(660,595)	(4,991)
Fair value changes of warrant liability .....	32	(13,159)	(53,472)	(32,571)	—	—	—
<b>Loss before income tax .....</b>		<b>(691,910)</b>	<b>(1,252,276)</b>	<b>(923,438)</b>	<b>(1,921,579)</b>	<b>(820,014)</b>	<b>(167,124)</b>
Income tax credit/(expense) ....	12	1,745	(14,476)	(16,702)	12,807	(184)	4,302
<b>Loss for the year/period .....</b>		<b>(690,165)</b>	<b>(1,266,752)</b>	<b>(940,140)</b>	<b>(1,908,772)</b>	<b>(820,198)</b>	<b>(162,822)</b>
<b>Other comprehensive (loss)/ income:</b>							
<i>Items that may be reclassified to profit or loss</i>							
Currency translation differences .....		1,480	(11,631)	21,809	15,661	2,329	(417,999)
<i>Items that may not be reclassified to profit or loss</i>							
Currency translation differences .....		15,435	(86,006)	180,585	114,890	36,652	(338,317)
Fair value changes of redeemable convertible preferred shares due to own credit risk .....	31	(19,173)	(8,946)	(1,170)	7,365	36,070	(4,334)
<b>Other comprehensive (loss)/ income for the year/period, net of tax .....</b>		<b>(2,258)</b>	<b>(106,583)</b>	<b>201,224</b>	<b>137,916</b>	<b>75,051</b>	<b>(760,650)</b>
<b>Total comprehensive loss for the year/period .....</b>		<b>(692,423)</b>	<b>(1,373,335)</b>	<b>(738,916)</b>	<b>(1,770,856)</b>	<b>(745,147)</b>	<b>(923,472)</b>



APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS—continued

	Note	Year ended March 31				Six months ended September 30	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
<b>Loss attributable to:</b>							
—Owners of the Company . . . . .		(691,060)	(1,267,206)	(940,142)	(1,908,772)	(820,198)	(162,822)
—Non-controlling interests . . . . .		895	454	2	—	—	—
		<u>(690,165)</u>	<u>(1,266,752)</u>	<u>(940,140)</u>	<u>(1,908,772)</u>	<u>(820,198)</u>	<u>(162,822)</u>
<b>Total comprehensive loss attributable to:</b>							
—Owners of the Company . . . . .		(693,318)	(1,373,789)	(738,918)	(1,770,856)	(745,147)	(923,472)
—Non-controlling interests . . . . .		895	454	2	—	—	—
		<u>(692,423)</u>	<u>(1,373,335)</u>	<u>(738,916)</u>	<u>(1,770,856)</u>	<u>(745,147)</u>	<u>(923,472)</u>
<b>Loss per share attributable to owners of the Company (expressed in RMB per share)</b>							
—Basic and diluted . . . . .	13	<u>(31.88)</u>	<u>(58.46)</u>	<u>(43.37)</u>	<u>(89.17)</u>	<u>(38.26)</u>	<u>(7.62)</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at March 31				As at
		2019	2020	2021	2022	September 30
		RMB’000	RMB’000	RMB’000	RMB’000	2022
					RMB’000	
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	14	19,920	20,730	15,768	34,790	57,145
Right-of-use assets	16	50,862	30,276	26,602	78,440	68,314
Deferred income tax assets	27	31,585	17,074	372	13,188	17,490
Intangible assets	15	464	695	564	411	370
Other receivables and prepayments	21	12,936	10,028	10,397	15,816	11,594
Contract acquisition costs	6	9,033	10,240	15,910	19,095	26,261
Financial assets at fair value through profit or loss	18	3,870	5,083	15,314	23,294	25,451
Restricted cash	23	—	—	—	1,030	1,030
<b>Total non-current assets</b>		<b>128,670</b>	<b>94,126</b>	<b>84,927</b>	<b>186,064</b>	<b>207,655</b>
<b>Current assets</b>						
Assets classified as held for sale	22	—	2,700	—	—	—
Contract acquisition costs	6	8,942	12,610	17,254	22,064	16,757
Contract assets	6	1,319	3,303	1,332	2,713	2,657
Trade receivables	20	11,169	12,327	13,355	22,174	26,588
Other receivables and prepayments	21	17,161	11,520	18,851	24,716	29,260
Derivative financial instruments	19	—	—	527	—	—
Financial assets at fair value through profit or loss	18	10,800	176,868	125,293	1,297,642	1,303,640
Term deposits	23	289,541	92,106	105,141	190,446	201,634
Restricted cash	23	—	728	11,063	180	81
Cash and cash equivalents	23	257,351	191,337	215,074	288,706	78,919
<b>Total current assets</b>		<b>596,283</b>	<b>503,499</b>	<b>507,890</b>	<b>1,848,641</b>	<b>1,659,536</b>
<b>Total assets</b>		<b>724,953</b>	<b>597,625</b>	<b>592,817</b>	<b>2,034,705</b>	<b>1,867,191</b>
<b>Deficits</b>						
Share capital	24	13	15	15	15	15
Share premium	24	486,655	642,911	642,911	623,064	623,064
Reserves	25	(928,997)	(1,113,892)	(878,653)	(687,107)	(1,442,065)
Accumulated losses		(1,100,202)	(2,367,408)	(3,307,550)	(5,216,322)	(5,379,144)
<b>Deficits attributable to owners of the Company</b>		<b>(1,542,531)</b>	<b>(2,838,374)</b>	<b>(3,543,277)</b>	<b>(5,280,350)</b>	<b>(6,198,130)</b>
Non-controlling interests		3,046	(7)	(5)	—	—
<b>Total deficits</b>		<b>(1,539,485)</b>	<b>(2,838,381)</b>	<b>(3,543,282)</b>	<b>(5,280,350)</b>	<b>(6,198,130)</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Redeemable convertible preferred shares	31	1,797,425	2,800,457	—	6,610,924	7,403,472
Lease liabilities	16	20,256	7,129	962	39,399	32,350
Contract liabilities	6	60,477	71,697	31,548	22,284	18,796
<b>Total non-current liabilities</b>		<b>1,878,158</b>	<b>2,879,283</b>	<b>32,510</b>	<b>6,672,607</b>	<b>7,454,618</b>
<b>Current liabilities</b>						
Redeemable convertible preferred shares	31	—	—	3,558,177	—	—
Warrant liability	32	57,112	114,576	—	—	—
Trade payables	28	1,879	2,663	1,172	4,703	9,709
Other payables and accruals	29	147,832	203,917	171,476	202,210	175,345
Contract liabilities	6	150,220	214,348	349,527	398,407	390,395
Lease liabilities	16	29,237	21,219	23,237	37,128	35,254
<b>Total current liabilities</b>		<b>386,280</b>	<b>556,723</b>	<b>4,103,589</b>	<b>642,448</b>	<b>610,703</b>
<b>Total liabilities</b>		<b>2,264,438</b>	<b>3,436,006</b>	<b>4,136,099</b>	<b>7,315,055</b>	<b>8,065,321</b>
<b>Total deficits and liabilities</b>		<b>724,953</b>	<b>597,625</b>	<b>592,817</b>	<b>2,034,705</b>	<b>1,867,191</b>

APPENDIX I

ACCOUNTANT’S REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at March 31				As at
		2019	2020	2021	2022	September 30
		RMB'000	RMB'000	RMB'000	RMB'000	2022
						RMB'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Investments in subsidiaries . . . . .	38	1,759,558	2,233,462	2,332,546	3,725,980	4,173,954
<b>Total non-current assets . . . . .</b>		<b>1,759,558</b>	<b>2,233,462</b>	<b>2,332,546</b>	<b>3,725,980</b>	<b>4,173,954</b>
<b>Current assets</b>						
Other receivables and prepayments . . . . .	38	241,300	27,980	1,774	4,711	36,809
Cash and cash equivalents . . . . .	38	5,749	5,042	2,862	33,835	838
<b>Total current assets . . . . .</b>		<b>247,049</b>	<b>33,022</b>	<b>4,636</b>	<b>38,546</b>	<b>37,647</b>
<b>Total assets . . . . .</b>		<b>2,006,607</b>	<b>2,266,484</b>	<b>2,337,182</b>	<b>3,764,526</b>	<b>4,211,601</b>
<b>Equity/(Deficits)</b>						
Share capital . . . . .	24	13	15	15	15	15
Share premium . . . . .	24	486,655	642,911	642,911	623,064	623,064
Reserves . . . . .	25	29,501	12,495	225,459	315,515	(21,444)
Accumulated losses . . . . .		(364,099)	(1,303,970)	(2,089,395)	(3,803,162)	(3,810,269)
<b>Total equity/(deficits) . . . . .</b>		<b>152,070</b>	<b>(648,549)</b>	<b>(1,221,010)</b>	<b>(2,864,568)</b>	<b>(3,208,634)</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Redeemable convertible preferred shares . . . . .	31	1,797,425	2,800,457	—	6,610,924	7,403,472
<b>Total non-current liabilities . . . . .</b>		<b>1,797,425</b>	<b>2,800,457</b>	<b>—</b>	<b>6,610,924</b>	<b>7,403,472</b>
<b>Current liabilities</b>						
Redeemable convertible preferred shares . . . . .	31	—	—	3,558,177	—	—
Warrant liability . . . . .	32	57,112	114,576	—	—	—
Other payables and accruals . . . . .	38	—	—	15	18,170	16,763
<b>Total current liabilities . . . . .</b>		<b>57,112</b>	<b>114,576</b>	<b>3,558,192</b>	<b>18,170</b>	<b>16,763</b>
<b>Total liabilities . . . . .</b>		<b>1,854,537</b>	<b>2,915,033</b>	<b>3,558,192</b>	<b>6,629,094</b>	<b>7,420,235</b>
<b>Total equity/(deficits) and liabilities . . . . .</b>		<b>2,006,607</b>	<b>2,266,484</b>	<b>2,337,182</b>	<b>3,764,526</b>	<b>4,211,601</b>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICITS

	Note	Attributable to owners of the Company				Sub-total	Non-controlling interests	Total deficits
		Share capital	Share premium	Reserves	Accumulated losses			
		RMB’000	RMB’000	RMB’000	RMB’000			
<b>Balance at April 1, 2018 (Unaudited)</b>		—	—	101,888	(409,142)	(307,254)	2,739	(304,515)
<b>Comprehensive loss:</b>								
Loss for the year		—	—	—	(691,060)	(691,060)	895	(690,165)
Fair value changes of redeemable convertible preferred shares due to own credit risk	25,31	—	—	(19,173)	—	(19,173)	—	(19,173)
Currency translation differences		—	—	16,915	—	16,915	—	16,915
<b>Total comprehensive loss for the year</b>		—	—	(2,258)	(691,060)	(693,318)	895	(692,423)
<b>Transactions with owners in their capacity as owners:</b>								
Distribution to non-controlling interests		—	—	—	—	—	(588)	(588)
Ordinary shares allotment in connection with Reorganization	24	13	486,655	(486,668)	—	—	—	—
Share-based payments	26	—	—	80,626	—	80,626	—	80,626
Effect of Share Exchange	25,31(A)	—	—	(622,585)	—	(622,585)	—	(622,585)
<b>Total transactions with owners in their capacity as owners</b>		13	486,655	(1,028,627)	—	(541,959)	(588)	(542,547)
<b>Balance at March 31, 2019</b>		13	486,655	(928,997)	(1,100,202)	(1,542,531)	3,046	(1,539,485)
<b>Balance at April 1, 2019</b>		13	486,655	(928,997)	(1,100,202)	(1,542,531)	3,046	(1,539,485)
<b>Comprehensive loss:</b>								
Loss for the year		—	—	—	(1,267,206)	(1,267,206)	454	(1,266,752)
Fair value changes of redeemable convertible preferred shares due to own credit risk	25,31	—	—	(8,946)	—	(8,946)	—	(8,946)
Currency translation differences		—	—	(97,637)	—	(97,637)	—	(97,637)
<b>Total comprehensive loss for the year</b>		—	—	(106,583)	(1,267,206)	(1,373,789)	454	(1,373,335)
<b>Transactions with owners in their capacity as owners:</b>								
Non-controlling interests on disposal of a subsidiary		—	—	—	—	—	(3,507)	(3,507)
Ordinary shares allotment in connection with Reorganization	25	2	156,256	(156,258)	—	—	—	—
Share-based payments	26	—	—	77,946	—	77,946	—	77,946
<b>Total transactions with owners in their capacity as owners</b>		2	156,256	(78,312)	—	77,946	(3,507)	74,439
<b>Balance at March 31, 2020</b>		15	642,911	(1,113,892)	(2,367,408)	(2,838,374)	(7)	(2,838,381)
<b>Balance at April 1, 2020</b>		15	642,911	(1,113,892)	(2,367,408)	(2,838,374)	(7)	(2,838,381)
<b>Comprehensive loss:</b>								
Loss for the year		—	—	—	(940,142)	(940,142)	2	(940,140)
Fair value changes of redeemable convertible preferred shares due to own credit risk	25,31	—	—	(1,170)	—	(1,170)	—	(1,170)
Currency translation differences		—	—	202,394	—	202,394	—	202,394
<b>Total comprehensive loss for the year</b>		—	—	201,224	(940,142)	(738,918)	2	(738,916)
<b>Transactions with owners in their capacity as owners:</b>								
Share-based payments	26	—	—	33,549	—	33,549	—	33,549
Exercise of warrant liability		—	—	466	—	466	—	466
<b>Total transactions with owners in their capacity as owners</b>		—	—	34,015	—	34,015	—	34,015
<b>Balance at March 31, 2021</b>		15	642,911	(878,653)	(3,307,550)	(3,543,277)	(5)	(3,543,282)

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ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICITS—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total deficits
		Share capital	Share premium	Reserves	Accumulated losses	Sub-total		
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000		
<b>Balance at April 1, 2021</b>		<b>15</b>	<b>642,911</b>	<b>(878,653)</b>	<b>(3,307,550)</b>	<b>(3,543,277)</b>	<b>(5)</b>	<b>(3,543,282)</b>
<b>Comprehensive loss:</b>								
Loss for the year		—	—	—	(1,908,772)	(1,908,772)	—	(1,908,772)
Fair value changes of redeemable convertible preferred shares due to own credit risk	25,31	—	—	7,365	—	7,365	—	7,365
Currency translation differences		—	—	130,551	—	130,551	—	130,551
<b>Total comprehensive loss for the year</b>		<b>—</b>	<b>—</b>	<b>137,916</b>	<b>(1,908,772)</b>	<b>(1,770,856)</b>	<b>—</b>	<b>(1,770,856)</b>
<b>Transactions with owners in their capacity as owners:</b>								
Repurchase of ordinary shares	24	—	(19,847)	—	—	(19,847)	—	(19,847)
Share-based payments	26	—	—	53,635	—	53,635	—	53,635
Share transfer from non-controlling shareholder to existing shareholder		—	—	(5)	—	(5)	5	—
<b>Total transactions with owners in their capacity as owners</b>		<b>—</b>	<b>(19,847)</b>	<b>53,630</b>	<b>—</b>	<b>33,783</b>	<b>5</b>	<b>33,788</b>
<b>Balance at March 31, 2022</b>		<b>15</b>	<b>623,064</b>	<b>(687,107)</b>	<b>(5,216,322)</b>	<b>(5,280,350)</b>	<b>—</b>	<b>(5,280,350)</b>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICITS—continued

	Note	Attributable to owners of the Company					Non-controlling interests	Total deficits
		Share capital	Share premium	Reserves	Accumulated losses	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>(Unaudited)</b>								
<b>Balance at April 1, 2021</b>	<b>15</b>	<b>642,911</b>	<b>(878,653)</b>	<b>(3,307,550)</b>	<b>(3,543,277)</b>	<b>(5)</b>	<b>(3,543,282)</b>	
<b>Comprehensive loss:</b>								
Loss for the period	—	—	—	(820,198)	(820,198)	—	(820,198)	
Fair value changes of redeemable convertible preferred shares due to own credit risk	25,31	—	36,070	—	36,070	—	36,070	
Currency translation differences	—	—	38,981	—	38,981	—	38,981	
<b>Total comprehensive loss for the period</b>	<b>—</b>	<b>—</b>	<b>75,051</b>	<b>(820,198)</b>	<b>(745,147)</b>	<b>—</b>	<b>(745,147)</b>	
<b>Transactions with owners in their capacity as owners:</b>								
Repurchase of ordinary shares	24	—	(19,847)	—	(19,847)	—	(19,847)	
Share-based payments	26	—	26,245	—	26,245	—	26,245	
Share transfer from non-controlling shareholder to existing shareholder	—	—	(5)	—	(5)	5	—	
<b>Total transactions with owners in their capacity as owners</b>	<b>—</b>	<b>(19,847)</b>	<b>26,240</b>	<b>—</b>	<b>6,393</b>	<b>5</b>	<b>6,398</b>	
<b>Balance at September 30, 2021</b>	<b>15</b>	<b>623,064</b>	<b>(777,362)</b>	<b>(4,127,748)</b>	<b>(4,282,031)</b>	<b>—</b>	<b>(4,282,031)</b>	
<b>Balance at April 1, 2022</b>	<b>15</b>	<b>623,064</b>	<b>(687,107)</b>	<b>(5,216,322)</b>	<b>(5,280,350)</b>	<b>—</b>	<b>(5,280,350)</b>	
<b>Comprehensive loss:</b>								
Loss for the period	—	—	—	(162,822)	(162,822)	—	(162,822)	
Fair value changes of redeemable convertible preferred shares due to own credit risk	25,31	—	(4,334)	—	(4,334)	—	(4,334)	
Currency translation differences	—	—	(756,316)	—	(756,316)	—	(756,316)	
<b>Total comprehensive loss for the period</b>	<b>—</b>	<b>—</b>	<b>(760,650)</b>	<b>(162,822)</b>	<b>(923,472)</b>	<b>—</b>	<b>(923,472)</b>	
<b>Transactions with owners in their capacity as owners:</b>								
Share-based payments	26	—	5,692	—	5,692	—	5,692	
<b>Total transactions with owners in their capacity as owners</b>	<b>—</b>	<b>—</b>	<b>5,692</b>	<b>—</b>	<b>5,692</b>	<b>—</b>	<b>5,692</b>	
<b>Balance at September 30, 2022</b>	<b>15</b>	<b>623,064</b>	<b>(1,442,065)</b>	<b>(5,379,144)</b>	<b>(6,198,130)</b>	<b>—</b>	<b>(6,198,130)</b>	

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

Note	Year ended March 31				Six months ended September 30		
	2019	2020	2021	2022	2021	2022	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000	
<b>Cash flows from operating activities</b>							
Cash (used in)/generated from operations	34	(81,153)	(71,591)	35,255	(161,251)	(137,625)	(187,088)
Interest received		779	8,157	4,620	7,863	1,623	2,800
Interest paid		(1,992)	(2,094)	(1,378)	(2,628)	(1,102)	(1,856)
Income tax paid		(1,008)	—	—	(22)	—	—
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(83,374)</b>	<b>(65,528)</b>	<b>38,497</b>	<b>(156,038)</b>	<b>(137,104)</b>	<b>(186,144)</b>
<b>Cash flows from investing activities</b>							
Payments for property, plant and equipment		(20,143)	(17,654)	(10,705)	(42,215)	(15,066)	(34,141)
Proceeds from disposal of property, plant and equipment		204	23	76	87	—	78
Payments for intangible assets		(82)	(602)	—	(7)	—	—
Payments for investments in financial assets at fair value through profit or loss—non-current	3.3(a)	(2,000)	—	—	—	—	—
Payments for financial assets at fair value through profit or loss—current	3.3(a)	(112,900)	(434,000)	(970,000)	(2,253,000)	(597,000)	(1,793,000)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3(a)	197,068	270,752	1,029,768	1,114,069	427,430	1,805,288
Proceeds/(losses) from disposal of subsidiaries, net of cash disposed		6	4,171	—	579	(7,113)	—
Proceeds from disposal of assets classified as held for sale	22	—	—	2,700	—	—	—
Purchase of term deposits		(289,705)	(90,866)	(103,563)	(1,024,781)	(834,625)	(510,515)
Proceeds from maturities of term deposits		—	296,642	83,708	920,702	232,431	522,727
Placement of restricted cash		—	—	(14,120)	(73,268)	(73,063)	—
Withdrawals of restricted cash		—	—	3,120	84,268	35,642	99
Loan payment to employee		(4,000)	—	—	—	—	—
Loan repayment from employee		248	966	928	891	450	431
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(231,304)</b>	<b>29,432</b>	<b>21,912</b>	<b>(1,272,675)</b>	<b>(830,914)</b>	<b>(9,033)</b>
<b>Cash flows from financing activities</b>							
Payment to ordinary and preferred shareholders in connection with the Reorganization of the Group		—	(213,443)	(137,843)	—	—	—
Proceeds from ordinary and preferred shareholders in connection with the Reorganization of the Group		—	213,443	137,843	—	—	—
Proceeds from bank borrowings		2,000	—	—	—	—	—
Proceeds from issuance of redeemable convertible preferred shares	31	503,013	—	—	1,700,951	1,700,951	—
Payment for shares repurchase		—	—	—	(146,350)	(146,350)	—
Payment for [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Repayment of borrowings		(2,000)	—	—	—	—	—
Principal elements of lease payments	16	(23,415)	(33,555)	(29,165)	(37,820)	(14,824)	(18,750)
Dividends paid to non-controlling interests in subsidiaries		(588)	—	—	—	—	—
<b>Net cash inflow/(outflow) from financing activities</b>		<b>479,010</b>	<b>(33,555)</b>	<b>(29,165)</b>	<b>1,514,726</b>	<b>1,539,777</b>	<b>(19,260)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>164,332</b>	<b>(69,651)</b>	<b>31,244</b>	<b>86,013</b>	<b>571,759</b>	<b>(214,437)</b>
Cash and cash equivalents at beginning of year/period		106,604	257,351	191,337	215,074	215,074	288,706
Effects of exchange rate changes on cash and cash equivalents		(13,585)	3,637	(7,507)	(12,381)	(26,818)	4,650
<b>Cash and cash equivalents at end of year/period</b>	23	<b>257,351</b>	<b>191,337</b>	<b>215,074</b>	<b>288,706</b>	<b>760,015</b>	<b>78,919</b>



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 General information, Reorganization and basis of presentation

#### 1.1 General information

Beisen Holding Limited (the “Company”), was incorporated in the Cayman Islands on April 6, 2018 as an exempted company with limited liability under the Companies Act, (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investing holding company. The Company and its subsidiaries, including consolidated structured entities, (collectively, the “Group”) are primarily engaged in providing cloud-based human capital management (“HCM”) solutions in the People’s Republic of China (the “PRC”), which enables customers to recruit, evaluate, manage, develop and retain talents efficiently (the “[REDACTED] Business”).

#### 1.2 Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below (the “Reorganization”), the [REDACTED] Business was mainly carried out by Beijing Beisen Cloud Computing Co., Ltd (北京北森雲計算股份有限公司, “Beisen Cloud Computing”), previously known as Beijing Beisen Evaluation Technology Co., Ltd. (北京北森測評技術有限公司), a company established in Beijing, the PRC, and its subsidiaries (the “PRC Operating Entities”).

In preparation for the [REDACTED] and [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “[REDACTED]”), the Group underwent the Reorganization to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the [REDACTED] Business.

The Reorganization mainly involved the following steps:

##### *1.2.1 Incorporation of the Company and offshore subsidiaries*

On April 6, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and with an authorized share capital of US dollars (“USD”) 50,000 divided into 500,000,000 ordinary shares of a nominal or par value of USD0.0001 each.

On April 10, 2018, Beisen Holding HK Limited (“Beisen HK”) was incorporated in Hong Kong as a limited company as a direct wholly-owned subsidiary of the Company.

##### *1.2.2 Establishment of Beijing Beisen Cloud Technology Co., Ltd*

On May 30, 2018, Beijing Beisen Cloud Technology Co., Ltd. (北京北森雲科技有限公司, “Beijing WFOE”) was established as a limited liability company in Beijing, the PRC, as a direct wholly-owned subsidiary of Beisen HK and therefore as an indirect wholly-owned subsidiary of the Company.

##### *1.2.3 Entering into contractual arrangements*

On September 25, 2018, Beijing WFOE entered into a series of contractual agreements (collectively the “Contractual Arrangements”) with Beisen Cloud Computing and the shareholders of

APPENDIX I

ACCOUNTANT’S REPORT

Beisen Cloud Computing. Pursuant to the Contractual Arrangements, Beijing WFOE is able to effectively control the operating and financing decisions of Beisen Cloud Computing and its subsidiaries (collectively “the PRC Consolidated Affiliated Entities”) and receives 99.9555% (the remaining minority interests were subsequently acquired by co-founders respectively in the year ended March 31, 2019 and 2022) of the economic benefits generated by the PRC Consolidated Affiliated Entities. Accordingly, the PRC Consolidated Affiliated Entities are treated as controlled structured entities of the Company and consolidated by the Company. Further details of the Contractual Arrangements are set out in Note 2.2.1(a).

Upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group.

Particulars of the subsidiaries and controlled structured entities of the Group as at the date of this report and during the Track Record Period are set out below:

Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued capital	Effective interest held					As at the date of this report	Principal activities and place of operation	Note
			As at March 31,				As at September 30			
			2019	2020	2021	2022	2022			
<b>Directly held by the Company</b>										
Beisen Holding HK Limited	April 10, 2018/ Hong Kong/ limited liability company	HK dollar (“HK\$”)/ HK\$1	100%	100%	100%	100%	100%	[100%]	Investment Holding/Hong Kong	(ii)
<b>Indirectly held by the Company</b>										
Beijing Beisen Cloud Technology Co., Ltd. (Beijing WFOE) (北京北森雲科技有限公司)	May 30, 2018/ PRC/limited liability company	USD30,000,000/ USD14,300,000	100%	100%	100%	100%	100%	[100%]	Development and sale of products or services/PRC	(iii)
Beijing Beisen Cloud Computing Co., Ltd. (北京北森雲計算股份有限公司)	May 17, 2005/ PRC/limited liability company	RMB5,580,000/ RMB5,580,000	99.9964%	99.9964%	99.9964%	100%	100%	[100%]	Development and sale of products or services/PRC	(iv)
Beisen Cloud Computing Co., Ltd. (北森雲計算有限公司)	January 3, 2019/ PRC/limited liability company	USD150,000,000/ USD138,508,000	100%	100%	100%	100%	100%	[100%]	Development and sale of products or services/PRC	(v)
Beijing Ruizheng Human Resources Management & Consulting Co., Ltd. (北京睿正人才管理諮詢有限公司)	October 12, 2009/ PRC/limited liability company	RMB5,000,000/ RMB2,000,000	51%	18%	N/A	N/A	N/A	[N/A]	Professional Services/PRC	(vi)

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Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued capital	Effective interest held					As at September 30 2022	As at the date of this report	Principal activities and place of operation	Note
			As at March 31,								
			2019	2020	2021	2022					
Beisen Shengya (Beijing) Education Technology Co., Ltd. (北森生涯(北京)教育科技有限公司)	April 23, 2009/ PRC/limited liability company	RMB1,000,000/ RMB1,000,000	100%	100%	100%	16%	N/A	N/A	Professional Services/PRC	(vii)	
Qingdao Beisen Cloud Computing Co., Ltd. (青島北森雲計算有限公司)	March 28, 2016/ PRC/ limited liability company	RMB500,000/ RMB500,000	100%	100%	100%	N/A	N/A	[N/A]	Cloud-Based HCM Solution/PRC	(viii)	
Hangzhou Beisen Ceping Technology Co., Ltd. (杭州北森測評技術有限公司)	July 16, 2014/ PRC/limited liability company	RMB3,000,000/ RMB3,000,000	100%	100%	100%	N/A	N/A	[N/A]	Cloud-Based HCM Solution/PRC	(ix)	
Beijing Beisen Zongheng Investment Management Center (Limited Partnership) (北京北森縱橫投資管理中心(有限合伙))	October 10, 2013/ PRC/limited partnership	RMB3,800,000/ RMB3,800,000	100%	100%	100%	100%	100%	[100%]	Employee stock holding platform/ PRC		
Beijing Beisen Yipin Investment Management Center (Limited Partnership) (北京北森宜品投資管理中心(有限合伙))	August 10, 2015/ PRC/limited partnership	RMB500,000/ RMB500,000	100%	N/A	N/A	N/A	N/A	[N/A]	Employee stock holding platform/ PRC		
Beijing Beisen Shanpin Investment Management Center (Limited Partnership) (北京北森善品投資管理中心(有限合伙))	August 11, 2015/ PRC/limited partnership	RMB750,000/ RMB750,000	100%	N/A	N/A	N/A	N/A	[N/A]	Employee stock holding platform/ PRC		
Beijing Beisen Liangpin Investment Management Center(Limited Partnership) (北京北森良品投資管理中心(有限合伙))	August 10, 2015/ PRC/limited partnership	RMB950,000/ RMB950,000	100%	N/A	N/A	N/A	N/A	[N/A]	Employee stock holding platform/ PRC		
Sendou Shanghai Technology Co., Ltd. (森豆(上海)科技有限公司)	July 10, 2019/ PRC/limited liability company	RMB100,000/ Nil	N/A	100%	100%	100%	100%	[100%]	Cloud-Based HCM Solution/PRC	(x)	

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Name of subsidiaries and controlled structured entities	Place and date of incorporation/ establishment and kind of legal entity	Registered/ issued capital	Effective interest held					As at the date of this report	Principal activities and place of operation	Note
			As at March 31,				As at September 30			
			2019	2020	2021	2022	2022			
Zhenjiang Sendou Traveling Agency Co., Ltd (鎮江森豆旅行社有限公司)	July 1, 2019/ PRC/limited liability company	RMB300,000/ Nil	N/A	100%	N/A	N/A	N/A	[N/A]	Employee benefits/ PRC	(xi)
Sichuan Sendou Traveling Agency Co., Ltd. (四川森豆旅行社有限公司)	June 26, 2017/ PRC/limited liability company	RMB500,000/ RMB500,000	100%	100%	N/A	N/A	N/A	[N/A]	Employee benefits/ PRC	(xii)

The English names of certain subsidiaries referred herein represent the directors’ best effort at translating the Chinese names of these companies as no English names have been registered.

No statutory audited financial statements were issued for some companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirement of their respective place of incorporation.

- (i) The Group adopted March 31 as its financial year end date upon the establishment of the Company.
- (ii) The statutory financial statements of Beisen HK for the period from April 10, 2018 (date of incorporation) to March 31, 2019, and for the years ended March 31, 2020, 2021 and 2022 were audited by Walton CPA&Co.
- (iii) The statutory financial statements of Beijing WFOE for the years ended December 31, 2018, 2019, 2020 and 2021 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
- (iv) The statutory financial statements of Beijing Beisen Cloud Computing Company Limited for the years ended December 31, 2018, 2019, 2020 and 2021 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
- (v) The statutory financial statements of Beisen Cloud Computing Company Limited for the years ended December 31, 2019, 2020 and 2021 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
- (vi) The statutory financial statements of Beijing Ruizheng Human Resources Management & Consulting Co., Ltd. for the years ended December 31, 2018 and 2019 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
- (vii) The statutory financial statements of Beisen Shengya (Beijing) Education Technology Co., Ltd. for the years ended December 31, 2018, 2019, 2020 and 2021 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
- (viii) The statutory financial statements of Qingdao Beisen Cloud Computing Co., Ltd for the years ended December 31, 2018, 2019 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP. The financial statements of Qingdao Beisen Cloud Computing Co., Ltd for the year ended December 31, 2020 were not audited. This subsidiary was deregistered in December 2021.

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- (ix) The statutory financial statements of Hangzhou Beisen Ceping Technology Co., Ltd. for the years ended December 31, 2018, 2019 and 2020 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP. This subsidiary was deregistered in December 2021.
- (x) The statutory financial statements of Sendou Shanghai Technology Co., Ltd (“Sendou Shanghai”) for the years ended December 31, 2019 and 2020 were not audited, and 2021 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.
- (xi) The statutory financial statements of Zhenjiang Sendou Traveling Agency Co., Ltd for the years ended December 31, 2019 and 2020 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP. This subsidiary was deregistered during the year ended March 31, 2021.
- (xii) The statutory financial statements of Sichuan Sendou Traveling Agency Co., Ltd for the years ended December 31, 2018 and 2019 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP. This subsidiary was deregistered during the year ended March 31, 2021.

### **1.3 Basis of presentation**

All Reorganization related contracts were signed by all relevant parties on September 25, 2018, and all administrative procedures of the Reorganization, including but not limited to remitting share capital of Beisen Cloud Computing overseas for reinjecting into the Company were completed by June 2020.

Immediately prior to and after the Reorganization, the [REDACTED] Business has been conducted through the PRC Operating Entities. Pursuant to the Reorganization, the [REDACTED] Business is effectively controlled by Beisen Cloud Computing and ultimately controlled by the Company.

The Company and those companies newly incorporated during the Reorganization have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The shareholdings in the Company and Beisen Cloud Computing were with a high degree of common ownership immediately before and after the Reorganization, even though no single investor controlled Beisen Cloud Computing or the Company. The Reorganization is merely a recapitalization of the [REDACTED] Business and does not result in any changes in business substance, nor in any management of the [REDACTED] Business. Accordingly, the transaction of the Reorganization was determined to be a continuation of the [REDACTED] Business conducted through the Company. The Group accounted for such transaction in a manner similar to a common control transaction. Consequently, Historical Financial Information is presented on a carryover basis for all periods presented. The number of outstanding shares in the consolidated statements of financial position, the consolidated statement of comprehensive loss, consolidated statement of changes in deficits, and per share information including net loss per share have been presented retrospectively as at the beginning of the earliest period presented on the Historical Financial Information to be comparable with the final number of shares issued in the Reorganization. Accordingly, the effect of the ordinary shares and redeemable convertible preferred shares issued by the Company pursuant to the Reorganization have been presented retrospectively as at the beginning of the earliest period presented in the consolidated financial statements or the original issue date, whichever is later, as if such shares were issued by the Company when the Group issued such interests.

Inter-company transactions, balances and unrealized gains/losses on transactions between Group companies are eliminated on consolidation.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the IFRS Interpretations Committee (“IFRS IC”) applicable to companies reporting under IFRS. The Historical Financial Information complies with IFRS as issued by the International Accounting Standards Board (“IASB”).

The Historical Financial Information has been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments)- measured at fair value or revalued amount
- assets held for sale—measured at the lower of carrying amount and fair value less costs to sell

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise in its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

IFRS 9, ‘Financial instruments’ and IFRS 15, ‘Revenue from contracts with customers’ were effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. IFRS 16, ‘Leases’ is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. The Group has adopted IFRS 9, IFRS 15 and early adopted IFRS 16 since the annual periods beginning on April 1, 2018. The accounting policies have been applied consistently throughout the Track Record Period.

#### *Practical expedients applied*

In applying IFRS 15 for the first time, the Group has elected to use a modified retrospective approach for transition. The Group recognized the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings (or other appropriate component of equity) in the period of initial application. Comparative prior year periods would not be adjusted.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at March 31, 2018 as short-term leases



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- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Covid-19-Related Rent Concessions

*Going concern*

For the six months ended September 30, 2022, the Group incurred net loss of approximately RMB162,822,000 and a net operating cash outflow of approximately RMB186,144,000, while the Group have the net current asset position. As of September 30, 2022, the Group has net liabilities of RMB6,198,130,000, attributable primarily to the redeemable convertible preferred shares. The Group’s source of finance and working capital mainly derived from the issuance of Company’s redeemable convertible preferred shares, which are classified as financial liabilities. Management of the Group has prepared a cash flow projection covering a period of not less than twelve months from September 30, 2022. Based on the projection prepared by management, the directors of the Company believe that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the twelve months from September 30, 2022. Consequently, the Historical Financial Information has been prepared on a going concern basis.

**2.1.1 Changes in accounting policy and disclosures**

*New standards, amendments to standards and interpretations not yet adopted*

The following certain new accounting standards and interpretations have been published that are not mandatory during Track Record Period and have not been early adopted by the Group.

		<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 16	Lease liability in a sale and leaseback	January 1, 2024
IFRS 17	Insurance Contracts	January 1, 2023

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group’s consolidated statements of financial position and consolidated statements of comprehensive loss upon adopting these standards, amendments to standards and interpretations to the existing IFRSs.

**2.2 Subsidiaries**

**2.2.1 Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its



involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(a) *Subsidiaries controlled through Contractual Arrangements*

As described in Note 1.2, Beijing WFOE has entered into a series of contractual arrangements dated September 25, 2018 (collectively, the “Contractual Arrangements”) with Beisen Cloud Computing and its shareholders, who collectively hold 99.9555% equity interests of Beisen Cloud Computing, which enable Beijing WFOE and the Group to:

- exercise power to direct the PRC Consolidated Affiliated Entities’ relevant activities;
- exercise equity holders’ voting rights of the PRC Consolidated Affiliated Entities;
- receive 99.9555% of the economic interest returns generated by the PRC Consolidated Affiliated Entities, in consideration for the business support by the Beijing WFOE, at the Beijing WFOE’s discretion;
- obtain an exclusive and irrevocable option to purchase all or part of 99.9555% equity interests in Beisen Cloud Computing from its shareholders for a purchase price of RMB10, to the extent permitted under PRC law or the lowest price permitted under PRC law shall apply. At the Beijing WFOE’s request, the registered equity holders of Beisen Cloud Computing will promptly and unconditionally transfer their respective equity interests in Beisen Cloud Computing to Beijing WFOE or its designated representative(s) after the Beijing WFOE exercises its purchase option, either in part or in full; and
- obtain a pledge over 99.9555% equity interests of Beisen Cloud Computing from its shareholders as a collateral security for the obligations to perform the provisions of the Contractual Arrangements.

As a result of the Contractual Arrangements, the Company has right to exercise power over the PRC Consolidated Affiliated Entities, receives variable returns from its involvement with the PRC Consolidated Affiliated Entities, and has the ability to affect those returns through its power over the PRC Consolidated Affiliated Entities. Therefore, the Company is considered to control the PRC Consolidated Affiliated Entities. Consequently, the Company regards the PRC Consolidated Affiliated Entities as controlled structure entities and consolidates the financial position and statements of comprehensive loss of these entities in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Consolidated Affiliated Entities and such uncertainties presented by the PRC legal system could impede the Group’s beneficiary rights of the results, assets and liabilities of the PRC Consolidated Affiliated Entities. The directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) *Business combinations*

Except for the Reorganization, the Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statements of comprehensive loss.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRS.

### 2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

### 2.3 **Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

#### *(a) Investments in associates in the form of ordinary shares*

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group’s share of the net fair value of the associate’s identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated statements of comprehensive loss where appropriate.

The Group’s share of the associates’ post-acquisition profit or loss is recognized in the consolidated statements of comprehensive loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to “share of profit of investments accounted for using equity method” in the consolidated statements of comprehensive loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group’s consolidated financial statements only to the extent of unrelated investor’s interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated statements of comprehensive loss.

*(b) Investments in associates in the form of ordinary shares with contingent redemption rights*

Investments in associates in the form of ordinary shares with contingent redemption rights are accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss in accordance with IFRS 9 (Note 2.9).

**2.4 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

**2.5 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currencies of the Company and its subsidiaries outside mainland China are United States dollars (“US\$” or “USD”), while the functional currencies of the Company’s subsidiaries in the mainland China are RMB. As the major operations of the Group during the Track Record Period are within the mainland China, the Group determined to present its Historical Financial Information in RMB (unless otherwise stated).

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in consolidated statements of comprehensive loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss on a net basis within other gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example,

translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income/(loss).

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which cases income and expenses are translated at the rate on the dates of the transactions; and
- all resulting currency translation differences are recognized in other comprehensive income/(loss).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income/(loss). When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values at 5%, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- |                                  |   |
|----------------------------------|---|
| • Electronic equipment           | 3 years   |
| • Furniture and office equipment | 5 years   |
| • Leasehold improvements         | shorter of estimated useful lives and remaining lease terms |

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in “other gains, net” in the consolidated statements of comprehensive loss.

## 2.7 Intangible assets

### (a) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining software are recognized as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software or database so that it will be available for use;
- Management intends to complete the software or database, and use or sell it;
- There is an ability to use or sell the software or database;
- It can be demonstrated how the software or database will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software or database are available, and
- The expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022.

### (b) Research and development expenditures

Research and development expenditures that do not meet the criteria in (a) above are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent period.

### (c) Amortization method and period

The Group’s intangible assets mainly represent software for internal use. The useful lives of software are 2 to 10 years, which is the best estimation under current business needs. The management estimates the useful lives of the intangible assets based on the expected usage of the software.

## 2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they



might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.9 Financial assets

### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (“FVOCI”).

See Note 17 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



*Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “other gains, net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “other gains, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “other gains, net” and impairment expenses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other gains, net” in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as “other income” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other gains, net” in the consolidated statements of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(d) Impairment*

The Group has the following types of assets subject to IFRS 9’s new expected credit loss model:

- Trade receivables and contract assets

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- Other receivables
- Term deposits
- Restricted cash
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. See Note 3.1(b) for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from restricted cash and cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of trade receivables and contract assets is described in Note 3.1(b).

**2.10 Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

**2.11 Term deposits**

Term deposits represent cash placed with banks with original maturities of three months or more. If collection of term deposits is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Term deposits are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Interest earned is recorded as finance income in the consolidated statements of comprehensive loss during the periods presented.

**2.12 Restricted cash**

Restricted cash primarily represents: (i) deposits at bank for letters of guarantee, and (ii) deposits that were pledged to banks as required for foreign exchange forward contracts. The Group

can only use segregated bank accounts for those restricted cash and cash in the segregated accounts can only be used for the respective businesses as designated and therefore not available for general use by the other entities within the Group.

### **2.13 Cash and cash equivalents**

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### **2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.15 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### **2.16 Financial instruments issued to investors**

Prior to the Group’s Reorganization (Note 1.2), Beisen Cloud Computing issued ordinary shares with preferential rights. According to the agreement, the ordinary shares will become redeemable by the holder under certain events, which are out of the Group’s control. The Group determined that the ordinary shares and preferential rights are two separate units of accounts, and recorded the ordinary shares as equity, and the preferential rights as financial instruments issued to investors.

As the Group does not have any unconditional right to avoid delivering cash or another financial assets to settle contractual obligation, the Group recognized a financial liability which recognized initially at the present value of the redemption amount. The financial liabilities are subsequently measured at amortized cost. Interests from the financial instruments are charged in “Losses from financial instruments issued to investors”. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect the present value of revised estimated future cash outflows at the financial instrument’s original effective interest rate, and the adjustments will be recognized as “Losses from financial instruments issued to investors” (Note 30). Financial instruments issued to investors are classified as current liabilities unless the preferential rights can only be exercised after 12 months after the end of each reporting period.

### **2.17 Redeemable convertible preferred shares**

Redeemable convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted

into ordinary shares upon occurrence of an [REDACTED] of the Company or agreed by majority of the holders as detailed in Note 31.

The Group designated the redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are expensed as incurred.

Subsequently, the component of fair value changes relating to the Company’s own credit risk is recognized in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retaining earnings when realized. Other fair value change relating to market risk are recognized in the consolidated statements of comprehensive loss.

Redeemable convertible preferred shares are classified as non-current liabilities until the Preferred Shareholders can demand the Company to redeem the preferred shares within 12 months after the end of the reporting period.

## 2.18 Income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

**2.19 Employee benefits**

(a) *Pension obligations and other social welfare benefits*

Full-time employees of the Group in mainland China are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labor regulation requires that the Group make contributions to the government for these benefits based on certain percentage of the employees’ salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the required contributions. There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) *Bonus plans*

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

**2.20 Share-based payments**

As disclosed in Note 26, the Group adopted 2019 Stock Incentive Plan and 2020 Stock Incentive Plan (collectively, “Employee Stock Ownership Plan”, or “ESOP”), under which it receives

services from employees and directors who have contributed or will contribute to the Group as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated statements of comprehensive loss with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity’s share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

## 2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

## 2.22 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or



- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines relative standalone selling prices based on its standard price list, taking into consideration market conditions and its overall pricing strategy.

When either party to a contract has performed, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity’s performance and the customer’s payment.

A contract asset is the Group’s right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

#### The accounting policy for the Group’s revenue sources

The Group mainly derives revenue separately or in combination from cloud-based HCM solutions and professional services.

##### *(a) Cloud-based HCM solutions*

The Group charges subscription fees for unlimited access to, or limited number of usages of, its cloud-based HCM solutions over the contract term.

Under unlimited access subscription model, customers are provided with access to one or more of the Group’s SaaS solutions over the contract term. Revenue is generally recognized ratably over the contract term.

Under limited number of usage subscription model, customers first purchase certain number of Sendou (森豆) from the Group, and redeem Sendou for related SaaS solutions upon usage. Unused Sendou will be forfeited when the contract term expires. The Group concludes that the breakage of Sendou does not satisfy the constraints of variable considerations, considering that the amount is highly susceptible to external factors, and based on historical data, breakage ratios for different customers are widespread. Related revenue is recognized upon the later of Sendou consumption and expiration.



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**ACCOUNTANT’S REPORT**

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*(b) Professional services*

The Group provides customers with a selection of professional services, including implementation services and value-added services associated with the cloud-based HCM solutions, as well as HR related trainings services and HCM consulting services.

Implementation services are provided to new SaaS solution subscriptions to assist customers with configuration and testing of the Group’s solution. Implementation service is determined to be a separate performance obligation considering, a) customers’ accesses are granted upon purchase and customers can start using the SaaS solutions immediately by following the user manual, b) implementation services do not involve the modification or writing of additional software code, but rather involves setting up the software’s existing code to function in a particular way for the customers’ benefits. Revenues from implementation services are recognized as services ratably over the estimated service periods.

Value-added services can be purchased separately from cloud-based HCM solutions at customers’ discretion. They are clearly distinct from cloud-based HCM solutions. The Group recognizes revenue from value-added service on a straight-line basis over the contractual term if the service meets the criterion that control of the goods and services is transferred over time. Otherwise, the Group recognizes revenue from value added services at a point in time.

Training services refer to the career planning training services provided by Beisen Shengya, a subsidiary of the Group. Training period normally lasts for 3-7 days, related revenues are recognized upon completion given the short duration of the trainings. The Group no longer offers such services after the disposal of Beisen Shengya (see Note 8).

HCM consulting services refer to consulting services provided by Ruizheng, a subsidiary of the Group, such as optimization of performance and reward plan, etc. Related revenues are recognized upon delivery of related reports. The Group no longer offers such services after the disposal of Ruizheng (see Note 8).

*(c) Incremental costs of obtaining customer contract*

Sales commissions earned by the Group’s sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized on a straight-line basis over a period of benefit that the Group has estimated to be three to four years. In arriving at this estimated period of benefit, the Group evaluated both qualitative and quantitative factors which include the estimated life cycles of its offerings and its customer attrition. The Group amortizes capitalized costs for renewals paid to customers over the renewal contract terms, or elects to expense as incurred if the amortization period is one year or less. Amortization expense of capitalized cost of obtaining customer contracts is included in sales and marketing expenses on the consolidated statement of comprehensive loss. The Group also assesses whether the carrying amount of contract cost has exceeded the remaining amount of consideration that the Group expects to receive, less that costs that relate directly to providing those goods or services that have not been recognized as expenses.

*(d) Practical expedients applied*

The Group expenses incremented cost to obtain a contract if the amortization period is one year or less.

The promised amount of consideration for the effects of a significant financing component is not adjusted if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### 2.23 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive loss over the period necessary to match them with the costs that they are intended to compensate. The Group does not have government grants relating to property, plant and equipment, and other non-current assets.

### 2.24 Leases

The Group leases certain offices. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to finance costs over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee’s incremental borrowing rate is used.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets represent leased assets with value below amounts equivalent to US\$5,000.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions related to the Covid pandemic in the same way as they would if they were not lease modifications. The Group has applied the practical expedients and the relative impacts on consolidated statements of comprehensive loss were considered not material.

## 2.25 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders or directors, where appropriate.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

Risk management is carried out under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the Group’s operating units.

#### (a) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Foreign exchange risk is the risk of loss resulting from changes in fluctuation of foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its consolidated financial position and consolidated statement of comprehensive loss.

For the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021, the foreign currency assets and liabilities of the Group entities are mainly PRC entities’ cash and cash equivalents denominated in USD, and Beisen HK’s intra-group loan receivables due from a subsidiary, Sendou Shanghai, located in mainland China which were denominated in RMB. The foreign exchange risk the Group is facing mainly comes from movements in the USD/RMB. During the six months ended September 30, 2022, the Group have determined that it will not settle the intra-group loans provided by Beisen HK to Sendou Shanghai as the Group planned to use all the amounts in the PRC operation. Thus, the intra-group loans have been designated as being part of Beisen HK’s net investment in the subsidiary, Sendou Shanghai, and the exchange difference amounting to approximately RMB134,021,000 that arises subsequently to the designation is recognized in other

comprehensive income on consolidation. Therefore, the Group did not record any exchange gains/(losses) in relation to the intra-group loans from Beisen HK to Sendou Shanghai in the six months ended September 30, 2022. During the Track Record Period, the Group did not have any derivative financial instrument for which hedging accounting was applied.

For the Group’s subsidiaries in mainland China whose functional currency is RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, loss before income tax for the year/period would have been approximately RMB6,379,000, RMB19,000 and RMB20,000 lower/higher for the year ended March 31, 2019, 2022 and for the six months ended September 30, 2022, RMB5,011,000, RMB4,895,000 and RMB4,668,000 higher/lower for the years ended March 31, 2020 and 2021 and the six months ended September 30, 2021, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD, regardless of the foreign exchange forward contracts.

For the Group’s subsidiary outside mainland China whose functional currency is USD, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, loss before income tax for the year/period would have been approximately nil, RMB10,691,000, RMB14,810,000, RMB59,187,000, RMB37,555,000 and RMB39,000 lower/higher for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in RMB, regardless of the foreign exchange forward contracts.

The Group entered into foreign currency forwards in relation to financial assets dominated in foreign currency that do not satisfy the requirements for hedge accounting (economic hedges). During the Track Record Period, the Group did not have any derivative financial instrument for which hedging accounting was applied.

*(b) Credit risk*

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, term deposits as well as trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group’s maximum exposure to credit risk in relation to financial assets.

*(i) Credit risk of cash and cash equivalents, restricted cash and term deposits*

To manage risk arising from cash and cash equivalents, restricted cash and term deposits, the Group only transacts with stated-owned financial institutions in the PRC or reputable banks and financial institutions having high-credit-quality in the PRC, Hong Kong and the United States of America. There has been no recent history of default in relation to these financial institutions. The expected credit loss is immaterial.

*(ii) Credit risk of trade receivables, other receivables and contract assets*

The Group has policies in place to ensure that trade receivables with credit terms are made to counter-parties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

For other receivables, the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

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The main exposure to credit risk at each of the reporting dates is the carrying value of the Group’s trade receivables and contract assets. On that basis, the loss allowance as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022 was determined as follows for both trade receivables and contract assets:

	<u>0 to 6 months</u>	<u>7 to 12 months</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
<b>As at March 31, 2019</b>					
Expected loss rate .....	1.09%	9.83%	12.93%	100.00%	2.13%
Gross carrying amount (RMB’000)—trade receivables .....	10,586	468	317	55	11,426
Gross carrying amount (RMB’000)—contract assets .....	1,334	—	—	—	1,334
<b>Loss allowance (RMB’000) .....</b>	<b>130</b>	<b>46</b>	<b>41</b>	<b>55</b>	<b>272</b>
<b>As at March 31, 2020</b>					
Expected loss rate .....	0.79%	7.05%	8.40%	100.00%	1.69%
Gross carrying amount (RMB’000)—trade receivables .....	10,459	1,460	655	2	12,576
Gross carrying amount (RMB’000)—contract assets .....	3,323	—	—	—	3,323
<b>Loss allowance (RMB’000) .....</b>	<b>109</b>	<b>103</b>	<b>55</b>	<b>2</b>	<b>269</b>
<b>As at March 31, 2021</b>					
Expected loss rate .....	2.29%	9.96%	31.55%	N/A	3.52%
Gross carrying amount (RMB’000)—trade receivables .....	12,326	1,235	317	—	13,878
Gross carrying amount (RMB’000)—contract assets .....	1,345	—	—	—	1,345
<b>Loss allowance (RMB’000) .....</b>	<b>313</b>	<b>123</b>	<b>100</b>	<b>—</b>	<b>536</b>
<b>As at March 31, 2022</b>					
Expected loss rate .....	1.61%	5.71%	18.83%	100.00%	3.46%
Gross carrying amount (RMB’000)—trade receivables .....	18,565	3,064	1,269	134	23,032
Gross carrying amount (RMB’000)—contract assets .....	2,747	—	—	—	2,747
<b>Loss allowance (RMB’000) .....</b>	<b>344</b>	<b>175</b>	<b>239</b>	<b>134</b>	<b>892</b>
<b>As at September 30, 2022</b>					
Expected loss rate .....	3.78%	27.55%	34.55%	100.00%	10.75%
Gross carrying amount (RMB’000)—trade receivables .....	22,422	4,297	2,897	385	30,001
Gross carrying amount (RMB’000)—contract assets .....	2,766	—	—	—	2,766
<b>Loss allowance (RMB’000) .....</b>	<b>952</b>	<b>1,184</b>	<b>1,001</b>	<b>385</b>	<b>3,522</b>

The loss allowances for trade and other receivables and contract assets as at March 31, 2019, 2020, 2021 and 2022 and as at September 30, 2021 and 2022 reconcile to the opening loss allowances as follows:

	<b>Contract assets</b>					
	<b>Year ended March 31,</b>				<b>Six months ended September 30,</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
<b>At the beginning of the year/period .....</b>	20	15	20	13	13	34
(Reversal)/increase in loss allowance recognised in profit or loss during the year/period .....	(5)	5	(7)	21	10	75
<b>At the end of the year/period .....</b>	<b>15</b>	<b>20</b>	<b>13</b>	<b>34</b>	<b>23</b>	<b>109</b>

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	Trade receivables					
	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>At the beginning of the year/period</b> . . . . .	503	257	249	523	523	858
(Reversal)/increase in loss allowance recognised in profit or loss during the year/period . . . . .	(246)	354	1,033	345	(98)	2,555
Receivables written off during the year/period as uncollectible . . . . .	—	(255)	(759)	(10)	(9)	—
Decrease due to disposal of a subsidiary . . . . .	—	(107)	—	—	—	—
<b>At the end of the year/period</b> . . . . .	<b>257</b>	<b>249</b>	<b>523</b>	<b>858</b>	<b>416</b>	<b>3,413</b>

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Impairment on other receivables is measured as 12-month expected credit losses since the directors of the Company believe that there has been no significant increase in credit risk since initial recognition.

	Other receivables					
	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>At the beginning of the year/period</b> . . . . .	132	265	164	164	164	822
Increase/(reversal) in loss allowance recognised in profit or loss during the year/period . . . . .	133	25	—	658	120	(29)
Other receivables written off during the year/period as uncollectible . . . . .	—	—	—	—	—	(565)
Decrease due to disposal of a subsidiary . . . . .	—	(126)	—	—	—	—
<b>At the end of the year/period</b> . . . . .	<b>265</b>	<b>164</b>	<b>164</b>	<b>822</b>	<b>284</b>	<b>228</b>

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where financial assets and contracts have been written off, the Group continue to engage in activities to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate cash and cash equivalents to meet the Group’s liquidity requirements.



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The following table shows the remaining contractual maturities (or the earliest date a financial liability may become payable in the absence of a fixed maturity date) at the balance sheet date of the Group’s financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at March 31, 2019</b>					
Trade payables	1,879	—	—	—	1,879
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	106,060	—	—	—	106,060
Lease liabilities	30,915	17,794	4,162	—	52,871
	<u>138,854</u>	<u>17,794</u>	<u>4,162</u>	<u>—</u>	<u>160,810</u>
<b>As at March 31, 2020</b>					
Trade payables	2,663	—	—	—	2,663
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	108,496	—	—	—	108,496
Lease liabilities	21,987	8,422	—	—	30,409
	<u>133,146</u>	<u>8,422</u>	<u>—</u>	<u>—</u>	<u>141,568</u>
<b>As at March 31, 2021</b>					
Trade payables	1,172	—	—	—	1,172
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	4,606	—	—	—	4,606
Lease liabilities	23,930	4,695	2,233	—	30,858
	<u>29,708</u>	<u>4,695</u>	<u>2,233</u>	<u>—</u>	<u>36,636</u>
<b>As at March 31, 2022</b>					
Trade payables	4,703	—	—	—	4,703
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	10,491	—	—	—	10,491
Lease liabilities	39,736	30,711	15,568	—	86,015
	<u>54,930</u>	<u>30,711</u>	<u>15,568</u>	<u>—</u>	<u>101,209</u>
<b>As at September 30, 2022</b>					
Trade payables	9,709	—	—	—	9,709
Other payables and accruals (excluding salary and welfare payable, accrual for other taxes)	7,696	—	—	—	7,696
Lease liabilities	37,724	29,054	4,759	—	71,537
	<u>55,129</u>	<u>29,054</u>	<u>4,759</u>	<u>—</u>	<u>88,942</u>

As at March 31, 2019, 2020 and 2022 and September 30, 2022, redeemable convertible preferred shares were classified as a non-current liability, whereas as at March 31, 2021, redeemable convertible preferred shares were classified as current liability, because the Preferred Shareholders can demand the Company to redeem their preferred shares within 12 months as at March 31, 2021, while they cannot demand the Company to redeem their preferred shares within 12 months for the other presented balance sheet dates.

The maximum exposure of the redemption of redeemable convertible preferred shares is the contractual redemption price, which is equal to 100% of the issue price of the respective redeemable convertible preferred shares plus interests calculated using respective interest rate during the period from the issuance of the redeemable convertible preferred shares until the date on which the



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redemption price is paid in full, and plus any declared but unpaid dividends if a redemption event occurs as described in Note 31. The Group recognizes the redeemable convertible preferred shares at fair value through profit or loss. Accordingly, redeemable convertible preferred shares are managed on a fair value basis rather than by maturing dates.

**3.2 Capital management**

The Group’s objectives when managing capital are to:

- safeguard the Group’s ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company’s shares. In the opinion of the directors of the Company, the Group’s capital risk is low.

**3.3 Fair value estimation**

(a) Financial assets and liabilities carried at fair value

(i) *Fair value hierarchy*

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
<b>As at March 31, 2019</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (Note 18)				
• Investment in wealth management products .....	—	—	10,800	10,800
• Unlisted equity investment .....	—	—	3,870	3,870
<b>Total financial assets</b> .....	<u>—</u>	<u>—</u>	<u>14,670</u>	<u>14,670</u>
<b>Financial liabilities</b>				
Warrant liability (Note 32) .....	—	—	(57,112)	(57,112)
Redeemable convertible preferred shares (Note 31) .....	—	—	(1,797,425)	(1,797,425)
<b>Total financial liabilities</b> .....	<u>—</u>	<u>—</u>	<u>(1,854,537)</u>	<u>(1,854,537)</u>

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at March 31, 2020</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (Note 18)				
• Investment in structured deposit .....	—	—	170,085	170,085
• Investment in wealth management products .....	—	—	6,783	6,783
• Unlisted equity investment .....	—	—	5,083	5,083
<b>Total financial assets</b> .....	<u>—</u>	<u>—</u>	<u>181,951</u>	<u>181,951</u>
<b>Financial liabilities</b>				
Warrant liability (Note 32) .....	—	—	(114,576)	(114,576)
Redeemable convertible preferred shares (Note 31) .....	—	—	(2,800,457)	(2,800,457)
<b>Total financial liabilities</b> .....	<u>—</u>	<u>—</u>	<u>(2,915,033)</u>	<u>(2,915,033)</u>
<b>As at March 31, 2021</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (Note 18)				
• Investment in structured deposit .....	—	—	122,280	122,280
• Investment in wealth management products .....	—	—	3,013	3,013
• Unlisted equity investment .....	—	—	15,314	15,314
Derivative financial instruments (Note 19) .....	—	527	—	527
<b>Total financial assets</b> .....	<u>—</u>	<u>527</u>	<u>140,607</u>	<u>141,134</u>
<b>Financial liabilities</b>				
Redeemable convertible preferred shares (Note 31) .....	—	—	(3,558,177)	(3,558,177)
<b>Total financial liabilities</b> .....	<u>—</u>	<u>—</u>	<u>(3,558,177)</u>	<u>(3,558,177)</u>
<b>As at March 31, 2022</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (Note 18)				
• Investment in structured deposit .....	—	—	1,297,642	1,297,642
• Unlisted equity investment .....	—	—	23,294	23,294
<b>Total financial assets</b> .....	<u>—</u>	<u>—</u>	<u>1,320,936</u>	<u>1,320,936</u>
<b>Financial liabilities</b>				
Redeemable convertible preferred shares (Note 31) .....	—	—	(6,610,924)	(6,610,924)
<b>Total financial liabilities</b> .....	<u>—</u>	<u>—</u>	<u>(6,610,924)</u>	<u>(6,610,924)</u>
<b>As at September 30, 2022</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (Note 18)				
• Investment in structured deposit .....	—	—	1,303,640	1,303,640
• Unlisted equity investment .....	—	—	25,451	25,451
<b>Total financial assets</b> .....	<u>—</u>	<u>—</u>	<u>1,329,091</u>	<u>1,329,091</u>
<b>Financial liabilities</b>				
Redeemable convertible preferred shares (Note 31) .....	—	—	(7,403,472)	(7,403,472)
<b>Total financial liabilities</b> .....	<u>—</u>	<u>—</u>	<u>(7,403,472)</u>	<u>(7,403,472)</u>

- **Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if

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quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 instruments for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022.

	Financial assets at fair value through profit or loss		
	Investment in structured deposits	Investment in wealth management products	Unlisted equity investment
	RMB’000	RMB’000	RMB’000
<b>Opening balance at April 1, 2018 (Unaudited)</b> .....	—	93,000	90
Additions .....	100,000	12,900	2,000
Settlements .....	(100,343)	(96,685)	—
Gains recognized in profit or loss .....	343	1,585	1,780
<b>Closing balance at March 31, 2019</b> .....	<b>—</b>	<b>10,800</b>	<b>3,870</b>
<b>Opening balance at April 1, 2019</b> .....	—	10,800	3,870
Additions .....	260,000	174,000	—
Settlements .....	(90,311)	(180,302)	(90)
Gains recognized in profit or loss .....	396	2,285	1,303
<b>Closing balance at March 31, 2020</b> .....	<b>170,085</b>	<b>6,783</b>	<b>5,083</b>
<b>Opening balance at April 1, 2020</b> .....	170,085	6,783	5,083
Additions .....	967,000	3,000	—
Settlements .....	(1,017,688)	(6,802)	—
Gains recognized in profit or loss .....	2,883	32	10,231
<b>Closing balance at March 31, 2021</b> .....	<b>122,280</b>	<b>3,013</b>	<b>15,314</b>
<b>Opening balance at April 1, 2021</b> .....	122,280	3,013	15,314
Additions .....	2,253,000	—	1,513
Settlements .....	(1,088,533)	(3,130)	—
Gains recognized in profit or loss .....	10,895	117	6,467
<b>Closing balance at March 31, 2022</b> .....	<b>1,297,642</b>	<b>—</b>	<b>23,294</b>
<b>Opening balance at April 1, 2022</b> .....	1,297,642	—	23,294
Additions .....	1,793,000	—	—
Settlements / Disposal .....	(1,804,516)	—	(1,520)
Gains recognized in profit or loss .....	17,514	—	3,677
<b>Closing balance at September 30, 2022</b> .....	<b>1,303,640</b>	<b>—</b>	<b>25,451</b>

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	Financial liabilities at fair value through profit or loss	
	Warrant Liability RMB’000	Redeemable convertible preferred shares RMB’000
<b>Opening balance at April 1, 2018 (Unaudited)</b> .....	—	—
Issuance of redeemable convertible preferred shares .....	—	503,013
Allotment of redeemable convertible preferred shares upon Reorganization .....	—	985,961
Changes in fair value through profit or loss .....	13,159	317,678
Issuance of warrant liability in relation to the Reorganization of the Group .....	44,628	—
Changes in fair value through other comprehensive income .....	—	19,173
Foreign exchange adjustments .....	(675)	(28,400)
<b>Closing balance at March 31, 2019</b> .....	<b>57,112</b>	<b>1,797,425</b>
<b>Opening balance at April 1, 2019</b> .....	<b>57,112</b>	<b>1,797,425</b>
Changes in fair value through profit or loss .....	53,472	883,369
Changes in fair value through other comprehensive income .....	—	8,946
Foreign exchange adjustments .....	3,992	110,717
<b>Closing balance at March 31, 2020</b> .....	<b>114,576</b>	<b>2,800,457</b>
<b>Opening balance at April 1, 2020</b> .....	<b>114,576</b>	<b>2,800,457</b>
Exercise of warrant liability .....	(147,147)	246,682
Changes in fair value through profit or loss .....	32,571	752,797
Changes in fair value through other comprehensive income .....	—	1,170
Foreign exchange adjustments .....	—	(242,929)
<b>Closing balance at March 31, 2021</b> .....	<b>—</b>	<b>3,558,177</b>
<b>Opening balance at April 1, 2021</b> .....	<b>—</b>	<b>3,558,177</b>
Issuance of redeemable convertible preferred shares .....	—	1,700,951
Repurchase of redeemable convertible preferred shares .....	—	(92,853)
Changes in fair value through profit or loss .....	—	1,638,199
Changes in fair value through other comprehensive income .....	—	(7,365)
Foreign exchange adjustments .....	—	(186,185)
<b>Closing balance at March 31, 2022</b> .....	<b>—</b>	<b>6,610,924</b>
<b>Opening balance at April 1, 2022</b> .....	<b>—</b>	<b>6,610,924</b>
Changes in fair value through profit or loss .....	—	4,991
Changes in fair value through other comprehensive income .....	—	4,334
Foreign exchange adjustments .....	—	783,223
<b>Closing balance at September 30, 2022</b> .....	<b>—</b>	<b>7,403,472</b>

(iii) Valuation techniques and significant inputs used to determine fair values and valuation process

The valuation technique used to value foreign currency forwards in level 2 is the present value of future cash flows based on the forward exchange rates at the balance sheet dates.

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the financial instruments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuation experts will be involved when necessary.

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The valuation of the level 3 instruments mainly included redeemable convertible preferred shares (Note 31), warrant liability (Note 32), investment in structured deposits (Note 18), investment in wealth management products (Note 18) and unlisted equity investment (Note 18). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flow model and market approach etc.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, loss before income tax for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 would have been approximately RMB1,467,000, RMB18,195,000, RMB14,113,000, RMB132,094,000, RMB33,204,000, RMB132,909,000 lower/higher.

The following table presents the (higher)/lower of the loss before income tax for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 if the Company’s equity value had increased/decreased by 10% which leads to the fair value changes of preferred shares and warrant liabilities.

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>% changes of the Company’s equity value</b>						
Increased by 10% .....	(299,050)	(468,088)	(590,049)	(983,584)	(820,719)	(1,041,720)
Decreased by 10% .....	295,971	465,670	589,858	982,552	817,696	1,042,146

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The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value			Significant unobservable inputs	Range of inputs			Relationship of unobservable inputs to fair value				
	As at March 31,		As at September 30,		As at March 31,		As at September 30,					
	2019	2020	2021		2022	2020	2021		2022			
	RMB'000	RMB'000	RMB'000	RMB'000								
<b>Financial assets at fair value through profit or loss</b>												
-Investment in structured deposit . . . . .	—	170,085	122,280	1,297,642	1,303,640	NA	3.7%	1.3%~3.5%	1.3%~3.7%	1.3%~3.7%	The higher the expected rate of return, the higher the fair value	
						Expected rate of return						
-Investment in wealth management products . . . . .	10,800	6,783	3,013	—	—	Expected rate of return	3.0%~3.5%	4.4%	2.5%	N/A	NA	The higher the expected rate of return, the higher the fair value
						Expected Volatility	43.1%	45.1%	45.6%	43.7%~76.6%	47.9%	The higher the expected volatility, the higher the fair value
-Unlisted equity investment . . . . .	3,870	5,083	15,314	23,294	25,451	Business enterprise value/sales multiple	9.2	7.6	12.7	0.2~10.0	8.2	The higher the multiple, the higher the fair value
						Discount for lack of marketability (“DLOM”)	24.0%	24.0%	22.0%	20.0%~29.0%	20.0%	The higher the lack of liquidity discount rate, the lower the fair value

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Description	Fair value				Significant unobservable inputs	Range of inputs			Relationship of unobservable inputs to fair value			
	As at March 31,		As at September 30,			As at March 31,		As at September 30,				
	2019	2020	2021	2022		2019	2020	2021		2022		
	RMB'000	RMB'000	RMB'000	RMB'000								
-Warrant liability ...	(57,112)	(114,576)	—	—	Discount rate	23.0%	21.0%	NA	N/A	N/A	The higher the discount rate, the lower the fair value	
					Risk-free interest rate	2.4%	0.1%	NA	N/A	N/A	The higher the risk-free rate, the lower the fair value	
					Volatility	41.3%	69.6%	NA	N/A	N/A	The higher the expected volatility, the higher the fair value	
-Redeemable convertible preferred shares . . . .	(1,797,425)	(2,800,457)	(3,558,177)	(6,610,924)	(7,403,472)	Discount rate	23.0%	21.0%	18.0%	16.5%	16.5%	The higher the discount rate, the lower the fair value
						Risk-free interest rate	2.2%	0.2%	0.1%	2.3%	4.1%	The higher the risk-free rate, the lower the fair value
						DLOM	7.5%	6.0%	5.0%	4.0%	4.0%	The higher the DLOM, the lower the fair value
						Volatility	37.1%	41.2%	40.7%	42.9%	41.7%	The higher the expected volatility, the higher the fair value



(b) *Financial instruments carried at other than fair value*

The carrying amounts of the Group’s financial assets including cash and cash equivalents, restricted cash, term deposits, trade receivables and other receivables and the Group’s financial liabilities, including trade payables, other payables and accruals approximate to their fair values due to their short maturities.

**4 Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Fair value of financial assets*

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) *Fair value of redeemable convertible preferred shares*

The redeemable convertible preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the redeemable convertible preferred shares.

Details of the valuation models, key assumptions and inputs are disclosed in Note 31.

(c) *Recognition of share-based payments expenses*

As mentioned in Note 26, the Group has granted share options to its employees. The directors have used the Binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the Binomial option-pricing model.

The directors estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the “Expected Retention Rate”) in order to determine the amount of share-based payments expenses charged to the consolidated income statement. The Expected Retention Rate is estimated based on historical pattern of retentions and management’s best estimates.

*(d) Allocation of selling price of each distinct performance obligation*

As disclosed in Note 2.22, contracts with customers may include multiple performance obligations. When the performance obligations are assessed to be distinct, the Group allocates revenue to each performance obligation based on their relative standalone selling prices. The Group generally determines relative standalone selling prices based on its standard price list, taking into consideration of market conditions and the Group’s overall pricing strategy.

*(e) Current and deferred income taxes*

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgments and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

## **5 Segment information**

The Group’s business activities are mainly in providing cloud-based HCM solutions and related professional services, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM (Note 2.4). As a result of this evaluation, the directors of the Company consider that the Group’s operation is operated and managed as a single segment and no segment information is presented, accordingly.

All of the Group’s revenues for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 were generated in the PRC.

As at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, all of the Group’s long-lived assets are located in the PRC.

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6 Revenues from contracts with customers

(a) Disaggregation of revenue from contracts with customers

Revenue for the Track Record Period are as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cloud-based HCM Solutions . . . . .	209,023	259,449	349,073	463,467	209,534	253,268
Professional Services . . . . .	173,255	199,088	207,254	216,160	103,256	97,498
	<u>382,278</u>	<u>458,537</u>	<u>556,327</u>	<u>679,627</u>	<u>312,790</u>	<u>350,766</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Recognized over time . . . . .	300,680	368,399	472,931	579,062	278,597	297,548
Recognized at a point in time . . . . .	81,598	90,138	83,396	100,565	34,193	53,218
	<u>382,278</u>	<u>458,537</u>	<u>556,327</u>	<u>679,627</u>	<u>312,790</u>	<u>350,766</u>

(b) Contract assets

The Group records a contract asset when revenue recognized for professional services performance obligations fulfilled over a period of time exceed the contractual amount of billings for providing related professional services. And contract assets are reclassified to trade receivables when the Group’s right to the considerations becomes unconditional.

	As at March 31,				As at September 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract asset . . . . .	1,334	3,323	1,345	2,747	2,766
Less: Allowance for contract assets . . . . .	(15)	(20)	(13)	(34)	(109)
<b>Total contract assets . . . . .</b>	<u>1,319</u>	<u>3,303</u>	<u>1,332</u>	<u>2,713</u>	<u>2,657</u>

(c) Contract acquisition costs

The Group has recognized an asset in relation to costs to acquire contracts. This is presented as contract acquisition costs in consolidated statements of financial position.

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Contract acquisition costs for initial contracts are amortized on a straight-line basis over a period of benefits that the Group estimated to be three years, while for the renewal contracts, contract acquisition costs are amortized on a straight-line basis over the renewal contract terms, or expensed as incurred if the amortization period is one year or less. The management expects the capitalized costs to be completely recovered and no impairment loss should be recognized since no losses are expected to be incurred for the related customer contracts when all the costs that relate to the fulfillment of the contract are taken into account.

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Total contract acquisition costs	17,975	22,850	33,164	41,159	43,018
Less: amounts to be amortized within one year	(8,942)	(12,610)	(17,254)	(22,064)	(16,757)
Contract acquisition costs—non-current	<u>9,033</u>	<u>10,240</u>	<u>15,910</u>	<u>19,095</u>	<u>26,261</u>

The following table shows the changes of contract acquisition costs balances:

	Year ended March 31,				Six months ended	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Asset recognized from costs incurred to obtain a contract	17,540	17,236	28,023	31,188	13,192	9,909
Amortization recognized as selling and marketing expenses related to services or products during the year/period	(7,616)	(12,361)	(17,709)	(23,193)	(11,062)	(8,050)

(d) Contract liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

The following table shows how much of the revenue recognized during the Track Record Period is included in the contract liabilities at the beginning of each period:

	Year ended March 31,				Six months ended	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue recognized that was included in the contract liability balance at the beginning of the year/period	111,207	150,220	214,348	349,527	162,822	217,059

(e) Transaction price allocated to remaining performance obligations

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Transaction price allocated to remaining performance obligations of long-term contracts	85,897	116,088	150,384	183,450	193,605
To be recognized as revenue within 1 year	(25,420)	(44,391)	(118,836)	(161,166)	(174,809)
To be recognized as revenue over 1 year	<u>60,477</u>	<u>71,697</u>	<u>31,548</u>	<u>22,284</u>	<u>18,796</u>

The Group elects not to disclose the amount of transaction price allocated to performance obligations to be satisfied within the next 12 months.

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7 Other income

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Value added tax (“VAT”) refund (a) . . . . .	22,695	20,989	22,264	29,688	14,325	14,097
Government grants (b) . . . . .	1,007	2,352	3,289	3,133	2,105	2,346
Additional deductible input tax (c) . . . . .	—	95	20	1,824	845	680
Others . . . . .	162	874	655	284	175	146
	<u>23,864</u>	<u>24,310</u>	<u>26,228</u>	<u>34,929</u>	<u>17,450</u>	<u>17,269</u>

- (a) According to the VAT tax regulations in the PRC, from January 1, 2017 to April 30, 2018 entities that provided development and sales of computer software were subject to VAT with an applicable rate of 17%. From May 1, 2018 to March 31, 2019, the applicable VAT tax rate for sales of computer software dropped from 17% to 16%. From April 1, 2019, the applicable VAT tax rate for sales of computer software dropped from 16% to 13%. Enterprises that provide sales of self-developed software in the PRC are entitled to VAT refund, to the extent, that the effective VAT rate of the sales of the software in the PRC exceeds 3%.
- (b) Governments grants received during the period primarily comprised the financial subsidies received from various local government authorities in the mainland China. There are no unfulfilled conditions or contingencies relating to these incomes.
- (c) On March 20, 2019, the Ministry of Finance, the State Taxation Administration and General Customs Administration announced that from April 1, 2019 to December 31, 2021, taxpayers engaging in providing modern services are allowed to deduct an extra 10% of the deductible input tax for the then current period from the payable tax. In March 2022, the effective period of this tax incentive policy was extended to December 31, 2022.

8 Other gains, net

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Net foreign exchange (losses)/gains . . . . .	(1,398)	(5,648)	25,733	23,863	5,214	(564)
Fair value gains on foreign exchange forward contracts (Note 19) . . . . .	—	—	5,625	20,341	15,014	—
Net fair value gains on financial assets at fair value through profit or loss(Note 18) . . . . .	3,708	3,984	13,146	17,479	4,793	21,191
Gains on disposal of subsidiaries (a) . . . . .	1,154	4,132	—	11,875	12,432	—
Net (losses)/gains on disposal of property, plant and equipment . . . . .	(40)	(228)	(112)	(187)	(256)	30
Others . . . . .	(155)	(110)	(325)	(377)	517	(1,398)
	<u>3,269</u>	<u>2,130</u>	<u>44,067</u>	<u>72,994</u>	<u>37,714</u>	<u>19,259</u>

(a) Disposal of subsidiaries

During the Track Record Period, the Group disposed three subsidiaries, including Senyun (Tianjin) Technology Co., Ltd (“Sen Yun Technology”), Beijing Beisen Ruizheng Talent Management Consulting Company Limited (“Ruizheng”) and Beisen Shengya (Beijing) Education Technology Co., Ltd. (“Beisen Shengya”).

Disposal of Sen Yun Technology

In August 2018, the Group entered into a series of agreements with Beijing Black Mirror Co., Ltd. (“Beijing Black Mirror”), pursuant to which the Group transferred 100% equity interest in its then wholly-owned subsidiary Sen Yun Technology to Beijing Black Mirror for a cash consideration of

RMB1,000,000 and concurrently the Group obtained 18% equity interest in Beijing Black Mirror with a cash consideration of RMB2,000,000. Beijing Black Mirror was set up by Mr. Zhang Qinghua, who was an employee of the Group, shortly before these transactions.

After the aforementioned transactions, the Group lost control over Sen Yun Technology and started to hold 18% equity interests of Beijing Black Mirror. The Group was given veto rights to certain matters, including i) the approval of annual budget of Beijing Black Mirror and, ii) compensation and appointment of senior management of Beijing Black Mirror and etc, which indicates that the Group has significant influence over Beijing Black Mirror. However, the Group also has the right to request Beijing Black Mirror to buy back the equity interest held by the Group at the price of RMB2,000,000 plus an amount accruing therefore daily at a simple rate of 8% per annum (excluding any dividend received) upon deemed liquidation events, including any consolidation, amalgamation or merger of Beijing Black Mirror with or into any other person or other corporate Reorganization, in which the members of Beijing Black Mirror immediately prior to such consolidation, amalgamation or merger own less than fifty percent (50%) of the voting right of Beijing Black Mirror after such consolidation, merger or amalgamation, and etc. Therefore, the Group’s interest in Beijing Black Mirror is considered a hybrid investment in an associate in the form of ordinary shares with contingent redemption rights.

The Group derecognized the assets and liabilities of Sen Yun Technology from its consolidated statements of financial position upon losing control, and recognized the 18% investment in Beijing Black Mirror as a financial asset at fair value through profit or loss, with any differences among the fair value of the 18% investment in Beijing Black Mirror, and fair value of Sen Yun Technology plus the net cash outflow of RMB1,000,000 recognized as share-based payment expenses as described in Note 26.

#### Disposal of Ruizheng

The Group owned 51% equity interest of Ruizheng prior to the disposal. On August 15, 2019, the Group and Tianjin Lingrui Zhengxing Enterprise Management Consulting Center (Limited Partnership) (“Tianjin Lingrui”) entered into a share transfer agreement, pursuant to which:

i) the Group transferred 33% equity interest of Ruizheng to Tianjin Lingrui for a cash consideration of RMB4,950,000;

ii) the Group and Tianjin Lingrui also agreed that the Group would transfer the remaining 18% equity interest of Ruizheng to Tianjin Lingrui, and Tianjin Lingrui would pay a cash consideration of RMB2,700,000 to the Group no later than June 30, 2020.

On May 20, 2020, the Group and Tianjin Lingrui entered into another share transfer agreement and completed the transfer of the remaining 18% equity interest of Ruizheng in June 2020.

The aforementioned transactions were considered as linked transactions. The Group derecognized the assets, liabilities and non-controlling interests of Ruizheng from its consolidated statements of financial position upon transfer of the 33% equity interest, and designate the remaining 18% equity interests of Ruizheng as assets classified as held for sale in its consolidated statements of financial position, measured at the lower of the consideration to be collected and its fair value, whereby a disposal gain of RMB3,941,000 was recorded in other gains, net in its consolidated statements of comprehensive loss, calculated as the difference among i) derecognizing the carrying amount of the

assets, liabilities and non-controlling interests of Ruizheng, ii) recognizing assets classified as held for sale and iii) cash inflow of RMB4,950,000, which is the initial consideration to transfer the 33% equity interest of Ruizheng.

#### Disposal of Beisen Shengya

On August 31, 2021, the Group entered into a share transfer agreement with Hainan Shengya Enterprise Information Consulting Center Limited Partnership (“Hainan Shengya”) and Hainan Senya Investment Co.,Ltd.(“Hainan Senya”), pursuant to which, the Group agreed to transfer 42% equity interests of Beisen Shengya to Hainan Shengya and 42% equity interests of Beisen Shengya to Hainan Senya at a consideration of RMB3,973,000 respectively, totaling RMB7,946,000. After the transaction, the Group still holds 16% equity interests of Beisen Shengya.

The Group derecognized the assets and liabilities of Beisen Shengya from its consolidated statements of financial position since the date it lost control over Beisen Shengya. And the Group designated the remaining 16% equity interests of Beisen Shengya as financial assets at fair value through profit or loss as stated in Note 18.

In June 2022, the Group entered into an agreement to further transfer its remaining 16% equity interests in Beisen Shengya to Hainan Senya at a consideration of RMB1,520,000. The transaction was completed on July 6, 2022. The net fair value gains recognized before the disposal was approximately RMB6,000.

For the aforementioned disposals of subsidiaries, the Group determines that they do not meet the definition of discontinued operations since they do not represent a separate major line of businesses both qualitatively and quantitatively.



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**9 Expenses by nature**

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses (Note 10) . . . .	436,748	630,277	618,672	790,089	368,355	441,716
Share-based payments-non-ESOP (Note 26) . . . .	81,126	2,499	—	53,348	53,348	—
Depreciation of right-of-use assets (Note 16) . . . .	22,592	31,993	28,762	37,705	16,924	20,279
Professional fees . . . . .	10,516	10,136	8,697	29,185	25,364	5,338
Technical service fees . .	8,979	10,438	14,307	26,655	9,272	16,094
Marketing expenses . . . .	13,787	18,005	15,928	25,318	10,637	12,533
Traveling expenses . . . .	28,365	26,608	18,004	21,730	11,412	9,139
[REDACTED] expenses . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation & amortization expenses (Notes 14&15) . . . . .	7,962	14,342	11,711	13,374	5,686	11,063
Office expenses . . . . .	5,617	9,646	6,259	13,746	5,162	6,710
Entertainment expenses . . . .	5,306	12,119	11,029	10,465	3,636	3,874
Tax surcharges . . . . .	5,000	5,305	6,669	8,411	3,644	3,413
Short-term rental and utilities expenses . . . . .	9,984	7,636	5,327	6,797	3,778	5,501
Conference fees . . . . .	2,241	3,949	3,834	3,492	3,631	260
Training service costs . . . . .	7,774	9,025	6,808	2,973	2,972	—
Recruitment expenses . . . . .	3,259	2,481	715	1,627	1,040	557
Others . . . . .	10,322	10,296	9,979	10,467	5,388	5,260
	<b>659,578</b>	<b>804,755</b>	<b>766,701</b>	<b>1,075,089</b>	<b>530,249</b>	<b>548,184</b>

**10 Employee benefit expenses**

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses . . . . .	362,938	469,949	514,473	608,952	286,899	351,106
Share-based payments-ESOP (Note 26) . . . . .	—	75,447	33,549	53,635	26,245	5,692
Housing benefits . . . . .	22,570	32,467	31,254	39,065	18,086	24,479
Pension cost-defined contribution plans . . . . .	19,911	19,271	5,911	37,163	15,678	29,016
Other employee welfare . . . . .	18,662	17,480	19,245	27,024	10,575	13,802
Other social security costs . . . . .	12,667	15,663	14,240	24,250	10,872	17,621
	<b>436,748</b>	<b>630,277</b>	<b>618,672</b>	<b>790,089</b>	<b>368,355</b>	<b>441,716</b>

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(i) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for each of the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022, include 1, 1, 1, 2, 1 and 2 directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments paid to the remaining 4, 4, 4, 3, 4 and 3 individuals for each of the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 are as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bonuses	2,190	1,200	3,080	4,476	338	773
Share-based payment expenses	4,077	5,511	5,431	4,219	3,503	(246)
Wages and salaries	3,940	4,680	3,595	3,383	2,186	1,840
Pension cost-defined contribution plans	206	157	41	119	82	89
Housing benefits	143	157	152	114	76	57
Other social security costs	128	124	100	81	56	60
<b>Total</b>	<b>10,684</b>	<b>11,829</b>	<b>12,399</b>	<b>12,392</b>	<b>6,241</b>	<b>2,573</b>

(ii) *The emoluments fell within the following bands:*

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
HK\$500,001 to HK\$1,000,000 (equivalent to approximately RMB452,220 to RMB904,440)	—	—	—	—	—	2
HK\$1,000,001 to HK\$1,500,000 (equivalent to approximately RMB904,441 to RMB1,356,660)	—	—	—	—	—	1
HK\$2,000,001 to HK\$2,500,000 (equivalent to approximately RMB1,808,881 to RMB2,261,100)	1	—	—	—	1	—
HK\$2,500,001 to HK\$3,000,000 (equivalent to approximately RMB2,261,101 to RMB2,713,320)	2	—	—	—	—	—
HK\$3,000,001 to HK\$3,500,000 (equivalent to approximately RMB2,713,321 to RMB3,165,540)	—	1	—	—	2	—
Over HK\$3,500,000 (equivalent to approximately over RMB3,165,540)	1	3	4	3	1	—
	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>3</u>

**11 Finance income, net**

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Finance income</b>	<b>2,429</b>	<b>6,821</b>	<b>4,413</b>	<b>7,811</b>	<b>4,010</b>	<b>3,214</b>
<b>Finance costs</b>						
Interest expenses on borrowings	(42)	—	—	—	—	—
Interest expenses on lease liabilities	(1,950)	(2,094)	(1,378)	(2,628)	(1,102)	(1,856)
	<u>(1,992)</u>	<u>(2,094)</u>	<u>(1,378)</u>	<u>(2,628)</u>	<u>(1,102)</u>	<u>(1,856)</u>
<b>Finance income, net</b>	<b>437</b>	<b>4,727</b>	<b>3,035</b>	<b>5,183</b>	<b>2,908</b>	<b>1,358</b>

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**12 Income tax (credit)/expense**

The income tax expense/(credit) of the Group for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 are analyzed as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	485	—	—	22	22	—
Deferred income tax (Note 27)	(2,230)	14,476	16,702	(12,829)	162	(4,302)
<b>Income tax (credit)/expense</b>	<b>(1,745)</b>	<b>14,476</b>	<b>16,702</b>	<b>(12,807)</b>	<b>184</b>	<b>(4,302)</b>

The tax on the Group’s loss before income tax differs from the theoretical amount that would arise using the tax rate of 25%, being the tax rate applicable to the major consolidated entities as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	691,910	1,252,276	923,438	1,921,579	820,014	167,124
Taxation calculated at the statutory tax rate of 25% in mainland China	(172,978)	(313,069)	(230,860)	(480,395)	(205,004)	(41,781)
<b>Tax effects of:</b>						
Effect of preferential tax rates	26,786	(10,787)	20,271	24,395	11,096	16,446
Effects of different tax rates in overseas jurisdictions	95,985	234,698	194,369	422,549	178,819	2,301
Expenses not deductible for tax purpose	9,161	20,839	5,438	10,068	3,627	2,525
Research and development expenses super-deduction	(3,356)	(21,502)	(20,398)	(24,572)	(12,096)	(15,082)
Utilization of previously unrecognized deductible temporary differences	—	—	—	(10,436)	(367)	(1,732)
Deductible temporary differences for which no deferred tax asset was recognized	203	194	1,168	7,684	48	2,303
Tax losses for which no deferred tax asset was recognized	42,454	104,236	50,572	40,218	24,061	31,043
Income not subject to tax	—	(133)	(3,858)	(2,318)	—	(325)
	<b>(1,745)</b>	<b>14,476</b>	<b>16,702</b>	<b>(12,807)</b>	<b>184</b>	<b>(4,302)</b>

*(a) Cayman Islands*

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to Cayman Islands income tax. As such, the operating results reported by the Company, including the fair value change of redeemable convertible preferred shares (Note 31), is not subject to any income tax.

*(b) Hong Kong Income Tax*

Hong Kong income tax rate is two-tiered profits tax regime, under which the tax rate is 8.25% or assessable profits on the first HK dollar 2 million and 16.5% or any assessable profits in excess of HK dollar 2 million. Hong Kong profits tax was provided for the assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

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(c) *PRC Enterprise Income Tax (“EIT”)*

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% or 15% for enterprises qualified as “High and New Technology Enterprises” (“HNTE”) on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Track Record Period.

(d) *PRC Withholding Tax (“WHT”)*

According to the PRC Enterprise Income Tax Law (“EIT Law”), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

During the Track Record Period, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand the business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

**13 Loss per share**

(a) *Basic*

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
					(Unaudited)	
<b><i>Numerator:</i></b>						
Loss for the year/period and attributable to owners of the Company (in RMB’000) . . .	(691,060)	(1,267,206)	(940,142)	(1,908,772)	(820,198)	(162,822)
<b><i>Denominator:</i></b>						
Weighted average number of ordinary shares outstanding, basic (i) . . . . .	<u>21,675,648</u>	<u>21,675,648</u>	<u>21,675,648</u>	<u>21,407,034</u>	<u>21,439,199</u>	<u>21,374,042</u>
Basic net loss per share attributable to owners of the Company (in RMB) . . . . .	<u>(31.88)</u>	<u>(58.46)</u>	<u>(43.37)</u>	<u>(89.17)</u>	<u>(38.26)</u>	<u>(7.62)</u>

*Note:*

(i) The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Group’s Reorganization (Note 24).

(b) *Diluted*

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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As the Group incurred net losses for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022, the dilutive potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 are the same as basic loss per share of the respective periods.

The basic and diluted loss per share as presented above has not taken into account the proposed [REDACTED] of each share in the Company’s issued and unissued share capital with par value of US\$0.0001 each into [REDACTED] shares of the corresponding class with nominal value of US\$[REDACTED] each (the “[REDACTED]”) pursuant to the shareholders’ resolution passed on [date] because the proposed [REDACTED] has not become effective as of the date of this Historical Financial Information.

14 Property, plant and equipment

	<u>Electronic equipment</u> RMB’000	<u>Furniture and office equipment</u> RMB’000	<u>Leasehold improvement</u> RMB’000	<u>Total</u> RMB’000
<b>As at April 1, 2018 (Unaudited)</b>				
Cost .....	11,326	2,723	9,921	23,970
Accumulated depreciation .....	(6,969)	(1,177)	(5,099)	(13,245)
Net book amount .....	<u>4,357</u>	<u>1,546</u>	<u>4,822</u>	<u>10,725</u>
<b>Year ended March 31, 2019</b>				
Opening net book amount .....	4,357	1,546	4,822	10,725
Additions .....	10,034	1,934	5,166	17,134
Disposals .....	(203)	(20)	(21)	(244)
Disposal of a subsidiary (Note 8) .....	(7)	—	—	(7)
Depreciation charge .....	(3,462)	(630)	(3,596)	(7,688)
Closing net book amount .....	<u>10,719</u>	<u>2,830</u>	<u>6,371</u>	<u>19,920</u>
<b>As at March 31, 2019</b>				
Cost .....	20,912	4,594	14,975	40,481
Accumulated depreciation .....	(10,193)	(1,764)	(8,604)	(20,561)
Net book amount .....	<u>10,719</u>	<u>2,830</u>	<u>6,371</u>	<u>19,920</u>
<b>Year ended March 31, 2020</b>				
Opening net book amount .....	10,719	2,830	6,371	19,920
Additions .....	9,198	1,521	5,511	16,230
Disposals .....	(6)	(245)	—	(251)
Disposal of a subsidiary (Note 8) .....	(316)	(73)	(711)	(1,100)
Depreciation charge .....	(6,065)	(931)	(7,073)	(14,069)
Closing net book amount .....	<u>13,530</u>	<u>3,102</u>	<u>4,098</u>	<u>20,730</u>
<b>As at March 31, 2020</b>				
Cost .....	29,316	5,453	19,775	54,544
Accumulated depreciation .....	(15,786)	(2,351)	(15,677)	(33,814)
Net book amount .....	<u>13,530</u>	<u>3,102</u>	<u>4,098</u>	<u>20,730</u>
<b>Year ended March 31, 2021</b>				
Opening net book amount .....	13,530	3,102	4,098	20,730
Additions .....	6,550	23	233	6,806
Disposals .....	(78)	(110)	—	(188)
Depreciation charge .....	(7,202)	(833)	(3,545)	(11,580)
Closing net book amount .....	<u>12,800</u>	<u>2,182</u>	<u>786</u>	<u>15,768</u>
<b>As at March 31, 2021</b>				
Cost .....	35,199	5,096	20,008	60,303
Accumulated depreciation .....	(22,399)	(2,914)	(19,222)	(44,535)
Net book amount .....	<u>12,800</u>	<u>2,182</u>	<u>786</u>	<u>15,768</u>

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	Electronic equipment RMB’000	Furniture and office equipment RMB’000	Leasehold improvement RMB’000	Total RMB’000
<b>Year ended March 31, 2022</b>				
Opening net book amount	12,800	2,182	786	15,768
Additions	20,807	695	11,328	32,830
Disposals	(214)	(60)	—	(274)
Disposal of subsidiaries (Note 8)	(35)	(227)	—	(262)
Depreciation charge	(9,467)	(777)	(3,028)	(13,272)
Closing net book amount	<u>23,891</u>	<u>1,813</u>	<u>9,086</u>	<u>34,790</u>
<b>As at March 31, 2022</b>				
Cost	54,936	4,804	30,050	89,790
Accumulated depreciation	(31,045)	(2,991)	(20,964)	(55,000)
Net book amount	<u>23,891</u>	<u>1,813</u>	<u>9,086</u>	<u>34,790</u>
<b>(Unaudited)</b>				
<b>Period ended September 30, 2021</b>				
Opening net book amount	12,800	2,182	786	15,768
Additions	10,209	368	3,761	14,338
Disposals	(234)	(22)	—	(256)
Disposal of subsidiaries (Note 8)	(35)	(111)	—	(146)
Depreciation charge	(4,362)	(379)	(896)	(5,637)
Closing net book amount	<u>18,378</u>	<u>2,038</u>	<u>3,651</u>	<u>24,067</u>
<b>(Unaudited)</b>				
<b>As at September 30, 2021</b>				
Cost	44,653	5,331	23,769	73,753
Accumulated depreciation	(26,275)	(3,293)	(20,118)	(49,686)
Net book amount	<u>18,378</u>	<u>2,038</u>	<u>3,651</u>	<u>24,067</u>
<b>Period ended September 30, 2022</b>				
Opening net book amount	23,891	1,813	9,086	34,790
Additions	19,761	214	13,450	33,425
Disposals	(42)	(6)	—	(48)
Depreciation charge	(6,591)	(391)	(4,040)	(11,022)
Closing net book amount	<u>37,019</u>	<u>1,630</u>	<u>18,496</u>	<u>57,145</u>
<b>As at September 30, 2022</b>				
Cost	74,394	4,999	43,289	122,682
Accumulated depreciation	(37,375)	(3,369)	(24,793)	(65,537)
Net book amount	<u>37,019</u>	<u>1,630</u>	<u>18,496</u>	<u>57,145</u>

Depreciation of the Group’s property, plant and equipment has been recognized as follows:

	Year ended March 31,				Six months ended September 30,	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Cost of revenues	4,097	7,050	6,868	9,381	4,173	7,631
General and administrative expenses	511	805	514	1,275	155	415
Research and development expenses	1,283	2,523	1,903	1,623	632	1,647
Selling and marketing expenses	1,797	3,691	2,295	993	677	1,329
	<u>7,688</u>	<u>14,069</u>	<u>11,580</u>	<u>13,272</u>	<u>5,637</u>	<u>11,022</u>

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**15 Intangible assets**

	<u>Software</u> RMB’000	<u>Others</u> RMB’000	<u>Total</u> RMB’000
<b>As at April 1, 2018 (Unaudited)</b>			
Cost .....	1,601	80	1,681
Accumulated amortization .....	<u>(1,006)</u>	<u>(9)</u>	<u>(1,015)</u>
Net book amount .....	<u>595</u>	<u>71</u>	<u>666</u>
<b>Year ended March 31, 2019</b>			
Opening net book amount .....	595	71	666
Additions .....	64	18	82
Disposals .....	(10)	—	(10)
Amortization charge .....	<u>(266)</u>	<u>(8)</u>	<u>(274)</u>
Closing net book amount .....	<u>383</u>	<u>81</u>	<u>464</u>
<b>As at March 31, 2019</b>			
Cost .....	1,655	98	1,753
Accumulated amortization .....	<u>(1,272)</u>	<u>(17)</u>	<u>(1,289)</u>
Net book amount .....	<u>383</u>	<u>81</u>	<u>464</u>
<b>Year ended March 31, 2020</b>			
Opening net book amount .....	383	81	464
Additions .....	602	—	602
Disposals .....	(80)	(18)	(98)
Amortization charge .....	<u>(265)</u>	<u>(8)</u>	<u>(273)</u>
Closing net book amount .....	<u>640</u>	<u>55</u>	<u>695</u>
<b>As at March 31, 2020</b>			
Cost .....	2,177	80	2,257
Accumulated amortization .....	<u>(1,537)</u>	<u>(25)</u>	<u>(1,562)</u>
Net book amount .....	<u>640</u>	<u>55</u>	<u>695</u>
<b>Year ended March 31, 2021</b>			
Opening net book amount .....	640	55	695
Amortization charge .....	<u>(123)</u>	<u>(8)</u>	<u>(131)</u>
Closing net book amount .....	<u>517</u>	<u>47</u>	<u>564</u>
<b>As at March 31, 2021</b>			
Cost .....	2,177	80	2,257
Accumulated amortization .....	<u>(1,660)</u>	<u>(33)</u>	<u>(1,693)</u>
Net book amount .....	<u>517</u>	<u>47</u>	<u>564</u>
<b>Year ended March 31, 2022</b>			
Opening net book amount .....	517	47	564
Additions .....	7	—	7
Disposals .....	(5)	—	(5)
Amortization charge .....	(99)	(3)	(102)
Disposal of subsidiaries (Note 8) .....	<u>(9)</u>	<u>(44)</u>	<u>(53)</u>
Closing net book amount .....	<u>411</u>	<u>—</u>	<u>411</u>
<b>As at March 31, 2022</b>			
Cost .....	1,978	—	1,978
Accumulated amortization .....	<u>(1,567)</u>	<u>—</u>	<u>(1,567)</u>
Net book amount .....	<u>411</u>	<u>—</u>	<u>411</u>



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	Software RMB’000	Others RMB’000	Total RMB’000
<b>(Unaudited)</b>			
<b>Period ended September 30, 2021</b>			
Opening net book amount	517	47	564
Disposals	(5)	(44)	(49)
Amortization charge	(46)	(3)	(49)
Closing net book amount	<u>466</u>	<u>—</u>	<u>466</u>
<b>(Unaudited)</b>			
<b>As at September 30, 2021</b>			
Cost	1,998	—	1,998
Accumulated amortization	(1,532)	—	(1,532)
Net book amount	<u>466</u>	<u>—</u>	<u>466</u>
<b>Period ended September 30, 2022</b>			
Opening net book amount	411	—	411
Amortization charge	(41)	—	(41)
Closing net book amount	<u>370</u>	<u>—</u>	<u>370</u>
<b>As at September 30, 2022</b>			
Cost	1,978	—	1,978
Accumulated amortization	(1,608)	—	(1,608)
Net book amount	<u>370</u>	<u>—</u>	<u>370</u>

Amortization of the Group’s intangible assets was recognized as follows:

	Year ended March 31,				Six months ended September 30,	
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2021 RMB’000 (Unaudited)	2022 RMB’000
Cost of revenues	8	15	11	10	5	2
General and administrative expenses	239	217	72	64	30	25
Selling and marketing expenses	27	41	48	28	14	14
	<u>274</u>	<u>273</u>	<u>131</u>	<u>102</u>	<u>49</u>	<u>41</u>

**16 Leases**

(a) Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at March 31,				As at September 30,
	2019 RMB’000	2020 RMB’000	2021 RMB’000	2022 RMB’000	2022 RMB’000
<b>Right-of-use assets</b>					
—Office	50,862	30,276	26,602	78,440	68,314
<b>Lease liabilities</b>					
—Current	29,237	21,219	23,237	37,128	35,254
—Non-current	20,256	7,129	962	39,399	32,350
	<u>49,493</u>	<u>28,348</u>	<u>24,199</u>	<u>76,527</u>	<u>67,604</u>

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(i) The movement in right-of-use assets in the consolidated statements of financial position are as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Cost</b>						
At beginning of the year/period	26,965	73,454	76,038	81,335	81,335	144,010
Additions	46,489	16,585	27,157	92,303	35,197	14,649
Maturity of lease term	—	(4,664)	(18,593)	(25,380)	(13,816)	(15,702)
Early termination of lease	—	(9,337)	(3,267)	(4,248)	(2,082)	(8,143)
<b>At the end of the year/period</b>	<b>73,454</b>	<b>76,038</b>	<b>81,335</b>	<b>144,010</b>	<b>100,634</b>	<b>134,814</b>
<b>Accumulated depreciation</b>						
At beginning of the year/period	—	(22,592)	(45,762)	(54,733)	(54,733)	(65,570)
Depreciation charge for the year/period	(22,592)	(31,993)	(28,762)	(37,705)	(16,924)	(20,279)
Maturity of lease term	—	4,664	18,593	25,380	13,816	15,702
Early termination of lease	—	4,159	1,198	1,488	1,128	3,647
<b>At the end of the year/period</b>	<b>(22,592)</b>	<b>(45,762)</b>	<b>(54,733)</b>	<b>(65,570)</b>	<b>(56,713)</b>	<b>(66,500)</b>
<b>Net book amount</b>						
<b>At the end of the year/period</b>	<b>50,862</b>	<b>30,276</b>	<b>26,602</b>	<b>78,440</b>	<b>43,921</b>	<b>68,314</b>

(b) Amounts recognized in the consolidated statements of comprehensive loss

The consolidated statements of comprehensive loss show the following amounts relating to leases:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets						
—Office	22,592	31,993	28,762	37,705	16,924	20,279
Interest expense (included in finance costs)						
(Note 11)	1,950	2,094	1,378	2,628	1,102	1,856
Expense relating to short-term leases						
(included in short-term rental and utilities expenses)	9,984	7,636	5,327	6,797	3,778	5,501

The total cash outflow for leases for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022 were approximately RMB31,244,000, RMB37,381,000, RMB30,781,000, RMB41,566,000, RMB16,252,000 and RMB22,120,000, respectively.

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17 Financial instruments by category

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
					RMB’000
<b>Financial assets</b>					
Financial assets at amortized cost :					
—Trade receivables (Note 20) . . . . .	11,169	12,327	13,355	22,174	26,588
—Other receivables . . . . .	23,776	15,904	15,404	21,315	19,298
—Cash and cash equivalents (Note 23) . . . . .	257,351	191,337	215,074	288,706	78,919
—Term deposits (Note 23) . . . . .	289,541	92,106	105,141	190,446	201,634
—Restricted cash (Note 23) . . . . .	—	728	11,063	1,210	1,111
Financial assets at fair value through profit or loss . . . . .	14,670	181,951	140,607	1,320,936	1,329,091
Derivative financial instrument . . . . .	—	—	527	—	—
	<b>596,507</b>	<b>494,353</b>	<b>501,171</b>	<b>1,844,787</b>	<b>1,656,641</b>

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
					RMB’000
<b>Financial liabilities</b>					
Financial liabilities at amortized cost :					
—Trade payables (Note 28) . . . . .	1,879	2,663	1,172	4,703	9,709
—Other payables and accruals (excluding salary and welfare payable, accrual for other taxes) . . . . .	106,060	108,496	4,606	10,491	7,696
—Lease liabilities . . . . .	49,493	28,348	24,199	76,527	67,604
Financial liabilities at fair value through profit or loss :					
—Redeemable convertible preferred shares (Note 31) . . . . .	1,797,425	2,800,457	3,558,177	6,610,924	7,403,472
—Warrant liability (Note 32) . . . . .	57,112	114,576	—	—	—
	<b>2,011,969</b>	<b>3,054,540</b>	<b>3,588,154</b>	<b>6,702,645</b>	<b>7,488,481</b>

18 Financial assets at fair value through profit or loss

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
					RMB’000
<b>Current assets</b>					
—Structured deposit . . . . .	—	170,085	122,280	1,297,642	1,303,640
—Wealth management product . . . . .	10,800	6,783	3,013	—	—
<b>Non-current assets</b>					
—Unlisted equity investment . . . . .	3,870	5,083	15,314	23,294	25,451
	<b>14,670</b>	<b>181,951</b>	<b>140,607</b>	<b>1,320,936</b>	<b>1,329,091</b>

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(b) *Amounts recognized in consolidated statements of comprehensive loss*

During the years ended March 31, 2019, 2020, 2021 and 2022 and six months ended September 30, 2021 and 2022, the following gains were recognized in consolidated statements of comprehensive loss:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gains of financial assets at fair value through profit or loss recognized in other gains . . . . .	3,708	3,984	13,146	17,479	4,793	21,191

**19 Derivative financial instruments**

	As at March 31,				As at September 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Not qualified for hedge accounting:					
Foreign exchange forward contract-current (i) . . . . .	—	—	527	—	—

During the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022, the following gains were recognized in consolidated statements of comprehensive loss:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total change in fair value for the year/period included in “Other gains, net” . . . . .	—	—	5,625	20,341	15,014	—

(i) The notional amount of these foreign exchange forward contracts as at March 31, 2021 was approximately USD25,000,000, These contracts offer the Group a right to exchange US dollars to RMB with settlement dates up to October 22, 2021 and strike rates (USD: RMB) range from 6.56 to 7.13.

**20 Trade receivables**

	As at March 31,				As at September 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers . . . . .	11,426	12,576	13,878	23,032	30,001
Less: allowance for impairment of trade receivables . . .	(257)	(249)	(523)	(858)	(3,413)
	<u>11,169</u>	<u>12,327</u>	<u>13,355</u>	<u>22,174</u>	<u>26,588</u>

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(a) The credit terms given to trade customers are determined on an individual basis.

The aging analysis of the trade receivables based on invoice date is as follows:

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
—Up to 6 months	10,586	10,459	12,326	18,565	22,422
—6 months to 1 year	468	1,460	1,235	3,064	4,297
—1-2 years	317	655	317	1,269	2,897
—Over 2 years	55	2	—	134	385
	<b>11,426</b>	<b>12,576</b>	<b>13,878</b>	<b>23,032</b>	<b>30,001</b>

The Group applies the simplified approach permitted by IFRS 9, which requires the expected lifetime losses to be recognized from initial recognition of the assets. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

21 Other receivables and prepayments

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
<b>Non-current:</b>					
Rental and other deposits	9,285	7,791	8,001	10,319	11,037
Prepayment for property, plant and equipment	651	—	996	4,897	357
Loan to employee	3,000	2,237	1,400	600	200
<b>Subtotal</b>	<b>12,936</b>	<b>10,028</b>	<b>10,397</b>	<b>15,816</b>	<b>11,594</b>
<b>Current:</b>					
Rental and other deposits	1,944	3,948	3,201	7,343	4,144
Prepaid services and goods	2,373	2,613	9,914	5,162	8,228
Deferred [REDACTED] expenses (i)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tax refunds receivable	6,075	486	1,694	2,968	2,809
Input tax to be certified and VAT allowance	848	1,279	630	2,419	2,617
Prepaid rent and property management fee	1,065	913	1,493	1,067	1,950
Receivable from disposal of equity investment in Beisen Shengya	—	—	—	—	1,216
Loan to employee and petty cash	2,086	1,292	1,165	852	867
Interest receivable	1,650	314	107	55	469
Others	1,385	839	811	961	1,002
<b>Subtotal</b>	<b>17,426</b>	<b>11,684</b>	<b>19,015</b>	<b>25,538</b>	<b>29,488</b>
<b>Total</b>	<b>30,362</b>	<b>21,712</b>	<b>29,412</b>	<b>41,354</b>	<b>41,082</b>
Less: allowance for impairment of other receivables	(265)	(164)	(164)	(822)	(228)
<b>Net book amount</b>	<b>30,097</b>	<b>21,548</b>	<b>29,248</b>	<b>40,532</b>	<b>40,854</b>

(i) Deferred [REDACTED] expenses will be deducted from equity upon [REDACTED] of the Group.

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22 Assets classified as held for sale

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Equity investment assets classified as held for sale . . . .	—	2,700	—	—	—

After transferring 33% equity interest of Ruizheng (Note 8), the Group still held 18% equity interest as at March 31, 2020. Considering the transfer of the remaining 18% equity interest would be completed within one year after the initial transaction, the Group accounted for the remaining investment as assets classified as held for sale.

23 Cash and cash equivalents

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Cash at bank and in hand (a) . . . . .	546,892	284,171	331,278	480,362	281,664
Less: Term deposits . . . . .	(289,541)	(92,106)	(105,141)	(190,446)	(201,634)
Restricted cash (b) . . . . .	—	(728)	(11,063)	(1,210)	(1,111)
Cash and cash equivalents . . . . .	<b>257,351</b>	<b>191,337</b>	<b>215,074</b>	<b>288,706</b>	<b>78,919</b>

(a) As at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, cash at bank and in hand of the Group were denominated in the following currencies:

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
USD . . . . .	254,958	102,572	136,205	253,240	207,289
RMB . . . . .	291,934	181,599	195,073	227,122	74,375
	<b>546,892</b>	<b>284,171</b>	<b>331,278</b>	<b>480,362</b>	<b>281,664</b>

(b) Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated statements of financial position and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Guarantee deposits . . . . .	—	728	63	1,210	1,111
Cash deposit for foreign currency forward contracts . . .	—	—	11,000	—	—
	—	<b>728</b>	<b>11,063</b>	<b>1,210</b>	<b>1,111</b>

As at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, all restricted cash were denominated in RMB.

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24 Share capital and share premium

	<u>Number of ordinary shares</u>	<u>Nominal value of ordinary shares</u> USD’000
<b>Authorized:</b>		
Ordinary shares upon incorporation	500,000,000	50
Reclassification from ordinary shares to redeemable convertible preferred shares	(37,204,791)	(4)
<b>As at March 31, 2019, 2020 and 2021</b>	<u><b>462,795,209</b></u>	<u><b>46</b></u>
Reclassification from ordinary shares to redeemable convertible preferred shares	(10,670,694)	(1)
<b>As at March 31, 2022 and September 30, 2022</b>	<u><b>452,124,515</b></u>	<u><b>45</b></u>

	<u>Number of ordinary shares</u>	<u>Nominal value of ordinary shares</u> USD’000	<u>Equivalent Nominal value of ordinary shares</u> RMB’000	<u>Share premium</u> RMB’000
<b>Issued:</b>				
<b>As at April 6, 2018 (date of incorporation) (Unaudited)</b>	—	—	—	—
Ordinary shares allotment in connection with Reorganization of the Group (i)	18,547,649	2	13	486,655
<b>As at March 31, 2019</b>	<u><b>18,547,649</b></u>	<u><b>2</b></u>	<u><b>13</b></u>	<u><b>486,655</b></u>
Ordinary shares allotment in connection with Reorganization of the Group (i)	3,127,999	—	2	156,256
<b>As at March 31, 2020</b>	<u><b>21,675,648</b></u>	<u><b>2</b></u>	<u><b>15</b></u>	<u><b>642,911</b></u>
<b>As at March 31, 2021</b>	21,675,648	2	15	642,911
Shares repurchase by the Company (ii)	(301,606)	—	—	(19,847)
<b>As at March 31, 2022 and September 30, 2022</b>	<u><b>21,374,042</b></u>	<u><b>2</b></u>	<u><b>15</b></u>	<u><b>623,064</b></u>

(i) On April 6, 2018 and November 23, 2018, as part of the Reorganization, the Company allotted and issued an aggregate of 16,039,874 and 2,507,775 Ordinary Shares, respectively, at par value of US\$0.0001 each share to offshore holding vehicles, which were beneficially owned by the Ordinary Shareholders of Beisen Cloud Computing as at those dates. Upon share allotment, the fair value of Ordinary Shares of the Company was transferred from Reserve to share capital and share premium accordingly.

On November 11, 2019, as part of the Reorganization, the Company allotted and issued an aggregate of 3,127,999 Ordinary Shares at par value of US\$0.0001 each share to an offshore shareholder. The transaction is to reflect Beisen Cloud Computing’s issuance of ordinary shares to the employees in 2015.

(ii) During the year ended March 31, 2022, the Company repurchased 301,606 Ordinary Shares from three Ordinary Shareholders at a consideration of US\$5,315,000, whereby the difference between the transaction price and par value of Ordinary Shares was recorded as: i) the difference between the transaction price and the fair value of Ordinary Shares as at the date of the transaction, amounting to RMB15,459,000, was recorded as share-based payments (Note 26), and ii) the difference between the fair value of Ordinary Shares and their par value, amounting to RMB19,847,000 was recorded as reduction of share premium.



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25 Reserves

The movements of the Group’s reserves are as follows:

	Capital Reserve	Share-based payment expenses	Currency translation differences	Changes in the fair value attributable to credit risk change	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at April 1, 2018 (Unaudited)</b>	<b>84,828</b>	<b>17,060</b>	<b>—</b>	<b>—</b>	<b>101,888</b>
Ordinary shares allotment in connection with Reorganization of the Group	(486,668)	—	—	—	(486,668)
Effect of Share Exchange (Note 31(A))	(622,585)	—	—	—	(622,585)
Share-based payments (Note 26)	—	80,626	—	—	80,626
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(19,173)	(19,173)
Currency translation differences	—	—	16,915	—	16,915
<b>As at March 31, 2019</b>	<b>(1,024,425)</b>	<b>97,686</b>	<b>16,915</b>	<b>(19,173)</b>	<b>(928,997)</b>
<b>As at April 1, 2019</b>	<b>(1,024,425)</b>	<b>97,686</b>	<b>16,915</b>	<b>(19,173)</b>	<b>(928,997)</b>
Ordinary shares allotment in connection with Reorganization of the Group	(156,258)	—	—	—	(156,258)
Share-based payments (Note 26)	—	77,946	—	—	77,946
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(8,946)	(8,946)
Currency translation differences	—	—	(97,637)	—	(97,637)
<b>As at March 31, 2020</b>	<b>(1,180,683)</b>	<b>175,632</b>	<b>(80,722)</b>	<b>(28,119)</b>	<b>(1,113,892)</b>
<b>As at April 1, 2020</b>	<b>(1,180,683)</b>	<b>175,632</b>	<b>(80,722)</b>	<b>(28,119)</b>	<b>(1,113,892)</b>
Exercise of warrant liability	466	—	—	—	466
Share-based payments (Note 26)	—	33,549	—	—	33,549
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(1,170)	(1,170)
Currency translation differences	—	—	202,394	—	202,394
<b>As at March 31, 2021</b>	<b>(1,180,217)</b>	<b>209,181</b>	<b>121,672</b>	<b>(29,289)</b>	<b>(878,653)</b>
<b>As at April 1, 2021</b>	<b>(1,180,217)</b>	<b>209,181</b>	<b>121,672</b>	<b>(29,289)</b>	<b>(878,653)</b>
Share transfer from non-controlling shareholder to existing shareholder	(5)	—	—	—	(5)
Share-based payments (Note 26)	—	53,635	—	—	53,635
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	7,365	7,365
Currency translation differences	—	—	130,551	—	130,551
<b>As at March 31, 2022</b>	<b>(1,180,222)</b>	<b>262,816</b>	<b>252,223</b>	<b>(21,924)</b>	<b>(687,107)</b>
<b>(Unaudited)</b>					
<b>As at April 1, 2021</b>	<b>(1,180,217)</b>	<b>209,181</b>	<b>121,672</b>	<b>(29,289)</b>	<b>(878,653)</b>
Share transfer from non-controlling shareholder to existing shareholder	(5)	—	—	—	(5)
Share-based payments (Note 26)	—	26,245	—	—	26,245
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	36,070	36,070
Currency translation differences	—	—	38,981	—	38,981
<b>As at September 30, 2021</b>	<b>(1,180,222)</b>	<b>235,426</b>	<b>160,653</b>	<b>6,781</b>	<b>(777,362)</b>
<b>As at April 1, 2022</b>	<b>(1,180,222)</b>	<b>262,816</b>	<b>252,223</b>	<b>(21,924)</b>	<b>(687,107)</b>
Share-based payments (Note 26)	—	5,692	—	—	5,692
Fair value changes on redeemable convertible preferred shares due to own credit risk	—	—	—	(4,334)	(4,334)
Currency translation differences	—	—	(756,316)	—	(756,316)
<b>As at September 30, 2022</b>	<b>(1,180,222)</b>	<b>268,508</b>	<b>(504,093)</b>	<b>(26,258)</b>	<b>(1,442,065)</b>

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The movements of the reserve of the Company are as follows:

	Share-based payment	Currency translation differences	Changes in the fair value attributable to credit risk change	Total
	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at April 1, 2018 (Unaudited)</b> .....	—	—	—	—
Share-based payments .....	33,239	—	—	33,239
Fair value changes on redeemable convertible preferred shares due to own credit risk .....	—	—	(19,173)	(19,173)
Currency translation differences .....	—	15,435	—	15,435
<b>As at March 31, 2019</b> .....	<b>33,239</b>	<b>15,435</b>	<b>(19,173)</b>	<b>29,501</b>
<b>As at April 1, 2019</b> .....	<b>33,239</b>	<b>15,435</b>	<b>(19,173)</b>	<b>29,501</b>
Share-based payments .....	77,946	—	—	77,946
Fair value changes on redeemable convertible preferred shares due to own credit risk .....	—	—	(8,946)	(8,946)
Currency translation differences .....	—	(86,006)	—	(86,006)
<b>As at March 31, 2020</b> .....	<b>111,185</b>	<b>(70,571)</b>	<b>(28,119)</b>	<b>12,495</b>
<b>As at April 1, 2020</b> .....	<b>111,185</b>	<b>(70,571)</b>	<b>(28,119)</b>	<b>12,495</b>
Share-based payments .....	33,549	—	—	33,549
Fair value changes on redeemable convertible preferred shares due to own credit risk .....	—	—	(1,170)	(1,170)
Currency translation differences .....	—	180,585	—	180,585
<b>As at March 31, 2021</b> .....	<b>144,734</b>	<b>110,014</b>	<b>(29,289)</b>	<b>225,459</b>
<b>As at April 1, 2021</b> .....	<b>144,734</b>	<b>110,014</b>	<b>(29,289)</b>	<b>225,459</b>
Repurchase of shares .....	—	—	31,448	31,448
Share-based payments .....	53,635	—	—	53,635
Fair value changes on redeemable convertible preferred shares due to own credit risk .....	—	—	7,365	7,365
Currency translation differences .....	—	(2,392)	—	(2,392)
<b>As at March 31, 2022</b> .....	<b>198,369</b>	<b>107,622</b>	<b>9,524</b>	<b>315,515</b>
<b>(Unaudited)</b>				
<b>As at April 1, 2021</b> .....	<b>144,734</b>	<b>110,014</b>	<b>(29,289)</b>	<b>225,459</b>
Share-based payments .....	26,245	—	—	26,245
Fair value changes on redeemable convertible preferred shares due to own credit risk .....	—	—	36,070	36,070
Currency translation differences .....	—	36,652	—	36,652
<b>As at September 30, 2021</b> .....	<b>170,979</b>	<b>146,666</b>	<b>6,781</b>	<b>324,426</b>
<b>As at April 1, 2022</b> .....	<b>198,369</b>	<b>107,622</b>	<b>9,524</b>	<b>315,515</b>
Share-based payments .....	5,692	—	—	5,692
Fair value changes on redeemable convertible preferred shares due to own credit risk .....	—	—	(4,334)	(4,334)
Currency translation differences .....	—	(338,317)	—	(338,317)
<b>As at September 30, 2022</b> .....	<b>204,061</b>	<b>(230,695)</b>	<b>5,190</b>	<b>(21,444)</b>

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26 Share-based payments

Total expenses arising from share-based payment transactions recognized during the Track Record Period were as follows:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Share-based payments—ESOP (a) . . . . .	—	75,447	33,549	53,635	26,245	5,692
Share-based payments—non-ESOP						
Expenses recognized from restricted shares granted to an independent director (b) . . . . .	693	2,499	—	—	—	—
Expenses arising from the redesignation during Share Exchange (c) . . . . .	47,387	—	—	—	—	—
Expenses arising from share transfer between shareholders (d) . . . . .	32,546	—	—	—	—	—
Expenses arising from disposal of Sen Yun (e) . . . . .	500	—	—	—	—	—
Expenses arising from shares repurchases (f) . . . . .	—	—	—	53,348	53,348	—
	<u>81,126</u>	<u>77,946</u>	<u>33,549</u>	<u>106,983</u>	<u>79,593</u>	<u>5,692</u>

(a) Share-based payments—ESOP

On July 15, 2019, the Company adopted the 2019 Share Incentive Plan (the “2019 Plan”), which permits the grant of options to the employees and directors of the Company and its affiliates. The Maximum number of shares that may be issued under the 2019 Plan shall be 6,693,252.

On April 23, 2020, the Company adopted the 2020 Share Incentive Plan (the “2020 Plan”, collectively with the 2019 Plan, “Employee Stock Ownership Plan”, or “ESOP”), whereby the incentive share options granted to employees in 2019 Plan were replaced and superseded by the exact number of share options for each grantee. There is no change of vesting schedule and other key terms of such award agreements entered into with each grantee and the classification of share-based awards immediately before and after the adoption of 2020 Plan. As at March 31, 2021, the maximum number of shares that may be issued under the 2020 Plan was 6,770,877 ordinary shares. This number was increased to 7,911,919 on April 9, 2021, and further increased to 7,972,883 on September 26, 2021 and December 31, 2021. (Collectively, the “[REDACTED] Share Option Plan”).

The options shall vest under service condition and the Company’s successful [REDACTED]. The granted options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

In the six months ended September 30, 2022, the Company has extended its estimated date of a successful [REDACTED] and adjusted the cumulative expenses accordingly in the current period, resulting in a reversal of expenses that have previously been charged.

In September 2021, the Company modified 2,658,086 share options granted upon ESOP with the grantees to reduce the number of options to 2,376,179 and exercise prices at the same time, and the modified share options were exercised early upon [REDACTED] of the Company’s shares. The resulting ordinary shares will be transferred to trusts with the original option grantees as beneficiaries. The trusts will distribute the ordinary shares to those beneficiaries in installments based on the vesting requirements under the original option agreements. Although these trust arrangements caused a modification of the terms of these share options (the “Modification”), there’s no incremental fair value related to these ordinary shares resulted from the modification, and the remaining share-based payments expense for these ordinary shares continued to be recognized over the original remaining vesting period. Given that these options are still subject to the original service and [REDACTED] vesting condition, they are not considered exercised from accounting perspective.

On December 31, 2021, the Company adopted a restricted share unit plan (the “RSU Plan”), under which, the maximum number of shares that may be issued under the RSU Plan is 6% of the issued share capital of the Company as of the date of approval of the RSU Plan.

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Movements in the number of share options granted to employees under ESOP and their related weighted average exercise prices are as below:

	Year ended March 31,								Six months ended September 30,					
	2019		2020		2021		2022		2021		2022			
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options	(Unaudited)					
USD	‘000	USD	‘000	USD	‘000	USD	‘000	USD	‘000	USD	‘000	USD	‘000	
At beginning of the year/period . . . .	—	—	—	—	1.39	3,560	1.56	3,780	1.56	3,780	2.42	4,322		
Granted during the year/period . . . .	—	—	1.24	3,764	1.92	351	4.80	940	4.87	851	4.87	373		
Exercised during the year/period . . . .	—	—	—	—	—	—	—	—	—	—	—	—		
Effect of the Modification . . .	—	—	—	—	—	—	1.65	(282)	1.65	(282)	—	—		
Forfeited during the year/period . . . .	—	—	1.43	(204)	1.92	(131)	(3.44)	(116)	3.28	(53)	(3.77)	(125)		
At end of the year/period . . . . .	—	—	1.39	3,560	1.56	3,780	2.42	4,322	2.48	4,296	2.59	4,570		

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price (USD)	Number of share options				
			March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	September 30, 2022
October 1, 2019 . . . . .	5 years	0.11-1.92	—	3,499	3,439	3,396	3,366
January 1, 2020 . . . . .	5 years	1.92	—	61	15	15	15
April 1, 2020 . . . . .	5 years	1.92	—	—	232	232	208
July 1, 2020 . . . . .	5 years	1.92	—	—	6	6	6
October 1, 2020 . . . . .	5 years	1.92	—	—	48	42	37
January 1, 2021 . . . . .	5 years	1.92	—	—	40	40	40
April 1, 2021 . . . . .	5 years	4.87	—	—	—	506	455
July 12, 2021 . . . . .	5 years	4.87	—	—	—	11	11
August 19, 2021 . . . . .	5 years	4.87	—	—	—	2	2
September 2, 2021 . . . . .	5 years	4.87	—	—	—	17	11
October 13, 2021 . . . . .	5 years	4.87	—	—	—	9	9
October 21, 2021 . . . . .	5 years	4.87	—	—	—	4	4
November 11, 2021 . . . . .	5 years	4.87	—	—	—	2	2
December 16, 2021 . . . . .	5 years	4.87	—	—	—	3	3
December 30, 2021 . . . . .	5 years	0.0001	—	—	—	14	14
January 29, 2022 . . . . .	5 years	4.87	—	—	—	8	8
February 14, 2022 . . . . .	5 years	4.87	—	—	—	13	13
March 14, 2022 . . . . .	5 years	4.87	—	—	—	2	2
April 1, 2022 . . . . .	5 years	4.87	—	—	—	—	344
April 18, 2022 . . . . .	5 years	4.87	—	—	—	—	10
June 13, 2022 . . . . .	5 years	4.87	—	—	—	—	4
August 11, 2022 . . . . .	5 years	4.87	—	—	—	—	6
<b>Total</b>			—	<b>3,560</b>	<b>3,780</b>	<b>4,322</b>	<b>4,570</b>

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Fair value of share options

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimate.

Based on fair value of the underlying ordinary share, the directors have used Binomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	Year ended March 31,				Six Months ended September 30,	
	2019	2020	2021	2022	2021 (Unaudited)	2022
Contractual terms (in years) . . . . .	N/A	5	5	5	5	5
Risk-free interest rate . . . . .	N/A	1.5%-1.7%	0.3%-0.4%	0.8%-2.1%	0.92%	2.5%-3.6%
Expected volatility . . .	N/A	41.6%-42.9%	38.9%-42.3%	40.6%-43.5%	39.7%-42.1%	39.7%-44.1%
Exercise multiple . . . .	N/A	2.2	2.2	2.2	2.2	2.2
Expected dividend yield . . . . .	N/A	—	—	—	—	—
Post-vesting forfeiture rate . . . . .	N/A	3.0%	3.0%	3.0%	3.0%	3.0%

*(b) Restricted shares granted to a former independent director*

On March 13, 2019, the Company grant 92,000 restricted shares to a former independent non-executive director of the Company by mutually signing a Restricted Share Award Agreement, under which, the vesting commencement date is November 1, 2018. The grant date fair value of these restricted shares was USD5.17 per share.

On March 6, 2020, the Company terminated the Restricted Share Award Agreement with the former independent director, and repurchased 50% of the vested shares and all unvested restricted shares at par value. At the same time, the Company granted vested options with nominal exercise price to replace the remaining 50% of vested restricted shares. Management accounted for the repurchase of the 50% vested shares and unvested shares as an acceleration of vesting, while the grant of options is treated as a modification of the original vested restricted shares.

*(c) Share-based payment expenses arising from the redesignation during Share Exchange*

In connection with the Group’s Reorganization, the Group and the shareholders agreed to exchange the onshore Ordinary Shares into the Company’s Preferred Shares, whereby the difference between the fair value of respective Preferred Shares and Ordinary Shares, RMB47,387,000 is recorded as share-based payment (Note 31).

*(d) Share-based payment expenses arising from share transfer between shareholders*

In November 2018, certain Ordinary Shareholders and Preferred Shareholders transferred their Ordinary Shares and Preferred Shares to the other shareholders, with the difference between the transaction price and the fair value of respective Ordinary Shares and Preferred Shares, RMB32,546,000 as share-based payment (Note 31).

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(e) *Share-based payment expenses arising from disposal of Sen Yun*

In June 2018 the Group entered into a series of agreements with Beijing Black Mirror, pursuant to which, the Group transferred 100% equity interests in its then wholly-owned subsidiary Sen Yun to Beijing Black Mirror for a cash consideration of RMB1,000,000 and concurrently the Group obtained 18% equity interest in Beijing Black Mirror with a cash consideration of RMB2,000,000. Beijing Black Mirror was set up by Mr. Zhang Qinghua, who was an employee of the Group, shortly before these transactions. The Group recognised RMB500,000 share-based payment expenses considering the difference among the net cash outflow of RMB1,000,000, the fair value of 18% equity investments in Beijing Black Mirror and the fair value of Sen Yun Technology (Note 8).

(f) *Share-based payment expenses arising from share repurchases*

Concurrently with issuance of Series F Preferred Shares, the Company repurchased an aggregate of 900,400 Series D Preferred Shares and 240,642 Ordinary Shares from certain shareholders, with the difference between the transaction price and the fair value of respective Ordinary Shares and Preferred Shares, RMB53,348,000 as share-based payment (Note 31).

27 **Deferred income tax assets and liabilities**

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>Deferred income tax assets:</b>					
— to be recovered after more than 12 months . . . . .	14,976	940	3,478	15,588	20,993
— to be recovered within 12 months . . . . .	18,633	20,392	4,788	8,228	10,052
	<u>33,609</u>	<u>21,332</u>	<u>8,266</u>	<u>23,816</u>	<u>31,045</u>
<b>Deferred income tax liabilities:</b>					
— to be recovered after more than 12 months . . . . .	(575)	(1,720)	(4,317)	(5,406)	(8,728)
— to be recovered within 12 months . . . . .	(1,449)	(2,538)	(3,577)	(5,222)	(4,827)
	<u>(2,024)</u>	<u>(4,258)</u>	<u>(7,894)</u>	<u>(10,628)</u>	<u>(13,555)</u>
	<u>31,585</u>	<u>17,074</u>	<u>372</u>	<u>13,188</u>	<u>17,490</u>

The net balances of deferred tax assets after offsetting are as follows:

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
					RMB'000
Deferred tax assets, net . . . . .	31,585	17,074	372	13,188	17,490

The net movement on the deferred income tax account is as follows:

	Year ended March 31,				Six months ended	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
At beginning of the year/period . . . . .	29,355	31,585	17,074	372	372	13,188
Disposal of subsidiary . . . . .	—	(35)	—	(13)	—	—
Credit to/(charged) profit or loss (Note 12) . . .	2,230	(14,476)	(16,702)	12,829	(162)	4,302
At end of the year/period . . . . .	<u>31,585</u>	<u>17,074</u>	<u>372</u>	<u>13,188</u>	<u>210</u>	<u>17,490</u>

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The movements in deferred income tax assets are as follows:

	Long-term deferred expenses	Advertising costs	Allowance for doubtful accounts	Tax losses	Lease liability	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at April 1, 2018 (Unaudited)</b> .....	—	—	—	<b>29,355</b>	—	<b>29,355</b>
Credited to profit or loss .....	344	191	51	3,668	—	4,254
<b>As at March 31, 2019</b> .....	<u><b>344</b></u>	<u><b>191</b></u>	<u><b>51</b></u>	<u><b>33,023</b></u>	<u>—</u>	<u><b>33,609</b></u>
<b>As at April 1, 2019</b> .....	344	191	51	33,023	—	33,609
Disposal of subsidiary .....	—	—	(35)	—	—	(35)
Charged to profit or loss .....	(293)	(191)	(11)	(11,747)	—	(12,242)
<b>As at March 31, 2020</b> .....	<u><b>51</b></u>	<u>—</u>	<u><b>5</b></u>	<u><b>21,276</b></u>	<u>—</u>	<u><b>21,332</b></u>
<b>As at April 1, 2020</b> .....	51	—	5	21,276	—	21,332
Credited/(charged) to profit or loss .....	52	—	30	(13,164)	16	(13,066)
<b>As at March 31, 2021</b> .....	<u><b>103</b></u>	<u>—</u>	<u><b>35</b></u>	<u><b>8,112</b></u>	<u><b>16</b></u>	<u><b>8,266</b></u>
<b>As at April 1, 2021</b> .....	103	—	35	8,112	16	8,266
Disposal of subsidiaries .....	(46)	—	(10)	(386)	—	(442)
(Charged)/credited to profit or loss .....	(57)	—	(25)	16,090	(16)	15,992
<b>As at March 31, 2022</b> .....	<u>—</u>	<u>—</u>	<u>—</u>	<u><b>23,816</b></u>	<u>—</u>	<u><b>23,816</b></u>
<b>(Unaudited)</b>						
<b>As at April 1, 2021</b> .....	103	—	35	8,112	16	8,266
(Charged)/credited to profit or loss .....	(103)	—	(35)	1,370	(16)	1,216
<b>As at September 30, 2021</b> .....	<u>—</u>	<u>—</u>	<u>—</u>	<u><b>9,482</b></u>	<u>—</u>	<u><b>9,482</b></u>
<b>As at April 1, 2022</b> .....	—	—	—	23,816	—	23,816
Credited to profit or loss .....	—	—	231	6,998	—	7,229
<b>As at September 30, 2022</b> .....	<u>—</u>	<u>—</u>	<u><b>231</b></u>	<u><b>30,814</b></u>	<u>—</u>	<u><b>31,045</b></u>



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The movements in deferred income tax liabilities are as follows:

	Change in fair value gain or loss	Contract acquisition costs	Allowance for doubtful accounts	Total
	RMB’000	RMB’000	RMB’000	RMB’000
<b>As at April 1, 2018 (Unaudited)</b> .....	—	—	—	—
Charged to profit or loss .....	(267)	(1,757)	—	(2,024)
<b>As at March 31, 2019</b> .....	<u>(267)</u>	<u>(1,757)</u>	—	<u>(2,024)</u>
<b>As at April 1, 2019</b> .....	(267)	(1,757)	—	(2,024)
Charged to profit or loss .....	(20)	(2,193)	(21)	(2,234)
<b>As at March 31, 2020</b> .....	<u>(287)</u>	<u>(3,950)</u>	<u>(21)</u>	<u>(4,258)</u>
<b>As at April 1, 2020</b> .....	(287)	(3,950)	(21)	(4,258)
Charged to profit or loss .....	(1,377)	(2,259)	—	(3,636)
<b>As at March 31, 2021</b> .....	<u>(1,664)</u>	<u>(6,209)</u>	<u>(21)</u>	<u>(7,894)</u>
<b>As at April 1, 2021</b> .....	(1,664)	(6,209)	(21)	(7,894)
Disposal of subsidiaries .....	88	320	21	429
Charged to profit or loss .....	(1,737)	(1,426)	—	(3,163)
<b>As at March 31, 2022</b> .....	<u>(3,313)</u>	<u>(7,315)</u>	—	<u>(10,628)</u>
<b>(Unaudited)</b>				
<b>As at April 1, 2021</b> .....	(1,664)	(6,209)	(21)	(7,894)
Credited/(charged) to profit or loss .....	506	(1,905)	21	(1,378)
<b>As at September 30, 2021</b> .....	<u>(1,158)</u>	<u>(8,114)</u>	—	<u>(9,272)</u>
<b>As at April 1, 2022</b> .....	(3,313)	(7,315)	—	(10,628)
Charged to profit or loss .....	(2,087)	(840)	—	(2,927)
<b>As at September 30, 2022</b> .....	<u>(5,400)</u>	<u>(8,155)</u>	—	<u>(13,555)</u>

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The Group and its subsidiaries have applied the tax consolidation legislation, which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

	<u>Deferred tax assets</u>	<u>Deferred tax liabilities</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
<b>As at April 1, 2018 (Unaudited)</b> .....	29,355	—	29,355
Credited/(charged) to profit or loss .....	4,254	(2,024)	2,230
<b>As at March 31, 2019</b> .....	<u><b>33,609</b></u>	<u><b>(2,024)</b></u>	<u><b>31,585</b></u>
<b>As at April 1, 2019</b> .....	33,609	(2,024)	31,585
Disposal of subsidiary .....	(35)	—	(35)
Charged to profit or loss .....	(12,242)	(2,234)	(14,476)
<b>As at March 31, 2020</b> .....	<u><b>21,332</b></u>	<u><b>(4,258)</b></u>	<u><b>17,074</b></u>
<b>As at April 1, 2020</b> .....	21,332	(4,258)	17,074
Charged to profit or loss .....	(13,066)	(3,636)	(16,702)
<b>As at March 31, 2021</b> .....	<u><b>8,266</b></u>	<u><b>(7,894)</b></u>	<u><b>372</b></u>
<b>As at April 1, 2021</b> .....	8,266	(7,894)	372
Disposal of subsidiaries .....	(442)	429	(13)
Credited/(charged) to profit or loss .....	15,992	(3,163)	12,829
<b>As at March 31, 2022</b> .....	<u><b>23,816</b></u>	<u><b>(10,628)</b></u>	<u><b>13,188</b></u>
<b>(Unaudited)</b>			
<b>As at April 1, 2021</b> .....	8,266	(7,894)	372
Credited/(charged) to profit or loss .....	1,216	(1,378)	(162)
<b>As at September 30, 2021</b> .....	<u><b>9,482</b></u>	<u><b>(9,272)</b></u>	<u><b>210</b></u>
<b>As at April 1, 2022</b> .....	23,816	(10,628)	13,188
Credited/(charged) to profit or loss .....	7,229	(2,927)	4,302
<b>As at September 30, 2022</b> .....	<u><b>31,045</b></u>	<u><b>(13,555)</b></u>	<u><b>17,490</b></u>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

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As at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, the Group did not recognize deferred income tax assets of RMB42,698,000, RMB149,982,000, RMB180,335,000, RMB235,373,000 and RMB208,982,000 respectively in respect of losses amounting to RMB282,022,000, RMB640,692,000, RMB993,737,000, RMB1,363,864,000 and RMB1,306,716,000 that can be carried forward against future taxable income, respectively. The expiry calendar years of the related tax losses are as follow:

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
					RMB'000
2020 .....	56	—	—	—	—
2021 .....	—	510	491	—	—
2022 .....	—	142,459	130,537	129,291	—
2023 .....	—	3,191	3,098	—	—
2024 .....	3,780	392,622	178,622	178,622	129,711
2025 .....	—	—	—	—	—
2026 .....	—	—	—	17	17
2027 .....	—	—	—	—	53,480
2028 .....	—	101,910	101,910	94,138	278,186
2029 .....	278,186	—	214,000	214,000	74,349
2030 .....	—	—	365,079	365,079	304,297
2031 .....	—	—	—	382,717	214,431
2032 .....	—	—	—	—	252,245
	<u>282,022</u>	<u>640,692</u>	<u>993,737</u>	<u>1,363,864</u>	<u>1,306,716</u>

**28 Trade Payables**

	As at March 31				As at
	2019	2020	2021	2022	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
					RMB'000
Trade payables .....	<u>1,879</u>	<u>2,663</u>	<u>1,172</u>	<u>4,703</u>	<u>9,709</u>

The aging analysis of trade payables based on invoice date is as follows:

	As at March 31				As at
	2019	2020	2021	2022	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
					RMB'000
Up to 6 months .....	1,837	2,648	1,172	4,703	9,709
6 months to 1 year .....	12	5	—	—	—
1 to 2 years .....	30	10	—	—	—
	<u>1,879</u>	<u>2,663</u>	<u>1,172</u>	<u>4,703</u>	<u>9,709</u>

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29 Other payables and accruals

	As at March 31				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Payable for repurchase of onshore common share in connection with the Reorganization (a) . . . .	100,000	100,000	—	—	—
Salary and welfare payable . . . . .	32,348	76,613	134,267	149,226	129,956
Accrual for other taxes . . .	9,233	18,078	31,268	42,493	35,771
Accrued service and goods . . . . .	4,633	5,848	1,363	4,888	3,623
Accrued [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued staff reimbursement . . . . .	1,032	1,827	2,606	2,450	628
Others . . . . .	586	1,551	1,972	497	653
	<b>147,832</b>	<b>203,917</b>	<b>171,476</b>	<b>202,210</b>	<b>175,345</b>

(a) In connection with the Group’s Reorganization, the Company granted a Warrant to an investor, which allows the investor to acquire the Company’s Redeemable Convertible Preferred Shares with exercise price equal to its original investment in Beisen Cloud Computing (Note 32), and onshore subsidiary also had an obligation to pay that investor such amount. These transactions completed in June 2020.

30 Financial instruments issued to investors

Prior to the Group’s Reorganization, Beisen Cloud Computing completed several rounds of financing:

Series of financing	Issuance date	Aggregate issuance price	Registered capital (transfers between shareholders excluded)	Shares issued (transfers between shareholders excluded)*	Issue price per share*
Pre-A . . . . .	January 2010	5,000	625,000	2,806,418	1.78
A . . . . .	May and December 2010	12,000	1,500,000	6,735,403	1.78
B . . . . .	December 2012 and March 2013	27,000	1,200,094	5,388,745	5.01
B+ . . . . .	December 2014	15,674	348,317	1,564,037	10.02
C . . . . .	July 2015	97,386	1,355,505	6,086,582	16.00
Market maker . . . .	February and June 2016	51,500	N/A	1,287,500	40.00
D . . . . .	March and June 2017	200,000	N/A	4,884,003	40.95

\* Share issued and issue price per share prior to Market maker round reflect the effect of the Corporate Conversion disclosed below.

Onshore Series Pre-A Investment

Pursuant to a capital increase agreement dated January 20, 2010, entered into by Tang Zejiang, Beisen Cloud Computing and its then shareholders, Tang Zejiang agreed to subscribe the increased registered capital of RMB625,000 of Beisen Cloud Computing at a total consideration of RMB5,000,000 (“Onshore Series Pre-A Investment”). According to the agreement, these registered capitals will become redeemable by Tang Zejiang under certain events, which are not within control of the Group.

Onshore Series A Investment

Pursuant to a capital increase agreement dated in May 2010 entered into by Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) (“Shenzhen Capital”), Tianjin Tianbao Growth Venture Capital Co., Ltd. (天津天保成長創業投資有限公司) (“Tianjin Tianbao”), Beisen Cloud Computing and its then shareholders, Shenzhen Capital and Tianjin Tianbao agreed to subscribe to the

increased registered capital of RMB1,250,000 of Beisen Cloud Computing at a total consideration of RMB10,000,000. The registered capital held by Shenzhen Capital and Tianjin Tianbao did not contain any redemption right.

Pursuant to a capital increase agreement dated December 26, 2010 entered into by Li Lan, Beisen Cloud Computing and its then shareholders, Li Lan agreed to subscribe to the increased registered capital of RMB250,000 of Beisen Cloud Computing at a total consideration of RMB2,000,000. According to the agreement, these registered capitals will become redeemable by Li Lan under certain events, which are not within control of the Group. (the increase of registered capital from Shenzhen Capital, Tianjin Tianbao and Li Lan are collectively referred to as “Onshore Series A Investment”).

Onshore 2011 Share Transfer

On October 20, 2011, Wang Zhaohui and Ji Weiguo (collectively, the “Co-founders”), transferred registered capital of RMB156,250 to third-party individual shareholders, Luo Sansheng and Yangjie, at a total consideration of RMB3,000,000.

Onshore Series B Investment

On December 12, 2012, Jingwei Chuangda (Hangzhou) Venture Capital Partnership (Limited Partnership) (經緯創達 (杭州) 創業投資合夥企業 (有限合夥)) (“Jingwei Chuangda”), Beisen Cloud Computing and its then shareholders, entered into a capital increase agreement, under which, Jingwei Chuangda agreed to subscribe the increased registered capital of RMB1,066,750 at a total consideration of RMB24,000,000. On March 31, 2013, Tianjin Sequoia Juye Equity Investment Partnership (Limited Partnership) (天津紅杉聚業股權投資合夥企業 (有限合夥)) (“Sequoia Juye”), Beisen Cloud Computing and its then shareholders, entered into a capital increase agreement, under which, Sequoia Juye agreed to subscribe the increased registered capital of RMB133,344 at a total consideration of RMB3,000,000. Meanwhile, each of the Co-founders agreed to transfer RMB87,531 registered capital, RMB175,062 registered capital in total, to Sequoia Juye at a total consideration of RMB3,939,000 and Tang Zejiang agreed to transfer RMB625,000 registered capital to Sequoia Juye at a total consideration of RMB14,061,000. After the aforementioned transactions, Tang Zejiang no longer held any registered capital of Beisen Cloud Computing, while Sequoia Juye held a total of RMB933,406 registered capital. According to the capital increase agreements with Jingwei Chuangda and Sequoia Juye, these registered capitals will become redeemable by the shareholders, which are not within control of the Group (collectively, “Onshore Series B Investment”). Concurrently with Onshore Series B Investment, Beisen Cloud Computing and its then shareholders agreed to grant Shenzhen Capital, Tianjin Tianbao, Jingwei Chuangda and Sequoia Juye a warrant to acquire the increased registered capital of Beisen Cloud Computing within two years of closing of Onshore Series B Investment (Series B-1 Warrant). The exercise price would be twice of the Onshore Series B Investment per registered capital, and total injection would be no more than RMB16,000,000.

In accordance with the amended shareholders’ agreement amended concurrently with issuance of Onshore Series B Investment, Beisen Cloud Computing and its then shareholders agreed to remove Li Lan’s special rights, including redemption right, whereas Shenzhen Capital and Tianjin Tianbao were granted with the special rights, including redemption right under certain circumstances, which are not within control of the Group.

Onshore 2013 Share Transfer

On February 21, 2013, Tianjin Tianbao transferred its registered capital of Beisen Cloud Computing to Tianjin Tianchuang Huaxin Venture Capital Partnership Enterprise (Limited Partnership) (天津天創華鑫現代服務產業創業投資合夥企業(有限合夥)) (“Tianchuang Huaxin”). Since Tianchuang Huaxin and Tianjin Tianbao are within the same venture Group, management concluded that there is no impact to the Group’s consolidated financial statements.

Onshore Series B-1 Investment

On December 29, 2014, shareholders, including Jingwei Chuangda, Sequoia Juye, Tianchuang Huaxin, exercised the Series B-1 Warrant, and entered into a capital increase agreement with Beisen Cloud Computing and its then shareholders to subscribe RMB348,317 registered capital of Beisen Cloud Computing at a consideration of RMB15,674,000 (“Onshore Series B-1 Investment”). According to the agreement, these shareholders’ rights, including redemption right under certain circumstances, remain unchanged compared with Series B Investments.

Onshore Series C Investment

On July 16, 2015, investors including Sequoia Juye, Shanghai Chuangji Investment Center (Limited Partnership) (上海創稷投資中心(有限合夥)) (“Chuangji Investment”), Beijing Haoxfeng Asset Management Co., Ltd. (北京浩鑫峰資產管理有限公司)(“Beijing Haoxfeng”), Beisen Cloud Computing and its then shareholders entered into an increase registered capital agreement, under which, Sequoia Juye, Chuangji Investment and Beijing Haoxfeng agreed to acquire a total of RMB1,355,505 of the increase registered capital of Beisen Cloud Computing at total consideration of RMB97,385,000. Concurrently with Onshore Series C Investment, Co-founders and relevant shareholders signed registered capital transfer agreement, under which, Wang Zhaohui transferred RMB94,635 registered capital at consideration of RMB6,799,000, while Ji Weiguo transferred RMB128,069 registered capital at consideration of RMB9,200,000 (“Onshore Series C Investment”). According to the agreement, these registered capitals will become redeemable by Tang Zejiang under certain events, which are not within control of the Group.

Conversion to a Joint Stock Limited Company

On August 10, 2015, the then shareholders of Beisen Cloud Computing passed resolutions approving, among other matters, the conversion of Beisen Cloud Computing from a limited liability company into a joint stock limited company (the “Corporate Conversion”), and the change of name of Beisen Cloud Computing from Beijing Beisen Evaluation Technology Co., Ltd. to Beijing Beisen Cloud Computing Co., Ltd. Pursuant to the relevant agreements dated on August 10, 2015, the total registered capital of Beisen Cloud Computing, which was RMB11,135,191, was converted to 50,000,000 shares subscribed by all the shareholders of Beisen Cloud Computing in proportion to their then respective interests held in the registered capital in Beisen Cloud Computing as at July 31, 2015, with a nominal value of RMB1 per share. The conversion was completed on September 21, 2015 when Beisen Cloud Computing obtained a new business license.

Under the amended shareholders’ agreement after the Corporate Conversion, if Beisen Cloud Computing is listed on NEEQ, the redemption right would be assumed by the Co-founders, instead of Beisen Cloud Computing. Whereas, if Beisen Cloud Computing could not be listed on NEEQ before June 30, 2016, or for any reason, be delisted from NEEQ, the aforementioned revision would automatically be removed, and the previous shareholders’ agreement would continue to be effective.



Listing on NEEQ

On April 5, 2016, shares of Beisen Cloud Computing were listed on NEEQ under the stock code of Beisen Cloud (NEEQ listing).

In February and June 2016, two subscription agreements were entered into by and amongst Zhizhan Shanghai Investment Center (Limited Partnership) (置展(上海)投資中心(有限合夥)) (“Zhizhan Shanghai”), China International Capital Corporation Limited (中國國際金融股份有限公司) (“CICC”), Cinda Securities Co., Ltd. (信達證券股份有限公司) (“Cinda Securities”), Huarong Securities Co., Ltd. (華融證券股份有限公司) (“Cinda Huarong”), Goldstate Securities Co., Ltd. (金元證券股份有限公司) (“Goldstate Securities”), China Industrial Securities Co., LTD. (興業證券股份有限公司) (“Industrial Securities”), China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司) (“CGS”), Orient Securities Company Limited (東方證券股份有限公司) (“DFZQ”, together with Zhizhan Shanghai, CICC, Cinda Securities, Cinda Huarong, Goldstate Securities, Industrial Securities, and CGS, the “Market-making Institutions”), Beisen Cloud Computing and its then shareholders during its listing on NEEQ. Pursuant to the agreement, these shareholders agreed to subscribed 1,287,500 shares at a consideration of RMB40.00 per share (“Market maker round investment”).

Onshore Series D Investment

On March 10, 2017, Tianjin Tianchuang Yingxin Venture Investment Partnership (Limited Partnership) (天津天創盈鑫創業投資合夥企業(有限合夥)) (“Tianchuang Yingxin”), Mr. Shi Chuan, Beisen Cloud Computing and its then shareholders signed an investment agreement, pursuant to which, Tianchuang Yingxin and Shi Chuan agreed to subscribe 488,400 shares at a consideration of RMB40.95 per share.

On June 12, 2017, Gongqingcheng Yuanxi Investment Management Partnership (共青城元熙投資管理合夥企業(有限合夥)) (“Gongqingcheng Yuanxi”), Chuangji Investment, Beisen Cloud Computing and its then shareholders signed an investment agreement, pursuant to which, Gongqingcheng Yuanxi and Chuangji Investment agreed to subscribe 4,395,603 shares at a consideration of RMB40.95 per share (the investments from Tianchuang Yingxin and Shi Chuan on March 10, 2017 and, Gongqingcheng Yuanxi and Chuangji Investment on June 12, 2017 are collectively referred to as “Onshore Series D Investment”). In accordance with shareholders’ agreements, Onshore Series D Investment shareholders have special shareholders’ rights, which require the Co-founders to re-acquire its shares at cash under certain circumstances that are not within control of the Group. Also, if, for any reasons, Beisen Cloud Computing delisted from NEEQ, Co-founders along with Beisen Cloud Computing would have the obligation to ensure Series D Investment shareholders to have the special rights, including redemption rights, prior to Series C Investment.

Delisting from NEEQ

On March 16, 2018, the then shareholders of Beisen Cloud Computing resolved to voluntarily delist the shares of Beisen Cloud Computing from the NEEQ (“the NEEQ Delisting”). On April 27, 2018, the NEEQ Delisting was completed.

Onshore Series Pre-A Investment, Onshore Series A Investment held by Li Lan prior to issuance of Onshore Series B Investment, and Onshore Series A Investment held by Shenzhen Capital and Tianjin Tianbao, Onshore Series C Investment and Onshore Series D Investment are collectively referred to as Onshore Investment.



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As discussed in Note 2.16, there are two units of accounts from Onshore Investment, equity portion and liability portion. For the liability portion, Beisen Cloud Computing does not have the unconditional right to avoid delivering cash or other financial assets to settle contractual obligation upon occurrence of certain events for the Onshore Investment, which are not within control of the Group.

The Group recognized the liability portion of Onshore Investment as financial liabilities (“Financial instruments issued to investors”), which recognized initially at the present value of the redemption amount. Management estimated the redemption date and calculated the present value of redemption amount based on the calculation formula defined in the agreements. Any changes in the carrying amount of the financial liabilities were recorded as “Losses from financial instruments issued to investors” of the Group’s consolidated statements of comprehensive loss.

The Group recorded the equity portion as reserves in its consolidated statements of financial position (Note 25).

Upon the Reorganization, the Onshore Investments were exchanged to redeemable convertible preferred shares or warrants issued by the Company (Note 25), the Financial instruments issued to investors are therefore derecognized from the Company’s consolidated statements of financial position (Note 31).

The movements of the financial instruments issued to investors are set out below:

	<u>Year ended</u> <u>March 31,</u> <u>2019</u>
	<u>RMB’000</u>
<b>At the beginning of the year/period</b> .....	396,541
Changes in the carrying amount due to the effective interest method .....	24,873
Derecognition upon Share Exchange .....	<u>(421,414)</u>
<b>At the end of the year/period</b> .....	<u>—</u>

**31 Redeemable convertible preferred shares**

*A. Share Exchange upon Reorganization*

On September 25, 2018, to reflect the onshore shareholding structure of Beisen Cloud Computing, the Company and relevant investors’ offshore affiliates entered into a share purchase agreement, and issued 5,051,552 Series A Redeemable Convertible Preferred Shares, 8,985,728 Series B Redeemable Convertible Preferred Shares, 2,120,830 Series B-1 Redeemable Convertible Preferred Shares (including 622,688 in the form of Warrant with exercise price equal to US\$0.0001 per share), 7,291,583 Series C Redeemable Convertible Preferred Shares (including 2,499,998 in the form of Warrant with exercise price equal to US\$0.001 per share), 6,173,503 Series D Redeemable Convertible Preferred Shares (including 488,400 in the form of Warrant with exercise price equal to US\$0.001 per share and 2,442,002 in the form of Warrant held by Gongqingcheng Yuanxi with exercise price equal to their original issue price) (the aforementioned transaction in connection with the Group’s Reorganization as the “Share Exchange”).

The management assessed that the Share Exchange involves the de-recognition of ordinary shares with preferential rights (i.e., one equity and one liability) of Beisen Cloud Computing, with

carrying amounts of RMB421,414,000, by issuing Preferred Shares and Warrants and assuming an obligation to repay RMB100,000,000 to Gongqingcheng Yuanxi (the “Repayment Liability”, Note 29). The total difference between the sum of the fair value of Preferred Shares, the fair value of the Warrant and the Repayment Liability, and the carrying amount of the ordinary shares with preferential rights was recorded as: i) losses from financial instruments issued to investors of RMB86,588,000, equal to the difference between the fair value of financial instruments issued to investors and its carrying amount (Note 30), ii) the “other reserve” of consolidated statements of financial position of RMB622,585,000, which represents the net effect of de-recognizing the equity portion of the ordinary shares with preferential rights.

Meanwhile, in connection with the Group’s Reorganization, apart from direct allotment of Redeemable Convertible Preferred Shares, as agreed by the Company and its then Ordinary Shareholders and Preferred Shareholders, there were certain redesignations from onshore Ordinary Shares or onshore Ordinary Shares with special rights to the Company’s Redeemable Convertible Preferred Shares during the transitional period:

Onshore Series A Investment held by certain shareholder were redesignated into the Company’s Series B-1 Redeemable Convertible Preferred Shares, the Group recorded RMB2,347,000 share-based payment for such redesignation, and the accounting treatment for derecognizing onshore common shares with special rights in exchange for the Company’s Redeemable Convertible Preferred Shares remains the same as discussed above.

Onshore common shares held by other Market Maker shareholders has been redesignated into the Company’s Series D Redeemable Convertible Preferred Shares, either held by the Co-founders, Genesis Capital I LP or held by China International Capital Corporation Limited offshore affiliates, whereby the difference between the fair value of Series D Redeemable Convertible Preferred Shares and the fair value of the Company’s Ordinary Shares, for RMB42,799,000 is recorded as share-based payment expenses. Meanwhile, the shares held by the Co-founders’ onshore wholly owned company has been redesignated into the Company’s Series C Redeemable Convertible Preferred Shares, and the difference between the fair value of Series C Redeemable Convertible Preferred Shares and the fair value of the Company’s Ordinary Shares, for RMB2,241,000 is recorded as share-based payment expenses.

*B. Issuance of Series E-1 Redeemable Convertible Preferred Shares*

On September 26, 2018, the Company entered into an agreement with Genesis Capital I LP and SCC Venture VII Holdco, Ltd. and issued 4,037,530 and 987,129 Series E-1 Redeemable Convertible Preferred Shares (“Series E-1 Preferred Shares”) for cash consideration of US\$38.7 million and US\$9.5 million respectively.

*C. Issuance of Series E-2 Redeemable Convertible Preferred Shares*

On November 19, 2018, the Company entered into an agreement with MATRIX PARTNERS CHINA V HONG KONG LIMITED and issued 2,556,936 Series E-2 Redeemable Convertible Preferred Shares (“Series E-2 Preferred Shares”, and Series E-1 Preferred Shares and Series E-2 Preferred Shares are collectively referred to as “Series E Preferred Shares”) for cash consideration of US\$24.5 million.

*D. Share Transfer among Ordinary Shareholders and Preferred Shares*

On November 23, 2018, certain Ordinary Shareholders transferred an aggregate of 1,345,920 Ordinary Shares to other Ordinary Shareholders, and certain Preferred Shareholder transferred an aggregate of 622,688 Preferred Shares to other Preferred Shareholders. The transaction price is US\$7.14 per share for the share transfer, whereby the difference between the transaction price and the fair value of Ordinary Shares and Preferred Shares, for RMB32,546,000, is recorded as share-based payment.

*E. Share Exchange in Connection with the Reorganization by Exercising Warrants*

On November 23, 2018, the Warrants held by the warrant holders with exercise price equal to US\$0.001 were exercised since relevant regulatory filings have been completed. Management concluded that these Warrants are mainly a transitional arrangement to complete the Group’s Reorganization, with no significant impact to the Group’s consolidated financial statements.

On June 1, 2020, Warrant Holder Gongqingcheng Yuanxi exercised its Warrant and acquired the Company’s Series D Redeemable Convertible Preferred Shares (Note 32).

*F. Issuance of Series F Redeemable Convertible Preferred Shares*

On April 9, 2021, the Company entered into an agreement with SVF II Cortex Subco (DE) LLC, Mercer Investments (Singapore) Pte. Ltd., Bargate Investment Holdings One Limited, Fidelity China Special Situations PLC, Fidelity Funds, Fidelity Investments Funds, Space Trek L.P., MATRIX PARTNERS CHINA V HONG KONG LIMITED, GC HCM (BVI) Limited, GC HCM Holdings Limited, SCC Growth VI Holdco E, Ltd. and SCGC Capital Holding Company Limited, and issued 4,104,113; 1,231,234; 1,231,234; 663,808; 552,070; 15,356; 820,823; 410,411; 328,329; 205,206; 697,699 and 410,411 Series F Redeemable Convertible Preferred Shares (“Series F Preferred Shares”) for cash consideration of US\$100 million, US\$30 million, US\$30 million, US\$16.2 million, US\$13.5 million, US\$0.4 million, US\$20 million, US\$10 million, US\$8 million, US\$5 million, US\$17 million and US\$10 million respectively.

*G. Share Repurchase Concurrently with Issuance of Series F Redeemable Convertible Preferred Shares*

Concurrently with the issuance of Series F Preferred Shares, 412,000, 366,300 and 122,100 series D Redeemable Convertible Preferred Shares have been repurchased by the Company from three Series D Preferred Shareholders, and 100,642 and 140,000 Ordinary Shares have been repurchased by the Company from two Ordinary Shareholders respectively at a consideration of US\$21.9 per share. The Company derecognized the carrying amount of relevant Series D Redeemable Convertible Preferred Shares, whereby the difference between the consideration and the fair value of the Redeemable Convertible Preferred Shares, for RMB37,889,000, is recognized as share-based payment expenses. For details about the repurchase of Ordinary Shares, please refer to Note 24.

The Series A, B, B-1, C, D, E-1, E-2 and F Redeemable Convertible Preferred Shares are collectively referred to as the “Preferred Shares”.

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The key terms of the Preferred Shares upon issuance of Series F Preferred Shares are summarized as follows:

*(a) Dividends rights*

Prior and in preference to any declaration or payment of any dividend on the Ordinary Shares, each holder of the Preferred Shares shall be entitled to receive dividends, out of any funds legally available therefor, the pro rata portion of the dividend to be distributed in proportion to the shareholding percentage of such holder in respect of Preferred Shares held by it (calculated on a fully-diluted and as-converted basis) in all the then outstanding Shares of the Company. Such dividends shall be payable and accrue when, as and if declared by the Board and shall be cumulative.

No dividends shall be declared or paid on any Ordinary Shares during any previous or current fiscal year of the Company until all accrued dividends shall have been paid or declared and set apart during that fiscal year and unless and until a dividend in like amount as is declared or paid on such Junior Share has been declared or paid on each outstanding Preferred Shares (on an as-converted to Ordinary Share basis).

*(b) Conversion of Preferred Shares*

Each Preferred Share may, at the option of the Preferred Shareholders thereof, be converted at any time into fully-paid and nonassessable Ordinary Shares based on the then-effective Applicable Conversion Price.

In addition, each Preferred Share shall automatically be converted, based on the then-effective Applicable Conversion Price, without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent, into Ordinary Shares upon the closing of a qualified [REDACTED] (“Qualified [REDACTED]”).

The Applicable Conversion Price shall initially equal the Applicable Original Issue Price, and each shall be adjusted from time to time due to: a) issuance of additional ordinary shares without consideration or for a consideration per share received by the Company that is less than they Applicable Conversion Price in effect on the date of and immediately prior to such issue, b) share dividends, subdivisions, combinations or consolidations of Ordinary Shares, c) Other distributions, d) reclassification, exchange and substitution. For avoidance of doubt, the initial conversion ratio for the Preferred Shares to Ordinary Shares shall be 1:1.

*(c) Redemption feature*

In the event (i) the Company fails to consummate a Qualified [REDACTED] prior to the 3<sup>rd</sup> anniversary of the issuance of Series F Preferred Shares, (ii) any of the Group Companies or the Co-founders commit any material crime or material breach of laws in each case of which has a material adverse effect of the Qualified [REDACTED], (iii) the Co-founders taken as a whole cease to Control the Group Companies which has a material adverse effect the Qualified [REDACTED], (iv) there is a material breach by any Group Company, the Co-founders or the Founder Holdcos of any of its respective warranties, covenants and undertakings set forth in the Transaction Documents prior to the Qualified [REDACTED], and such breach is not effectively cured within thirty (30) business days upon receipt of written notice from any Preferred Shareholder, or (v) any holder of any Preferred Shares has validly requested the Company to redeem its Preferred Shares in accordance with the foregoing (i) to (iv), each Preferred Shares shall be redeemable at the

option of each holder of the Preferred Shares, out of funds legally available therefor, at redemption price equal to:

For each Series F Preferred Share, (x) one hundred percent (100%) of the Series F Original Issue Price, plus (y) an amount accruing thereon daily at a simple rate of eight percent (8%) per annum of the Series F Original Issue Price, beginning on the date of issuance of such Series F Preferred Shares, plus (z) any declared but unpaid dividends.

For each Series E Preferred Share, (x) 100% of the Series E Original Issue Price, plus (y) an amount accruing thereon daily at a simple rate of 8% per annum of the Series E Original Issue Price, beginning on the date of issuance of such Series E Preferred Shares, plus (z) any declared but unpaid dividends.

For each Series D Preferred Share, (x) 100% of the Series D Original Issue Price, plus (y) an amount accruing thereon daily at a compound rate of 10% per annum of the Series D Original Issue Price, beginning on the date: with respect to Series D Preferred Shares held by Shanghai Chuangji Investment Center L.P. (上海創稷投資中心 (有限合夥)), of June 15, 2017; with respect to Series D Preferred Shares held by Beis Investment (BVI) Ltd, of June 16, 2017; with respect to Series D Preferred Shares held by Zhide One Investment Co. Limited, of January 20, 2016; with respect to Series D Preferred Shares held by Genesis Capital I LP, of May 24, 2018, plus (z) any declared but unpaid dividends,

For each Series C Preferred Share, (x) 100% of the Series C Original Issue Price, plus (y) an amount accruing thereon daily at a compound rate of 10% per annum of the Series C Original Issue Price, beginning on July 8, 2015, plus (z) any declared but unpaid dividends,

For each Series B-1 Preferred Share, (x) 100% of the Series B-1 Original Issue Price, plus (y) an amount accruing thereon at a simple interest rate of 10% per annum of the Series B-1 Original Issue Price, beginning on the date: with respect to Series B-1 Preferred Shares held by Jingwei Chuangda (Hangzhou) Venture Capital Investment L.P. (經緯創達 (杭州) 創業投資合夥企業 (有限合夥)) and Max Woods Limited, of April 27, 2015; with respect to Series B-1 Preferred Shares held by Genesis Capital I LP and SCC Venture VII Holdco, Ltd., of November 23, 2018, plus (z) any declared but unpaid dividends,

For each Series B Preferred Share, (x) 100% of the Series B Original Issue Price, plus (y) an amount accruing thereon at a simple interest rate of 10% per annum of the Series B Original Issue Price, beginning on the date: with respect to Series B Preferred Shares held by Jingwei Chuangda (Hangzhou) Venture Capital Investment L.P. (經緯創達 (杭州) 創業投資合夥企業 (有限合夥)), of January 16, 2013; with respect to Series B Preferred Shares held by Max Woods Limited, of April 12, 2013, plus (z) any declared but unpaid dividends,

For each Series A Preferred Share, equal to (x) 100% of the Series A Original Issue Price, plus (y) an amount accruing thereon at a simple interest rate of 10% per annum of the Series A Original Issue Price, beginning on July 5, 2010, plus (z) any declared but unpaid dividends (collectively, the “Series A Redemption Price”).



*(d) Liquidation preferences*

Upon any liquidation (including deemed liquidation), dissolution or winding up of the Company and/or any Group Company, either voluntary or involuntary, holders of the Preferred Shares shall be entitled to receive distributions in the following manner:

- (i) First to the holders of Series F Preferred Shares, entitled to receive, on parity with each other, an amount equal to one hundred percent (100%) of the Series F Original Issue Price (in each case as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus an amount accruing thereon daily at a simple rate of eight percent (8%) per annum of the Series F Original Issue Price, plus all dividends declared and unpaid with respect thereto per Series F Preferred Shares, then held by such holder.
- (ii) Second to the holders of Series E Preferred Shares, entitled to receive, on parity with each other, an amount equal to one hundred percent (100%) of the Series E Original Issue Price (in each case as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus an amount accruing thereon daily at a simple rate of eight percent (8%) per annum of the Series E Original Issue Price, plus all dividends declared and unpaid with respect thereto per Series E Preferred Share, then held by such holder .
- (iii) Third to the holders of Series D Preferred Shares, entitled to receive, on parity with each other, an amount equal to one hundred and fifty percent (150%) of the Series D Original Issue Price (in each case as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus all dividends declared and unpaid with respect thereto per Series D Preferred Share, then held by such holder.
- (iv) Lastly to the holders of Series C Preferred Shares, Series B-1 Preferred Shares, Series B Preferred Shares and Series A Preferred Shares, entitled, on parity with each other, an amount equal to one hundred and fifty percent (150%) of relevant Original Issue Price (in each case as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus all dividends declared and unpaid with respect thereto relevant Preferred Shares, then held by such holder.

After distribution or payment in full of the amount distributable or payable on the Preferred Shares pursuant to paragraph (i) to (iv) above, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of outstanding Ordinary Shares and the holders of outstanding Preferred Share in proportion to the number of outstanding Ordinary Shares held by them (with outstanding Preferred Shares treated on an as-if-converted basis).

*(e) Voting rights*

Subject to the articles, each Preferred Shares shall carry such number of votes as is equal to the number of votes or Ordinary Shares into which such series of Preferred Shares could be converted. Holders of the Ordinary Shares and Preferred Shares shall vote together and not as separate classes.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the fair value changes in relation to the Company's own credit risk recognized as other comprehensive income,

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while fair value changes in relation to market risk recorded in the consolidated statement of comprehensive loss. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

Management designated Redeemable Convertible Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequently, the component of fair value changes relating to the Company’s own credit risk is recognized in other comprehensive loss. The classification of Redeemable Convertible Preferred Shares as current or non-current liabilities is based on whether the Preferred Shareholders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period. As of March 31, 2021, all Redeemable Convertible Preferred Shares are classified as current liabilities as the Preferred Shareholders can demand redemption if the Company could not consummate a Qualified [REDACTED] by December 31, 2021. Upon issuance of Series F Preferred Shares in April 2021, the earliest redemption date of all the Redeemable Convertible Preferred Shares were extended to three years from the closing of issuance of Series F Preferred Shares as described above (Note 31(G)(c)), as such, all Redeemable Convertible Preferred Shares are classified as non-current liabilities as of September 30, 2022.

The movement of the redeemable convertible preferred shares is set out as below:

	<b>RMB’000</b>
<b>As at April 1, 2018 (Unaudited)</b> .....	—
Allotment of redeemable convertible preferred shares upon Reorganization .....	985,961
Issuance of Series E-1 Preferred Shares .....	333,013
Issuance of Series E-2 Preferred Shares .....	170,000
Changes in fair value through profit or loss .....	317,678
Changes in fair value through other comprehensive income .....	19,173
Foreign exchange adjustments .....	(28,400)
<b>As at March 31, 2019</b> .....	<b><u>1,797,425</u></b>
<b>As at April 1, 2019</b> .....	1,797,425
Changes in fair value through profit or loss .....	883,369
Changes in fair value through other comprehensive income .....	8,946
Foreign exchange adjustments .....	110,717
<b>As at March 31, 2020</b> .....	<b><u>2,800,457</u></b>
<b>As at April 1, 2020</b> .....	2,800,457
Exercise of warrant liability .....	246,682
Changes in fair value through profit or loss .....	752,797
Changes in fair value through other comprehensive income .....	1,170
Foreign exchange adjustments .....	(242,929)
<b>As at March 31, 2021</b> .....	<b><u>3,558,177</u></b>
<b>As at April 1, 2021</b> .....	3,558,177
Issuance of Series F Preferred Shares .....	1,700,951
Repurchase of redeemable convertible preferred shares .....	(92,853)
Changes in fair value through profit or loss .....	1,638,199
Changes in fair value through other comprehensive income .....	(7,365)
Foreign exchange adjustments .....	(186,185)
<b>As at March 31, 2022</b> .....	<b><u>6,610,924</u></b>



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	RMB’000
<b>(Unaudited)</b>	
<b>As at April 1, 2021</b> .....	3,558,177
Issuance of Series F Preferred Shares .....	1,700,951
Repurchase of redeemable convertible preferred shares .....	(92,853)
Changes in fair value through profit or loss .....	660,595
Changes in fair value through other comprehensive income .....	(36,070)
Foreign exchange adjustments .....	(58,113)
<b>As at September 30, 2021</b> .....	<u><u>5,732,687</u></u>
<b>As at April 1, 2022</b> .....	6,610,924
Changes in fair value through profit or loss .....	4,991
Changes in fair value through other comprehensive income .....	4,334
Foreign exchange adjustments .....	783,223
<b>As at September 30, 2022</b> .....	<u><u>7,403,472</u></u>

The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the redeemable convertible preferred shares as at the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	Year ended March 31				Six months ended September 30	
	2019	2020	2021	2022	2021	2022
					(Unaudited)	
Discount rate .....	23.0%	21.0%	18.0%	16.5%	17.6%	16.5%
Risk-free interest rate .....	2.2%	0.2%	0.1%	2.3%	0.4%	4.1%
Volatility .....	37.1%	41.2%	40.7%	42.9%	41.7%	41.7%

**32 Warrant liability**

In connection with the Group’s Reorganization, the Company granted a Warrant to one of its existing investors on September 25, 2018, which permits that investor to acquire the Company’s 2,442,002 Series D Preferred Shares after completion of the requisite regulatory formalities for outbound investments. Exercise price of the Warrant is an equivalent US dollar amount of the original investment of RMB100,000,000 by that investor in Beisen Cloud Computing, subject to the changes of exchange rate at the date of exercise of the Warrant. Concurrently, Beisen Cloud Computing also assumed an obligation to repay the RMB100,000,000 to this investor (the “Repayment Liability”). That investor exercised the Warrant on June 1, 2020.

The purpose of the Warrant and the Repayment Liability is to replace the original common shares with special rights (Note 30) eventually with the Company’s Redeemable Convertible Preferred Shares as part of the Group’s Reorganization. Management concluded that such Warrant should be recorded as a financial liability measured at fair value through profit or loss. The total difference between the sum of the Repayment Liability (RMB100,000,000) and the fair value of Warrant liability upon issuance, and the carrying amount of ordinary shares with preferential rights was recorded as: i) losses from de-recognizing financial instruments issued to investors of RMB33,477,000 in the consolidated statement of comprehensive loss, representing the difference between the fair value of the financial instruments issued to investors and the carrying amount of its liability portion (Note 30), ii) the reserves of consolidated statements of financial position of RMB8,985,000, which represented the net effect of de-recognizing the equity portion of related ordinary shares with preferential rights.

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The movement of the Warrant liability is set out as below:

	<b>RMB’000</b>
<b>As at April 1, 2018 (Unaudited)</b> .....	—
Issuance of warrant liability in relation to the Reorganization of the Group .....	44,628
Changes in fair value through profit or loss .....	13,159
Foreign exchange adjustments .....	<u>(675)</u>
<b>As at March 31, 2019</b> .....	<b><u>57,112</u></b>
	<b>RMB’000</b>
<b>As at April 1, 2019</b> .....	57,112
Changes in fair value through profit or loss .....	53,472
Foreign exchange adjustments .....	<u>3,992</u>
<b>As at March 31, 2020</b> .....	<b><u>114,576</u></b>
	<b>RMB’000</b>
<b>As at April 1, 2020</b> .....	114,576
Changes in fair value through profit or loss .....	32,571
Exercise of warrant liability .....	<u>(147,147)</u>
<b>As at March 31, 2021</b> .....	<b><u>—</u></b>

The Group did not grant any other warrant after March 31, 2021.

Key valuation assumptions used to determine the fair value of Warrant Liability are as follows:

	<u>Year ended March 31</u>				<u>Six months ended</u> <u>September 30</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
					(Unaudited)	
Discount rate .....	23.0%	21.0%	N/A	N/A	N/A	N/A
Risk-free interest rate .....	2.4%	0.1%	N/A	N/A	N/A	N/A
Volatility .....	41.3%	69.6%	N/A	N/A	N/A	N/A

**33 Dividends**

No dividends have been paid or declared by the Company or the companies now comprising the Group for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022.

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34 Cash flow information

(a) Cash (used in)/generated from operations

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Loss before income tax</b> . . . . .	<b>(691,910)</b>	<b>(1,252,276)</b>	<b>(923,438)</b>	<b>(1,921,579)</b>	<b>(820,014)</b>	<b>(167,124)</b>
<b>Adjustments for :</b>						
Depreciation and amortization . . . . .	7,962	14,342	11,711	13,374	5,686	11,063
Depreciation of right-of-use assets . . . . .	22,592	31,993	28,762	37,705	16,924	20,279
Net impairment losses on financial assets and contract assets . . . . .	(118)	384	1,026	1,024	32	2,601
Share-based payments expenses . . . . .	81,126	77,946	33,549	106,983	79,593	5,692
Net fair value gains on financial assets measured at fair value through profit or loss . . . . .	(3,708)	(3,984)	(18,771)	(37,820)	(19,807)	(21,191)
Finance income—net . . . . .	(437)	(4,727)	(3,035)	(5,183)	(2,908)	(1,358)
Changes in fair value of warrant liability . . . . .	13,159	53,472	32,571	—	—	—
Changes in fair value of redeemable convertible preferred shares . . . . .	317,678	883,369	752,797	1,638,199	660,595	4,991
Loss of disposal of long-lived assets . . . . .	38	425	163	352	415	(355)
Gains on disposal of subsidiaries . . . . .	(1,154)	(4,132)	—	(11,875)	(12,432)	—
Exchange gains/(losses) . . . . .	1,588	14,958	(26,207)	(27,937)	(5,073)	(1,142)
Losses from financial instruments issued to investors . . . . .	111,461	—	—	—	—	—
<b>Change in working capital :</b>						
Decrease/(increase) in trade receivables . . . . .	2,402	(5,055)	(2,061)	(11,013)	(4,558)	(6,969)
(Increase)/decrease in contract assets . . . . .	(328)	(1,989)	1,978	(1,402)	(1,631)	(19)
(Increase)/decrease in other receivables and prepayment . . . . .	(3,368)	(5,508)	(5,962)	(11,140)	(5,051)	3,108
Increase in contract acquisition costs . . . . .	(9,924)	(4,875)	(10,314)	(7,995)	(2,130)	(1,859)
Decrease/(increase) in restricted cash . . . . .	65	(728)	665	(117)	50	—
Increase/(decrease) in trade payables . . . . .	845	784	(1,491)	3,687	2,348	1,953
Increase/(decrease) in other payables and accruals . . . . .	5,665	16,294	10,924	1,992	(2,682)	(6,162)
Increase/(decrease) in contract liabilities . . . . .	53,146	75,348	95,031	54,566	3,376	(11,500)
Increase/(decrease) in salary and welfare payable . . . . .	12,067	42,368	57,357	16,928	(30,358)	(19,096)
<b>Cash (used in)/generated from operations</b> . . . . .	<b>(81,153)</b>	<b>(71,591)</b>	<b>35,255</b>	<b>(161,251)</b>	<b>(137,625)</b>	<b>(187,088)</b>

(b) Non-cash investing and financing activities

The major non-cash investing and financing transactions during the Track Record Period mainly include (i) the additions of the right-of-use assets and lease liabilities described in Note 16, and

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(ii) financial assets at fair value through profit or loss arises from disposal of Beisen Shengya described in Note 8.

(c) Debt reconciliation

This section sets out an analysis of net cash and the movements in net cash for the years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2021 and 2022.

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
					RMB’000
Cash and cash equivalents	257,351	191,337	215,074	288,706	78,919
Redeemable convertible preferred shares	(1,797,425)	(2,800,457)	(3,558,177)	(6,610,924)	(7,403,472)
Warrant liability	(57,112)	(114,576)	—	—	—
Lease liabilities	(49,493)	(28,348)	(24,199)	(76,527)	(67,604)
<b>Net debt</b>	<b>(1,646,679)</b>	<b>(2,752,044)</b>	<b>(3,367,302)</b>	<b>(6,398,745)</b>	<b>(7,392,157)</b>

	Liabilities from financing activities			Other assets	Total
	Leases	Redeemable convertible preferred shares	Warrant liability	Cash and cash equivalents	
<b>Net debt as at April 1, 2018 (Unaudited)</b>	(26,419)	—	—	106,604	80,185
Cash flows	23,415	(503,013)	—	164,332	(315,266)
Allotment of redeemable convertible preferred shares upon Reorganization	—	(985,961)	—	—	(985,961)
Issuance of warrant liability in relation to the Reorganization of the Group	—	—	(44,628)	—	(44,628)
Changes in fair values	—	(336,851)	(13,159)	—	(350,010)
Foreign exchange adjustments	—	28,400	675	(13,585)	15,490
(Additions)/disposals—non cash	(46,489)	—	—	—	(46,489)
Finance costs recognized	(1,950)	—	—	—	(1,950)
Interest payments	1,950	—	—	—	1,950
<b>Net debt as at March 31, 2019</b>	<b>(49,493)</b>	<b>(1,797,425)</b>	<b>(57,112)</b>	<b>257,351</b>	<b>(1,646,679)</b>
<b>Net debt as at April 1, 2019</b>	(49,493)	(1,797,425)	(57,112)	257,351	(1,646,679)
Cash flows	33,555	—	—	(69,651)	(36,096)
Changes in fair values	—	(892,315)	(53,472)	—	(945,787)
Foreign exchange adjustments	—	(110,717)	(3,992)	3,637	(111,072)
Additions—non cash	(16,585)	—	—	—	(16,585)
Disposals—non cash	4,175	—	—	—	4,175
Finance costs recognized	(2,094)	—	—	—	(2,094)
Interest payments	2,094	—	—	—	2,094
<b>Net debt as at March 31, 2020</b>	<b>(28,348)</b>	<b>(2,800,457)</b>	<b>(114,576)</b>	<b>191,337</b>	<b>(2,752,044)</b>
<b>Net debt as at April 1, 2020</b>	(28,348)	(2,800,457)	(114,576)	191,337	(2,752,044)
Cash flows	29,165	—	—	31,244	60,409
Exercise of warrant liability	—	(246,682)	147,147	—	(99,535)
Changes in fair values	—	(753,967)	(32,571)	—	(786,538)
Foreign exchange adjustments	—	242,929	—	(7,507)	235,422
Additions—non cash	(27,157)	—	—	—	(27,157)
Disposals—non cash	2,141	—	—	—	2,141
Finance costs recognized	(1,378)	—	—	—	(1,378)
Interest payments	1,378	—	—	—	1,378

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	Liabilities from financing activities			Other assets	
	Leases	Redeemable convertible preferred shares	Warrant liability	Cash and cash equivalents	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Net debt as at March 31, 2021</b>	<b>(24,199)</b>	<b>(3,558,177)</b>	<b>—</b>	<b>215,074</b>	<b>(3,367,302)</b>
<b>Net debt as at April 1, 2021</b>	(24,199)	(3,558,177)	—	215,074	(3,367,302)
Cash flows	37,820	(1,585,675)	—	86,013	(1,461,842)
Changes in fair values	—	(1,630,834)	—	—	(1,630,834)
Foreign exchange adjustments	—	186,185	—	(12,381)	173,804
Other changes due to share repurchase	—	(22,423)	—	—	(22,423)
Additions—non cash	(92,303)	—	—	—	(92,303)
Disposals—non cash	2,155	—	—	—	2,155
Finance costs recognized	(2,628)	—	—	—	(2,628)
Interest payments	2,628	—	—	—	2,628
<b>Net debt as at March 31, 2022</b>	<b>(76,527)</b>	<b>(6,610,924)</b>	<b>—</b>	<b>288,706</b>	<b>(6,398,745)</b>
<b>(Unaudited)</b>					
<b>Net debt as at April 1, 2021</b>	(24,199)	(3,558,177)	—	215,074	(3,367,302)
Cash flows	14,824	(1,578,069)	—	571,759	(991,486)
Changes in fair values	—	(624,525)	—	—	(624,525)
Foreign exchange adjustments	—	60,770	—	(26,818)	33,952
Additions—non cash	(35,197)	(32,686)	—	—	(67,883)
Disposals—non cash	795	—	—	—	795
Finance costs recognized	(1,102)	—	—	—	(1,102)
Interest payments	1,102	—	—	—	1,102
<b>Net debt as at September 30, 2021</b>	<b>(43,777)</b>	<b>(5,732,687)</b>	<b>—</b>	<b>760,015</b>	<b>(5,016,449)</b>
<b>Net debt as at April 1, 2022</b>	(76,527)	(6,610,924)	—	288,706	(6,398,745)
Cash flows	18,750	—	—	(214,437)	(195,687)
Changes in fair values	—	(9,325)	—	—	(9,325)
Foreign exchange adjustments	—	(783,223)	—	4,650	(778,573)
Additions—non cash	(14,649)	—	—	—	(14,649)
Disposals—non cash	4,822	—	—	—	4,822
Finance costs recognized	(1,856)	—	—	—	(1,856)
Interest payments	1,856	—	—	—	1,856
<b>Net debt as at September 30, 2022</b>	<b>(67,604)</b>	<b>(7,403,472)</b>	<b>—</b>	<b>78,919</b>	<b>(7,392,157)</b>

35 Commitments

(a) Capital Commitments

Capital expenditure contracted for at the end of the year/period but not yet incurred is as follows:

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Within 1 year	2,462	1,703	880	10,885	1,410

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(b) *Operating Lease Commitments*

The Group leases certain offices under non-cancellable operating lease arrangements with lease terms less than 1 year, which can be exempted from IFRS 16. The Group’s future aggregate minimum lease payments for such short term non-cancellable operating leases were as follows:

	As at March 31,				As at
	2019	2020	2021	2022	September 30
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Within 1 year .....	<u>5,879</u>	<u>1,732</u>	<u>238</u>	<u>1,118</u>	<u>1,013</u>

**36 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) *Year end balances with related parties*

The following companies are related parties of the Group that had significant transactions and/or balance with the Group during the Track Record Period.

Names of the major related parties	Relationship
Beijing Beisen Asset Management Limited	Entity controlled by Mr Wang Zhaohui and Mr Ji Weiguo
Mr Zhang Qinghua (i)	Key management
Beijing Black Mirror Co., Ltd. (“Beijing Black Mirror”)	The Group has significant influence over the entity (Note 8)
Gongqingcheng Yuanxi	Shareholder

(i) Mr Zhang Qinghua was the key management of Beisen Cloud Computing, and he resigned from the Group after the disposal transaction of Sen Yun Technology (Note 8).

(b) *Year end balances with related parties*

	As at March 31,				As at
	2019	2020	2021	2022	September 30
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Other payables due to related parties-non-trade(Note 29)					
—Gongqingcheng Yuanxi .....	<u>100,000</u>	<u>100,000</u>	—	—	—
Other receivables due from related parties-non-trade					
—Beijing Beisen Asset Management Limited .....	<u>13</u>	—	—	—	—

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(c) *Transactions with other related parties*

	Year ended March 31,			Six months ended September 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Sales of goods and services					
—Mr. Zhang Qinghua .....	189	—	—	—	—
Unlisted equity investment					
—Beijing Black Mirror .....	2,000	—	—	—	—
Lease income					
—Beijing Beisen Asset Management Limited .....	13	—	—	—	—

(d) *Key management personnel compensations*

Key management includes executive directors and other members of the Company’s senior management team. The compensations payable to key management for employee services are shown below:

	Year ended March 31,				Six months ended September 30,	
	2019	2020	2021	2022	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Share-based compensation .....	4,900	5,484	5,770	8,273	4,026	(419)
Wages, salaries and bonuses .....	5,245	5,418	6,250	6,160	2,757	2,913
Pension cost-defined contribution plans .....	195	156	52	214	104	115
Housing benefits .....	123	156	160	162	80	87
Other social security costs .....	120	124	132	144	72	76
	<b>10,583</b>	<b>11,338</b>	<b>12,364</b>	<b>14,953</b>	<b>7,039</b>	<b>2,772</b>

**37 Benefits and interests of directors**

The remuneration of every director for the year ended March 31, 2019 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension cost-defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Wang Zhaohui(i) .....	—	1,093	57	35	36	—	1,221
Mr. He Jiabo(ii) .....	—	2,133	57	35	36	4,483	6,744
Mr. Ji Weiguo(iii) .....	—	1,408	57	35	36	—	1,536
Mr. Xu Liang(v) .....	—	—	—	—	—	—	—
Mr. Ji Yue(ii) .....	—	—	—	—	—	—	—
Mr. Zuo Lingye(ii) .....	—	—	—	—	—	—	—
Mr. Quan Le(ii) .....	—	—	—	—	—	—	—
Mr. Xu Hao(vi) .....	—	—	—	—	—	693	693
	—	<b>4,634</b>	<b>171</b>	<b>105</b>	<b>108</b>	<b>5,176</b>	<b>10,194</b>



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The remuneration of every director for the year ended March 31, 2020 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Wang Zhaohui(i) . . . . .	—	887	39	31	39	—	996
Mr. He Jiabo(viii) . . . . .	—	1,943	39	31	39	4,483	6,535
Mr. Ji Weiguo(iii) . . . . .	—	1,212	39	31	39	—	1,321
Mr. Xu Liang(v) . . . . .	—	—	—	—	—	—	—
Mr. Ji Yue(ii) . . . . .	—	—	—	—	—	—	—
Mr. Zuo Lingye(ii) . . . . .	—	—	—	—	—	—	—
Mr. Quan Le(ii) . . . . .	—	—	—	—	—	—	—
Mr. Xu Hao(vi) . . . . .	—	—	—	—	—	2,499	2,499
	—	<b>4,042</b>	<b>117</b>	<b>93</b>	<b>117</b>	<b>6,982</b>	<b>11,351</b>

The remuneration of every director for the year ended March 31, 2021 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Wang Zhaohui(i) . . . . .	—	1,032	13	33	40	—	1,118
Mr. He Jiabo(viii) . . . . .	—	2,303	13	33	40	4,483	6,872
Mr. Ji Weiguo(iii) . . . . .	—	1,667	13	33	40	—	1,753
Mr. Xu Liang(v) . . . . .	—	—	—	—	—	—	—
Mr. Ji Yue(ii) . . . . .	—	—	—	—	—	—	—
Mr. Zuo Lingye(ii) . . . . .	—	—	—	—	—	—	—
Mr. Quan Le(ii) . . . . .	—	—	—	—	—	—	—
Mr. Xu Hao(vi) . . . . .	—	—	—	—	—	—	—
	—	<b>5,002</b>	<b>39</b>	<b>99</b>	<b>120</b>	<b>4,483</b>	<b>9,743</b>

The remuneration of every director for the year ended March 31, 2022 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension cost-defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Wang Zhaohui(i) . . . . .	—	1,155	53	36	40	—	1,284
Mr. He Jiabo(viii) . . . . .	—	2,369	53	36	40	4,679	7,177
Mr. Ji Weiguo(iii) . . . . .	—	1,225	53	36	40	—	1,354
Ms. Liu Xianna(vii) . . . . .	—	1,412	53	36	40	3,594	5,135
Ms. Liu Shanshan(iv) . . . . .	—	—	—	—	—	—	—
Mr. Xu Liang(v) . . . . .	—	—	—	—	—	—	—
Mr. Ji Yue(ii) . . . . .	—	—	—	—	—	—	—
Mr. Zuo Lingye(ii) . . . . .	—	—	—	—	—	—	—
Mr. Quan Le(ii) . . . . .	—	—	—	—	—	—	—
Mr. Xu Hao(vi) . . . . .	—	—	—	—	—	—	—
	—	<b>6,161</b>	<b>212</b>	<b>144</b>	<b>160</b>	<b>8,273</b>	<b>14,950</b>

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The remuneration of every director for the six months ended September 30, 2021 is set out as below:

Name (Unaudited)	Fees	Wages, salaries and bonuses	Pension cost-defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Wang Zhaohui(i) . . . . .	—	553	26	18	20	—	617
Mr. He Jiabo(viii) . . . . .	—	1,076	26	18	20	2,241	3,381
Mr. Ji Weiguo(iii) . . . . .	—	548	26	18	20	—	612
Ms. Liu Shanshan(iv) . . . . .	—	—	—	—	—	—	—
Mr. Xu Liang(v) . . . . .	—	—	—	—	—	—	—
Mr. Ji Yue(ii) . . . . .	—	—	—	—	—	—	—
Mr. Zuo Lingye(ii) . . . . .	—	—	—	—	—	—	—
Mr. Quan Le(ii) . . . . .	—	—	—	—	—	—	—
Mr. Xu Hao(vi) . . . . .	—	—	—	—	—	—	—
	—	<u>2,177</u>	<u>78</u>	<u>54</u>	<u>60</u>	<u>2,241</u>	<u>4,610</u>

The remuneration of every director for the six months ended September 30, 2022 is set out as below:

Name	Fees	Wages, salaries and bonuses	Pension cost-defined contribution plans	Other social security costs	Housing benefits	Share-based compensation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Mr. Wang Zhaohui(i) . . . . .	—	422	29	19	22	—	492
Mr. He Jiabo(viii) . . . . .	—	932	29	19	22	(887)	115
Mr. Ji Weiguo(iii) . . . . .	—	782	29	19	22	—	852
Ms. Liu Xianna (vii) . . . . .	—	777	29	19	22	468	1,315
	—	<u>2,913</u>	<u>116</u>	<u>76</u>	<u>88</u>	<u>(419)</u>	<u>2,774</u>

- (i) Mr. Wang Zhaohui was appointed as the Company’s chairman of the board of directors on April 6, 2018.
- (ii) Mr. Ji Yue, Mr. Zuo Lingye and Mr. Quan Le were appointed as the Company’s directors on September 25, 2018. Mr. Ji Yue, Mr. Zuo Lingye and Mr. Quan Le resigned on December 31, 2021.
- (iii) Mr. Ji Weiguo was appointed as the Company’s director on April 6, 2018.
- (iv) Ms. Liu Shanshan was appointed as the Company’s director on April 9, 2021 and resigned on December 31, 2021.
- (v) Mr. Xu Liang was appointed as the Company’s director on September 26, 2018 and resigned on December 31, 2021.  
Mr. Ji Yue, Mr. Zuo Lingye, Mr. Quan Le, Ms. Liu Shanshan and Mr. Xu Liang were appointed by the relevant [REDACTED] investors to represent their respective interests at the Board and assumed non-executive roles, and resigned prior to the filing of the initial [REDACTED] application of the Company for purposes of simplifying the Board structure. All such former directors were not involved in the day-to-day management of the Company during their terms.
- (vi) Mr. Xu Hao was appointed as the Company’s director on March 13, 2019 and resigned on April 9, 2021. Mr. Xu Hao had only served as a director on non-executive basis. He had not been employed by any member of the Group and had not been involved in the Group’s day-to-day operations.
- (vii) Ms. Liu Xianna was appointed as the Company’s director on December 31, 2021.
- (viii) Mr. He Jiabo was appointed as the Company’s director on September 25, 2018 and resigned from directorship and his position as the president of the Company effective from November 30, 2022 due to health reasons. Mr. He Jiabo will continue to be employed by the Company as a consultant subsequent to his resignation from directorship.

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38 Notes to the statements of financial position of the Company

(a) Investments in subsidiaries

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Investments in a subsidiary (i) . . . . .	483,600	725,800	791,335	2,268,994	2,537,633
Deemed investment arising from share-based payment (ii) . . . . .	—	75,447	108,996	147,564	171,868
Deemed investment arising from the Reorganization (iii) . . . . .	1,275,958	1,432,215	1,432,215	1,309,422	1,464,453
	<b>1,759,558</b>	<b>2,233,462</b>	<b>2,332,546</b>	<b>3,725,980</b>	<b>4,173,954</b>

- (i) The Company invested in USD71,820,000, USD102,440,000, USD120,423,000, USD357,423,000 and USD357,423,000 to its directly owned subsidiary as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022 respectively.
- (ii) The Company granted share options directly to employees of its subsidiaries (including the structured entities) within the Group, and the Company did not charge subsidiaries for the transaction. In the consolidated financial statements, the transaction was treated as an equity-settled share-based payment. While in the separate financial statements of the Company, it was recorded as an increase in the investment in the subsidiaries.
- (iii) Deemed investment arising from the Reorganization represented the fair value of Beisen Cloud Computing acquired by the Company upon completion of the Reorganization. During the year ended March 31, 2022, concurrently with the preferred shares repurchase (Note 31), the related deemed investments originally recognized were accordingly derecognized.

(b) Other receivables and prepayments

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Amounts due from a subsidiary (ii) . . . . .	—	—	1,445	—	30,623
Deferred [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Promissory notes receivables (i) . . . . .	241,300	27,980	—	—	—
Legal fee prepayments . . .	—	—	329	—	—
	<b>241,300</b>	<b>27,980</b>	<b>1,774</b>	<b>4,711</b>	<b>36,809</b>

- (i) In connection with the Group’s Reorganization, certain offshore shareholders, who are the relevant onshore shareholders’ affiliates, issued promissory notes to the Company in exchange of the Company’s redeemable convertible preferred shares on September 25, 2018. These offshore shareholders obtained shareholders’ rights upon issuance of promissory notes. The conditions precedent to the obligation of offshore shareholders to repay the promissory notes to the Company shall include that onshore shareholders entered into share transfer agreements with any other party agreed by Beisen Cloud Computing and relevant onshore shareholders, and the relevant onshore shareholders have received the full payment at the consideration for the aforesaid share transfer. On the Company’s standalone financial statements, management recorded receivables from offshore shareholders, whereas management determined the Company’s receivables from offshore shareholders and Beisen Cloud Computing’s payable to onshore shareholders should be deemed as a linked transaction, and eliminated on the consolidated financial statements.
- (ii) Amounts due from a subsidiary were amounts paid to Beisen HK for operating purposes.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

(c) *Cash and cash equivalents*

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Cash at bank .....	5,749	5,042	2,862	33,835	838
	<u>5,749</u>	<u>5,042</u>	<u>2,862</u>	<u>33,835</u>	<u>838</u>

As at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022, cash at bank were all denominated in USD.

(d) *Other payables and accruals*

	As at March 31,				As at
	2019	2020	2021	2022	September 30,
	RMB’000	RMB’000	RMB’000	RMB’000	2022
Accrued taxes other than income tax (i) .....	—	—	—	10,771	12,048
Accrued [REDACTED] expenses .....	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to subsidiaries .....	—	—	—	4,743	—
Accrued service and goods .....	—	—	15	—	—
	<u>—</u>	<u>—</u>	<u>15</u>	<u>18,170</u>	<u>16,763</u>

- (i) The Company repurchased ordinary shares and Series D Preferred Shares from certain ordinary shareholders and preferred shareholders concurrently with issuance of Series F Preferred Shares (Note 31). As at September 30, 2022, withholding tax for such transaction has yet to be paid.

**39 Contingent liabilities**

The Group did not have any material contingent liabilities as at March 31, 2019, 2020, 2021 and 2022 and September 30, 2022.

**40 Events after the reporting period**

On March 1, 2023, the Company granted 3,414,515 share options to employees pursuant to the [REDACTED] Share Option Plan with exercise price of US\$0.0001 per share. There were no other material subsequent events undertaken by the Company or by the Group after September 30, 2022.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2022 and up to the date of this report.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]



THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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**SUMMARY OF THE CONSTITUTION OF THE COMPANY**

**1      Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed “Documents Available on Display”.

**2      Articles of Association**

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

**2.1      Directors**

(a) *Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) *Power to dispose of the assets of the Company or any subsidiary*

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) *Compensation or payment for loss of office*

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) *Loans to Directors*

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) *Financial assistance to purchase Shares*

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

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**APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

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 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 [REDACTED] or [REDACTED] 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 fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or 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
- (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

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**APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) *Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months

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without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director 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 then in office (including such Director).

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 at such meeting. 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 exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 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 for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorized representative at least one-third of the voting rights of the issued shares of that class.

The 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 the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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2.4 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of 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 purchasers thereof and the validity of such transfer shall not be questioned, and so 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 rateably in accordance with their rights and interests or may be paid to the Company for the Company’s benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary 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.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution—majority required

A “special resolution” is defined in the Articles of Association to have the same meaning as in the 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, in the case of corporations, by their duly authorized representatives 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

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, in the case of corporations, by their duly authorized representatives or,

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where proxies are allowed, by proxy 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.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

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 holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorized representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson 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.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

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 representative(s) at any general 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 of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall



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be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which that person represents as that recognized clearing house (or its nominee(s)) could exercise as if such person 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.

**2.7      Annual general meetings and extraordinary general meetings**

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

**2.8      Accounts and audit**

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall 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 of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorized by the Directors or by the Company in general meeting.

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The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9      Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

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 and any extraordinary general meeting shall be called by not less than 14 days' notice, which 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. 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. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

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Where a general meeting is postponed:

- (a) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

#### 2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. 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.

The Directors may decline 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

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- (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.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors 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, 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, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members 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).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

**2.12 Power of the Company to purchase its own shares**

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorized by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

**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 Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorize payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realized or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

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 in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during

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any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. 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.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

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 monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, 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 or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of

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the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general 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. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorized representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by installments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call 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.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or installment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring



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payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall 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 interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

#### 2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, 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, close the register of members at such times and for such periods as the Directors may 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).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

#### 2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorized representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorized representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.



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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 Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, 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 approval, 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, given 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

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Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

**SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

**1      Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the 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 April 6, 2018 under the 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 Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The 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 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 Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (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.

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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 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 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 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 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 above for details).

#### **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.

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**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 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 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.

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 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.

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**10      Inspection of Books and Records**

Members of a company will have no general right under the 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 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 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.

**13      Mergers and Consolidations**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated 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.

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**14      Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, 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 the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**16      Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**17      Restructuring**

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action



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or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

**18      Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**19      Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**20      Taxation**

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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.

**21      Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.



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**22      General**

Maples and Calder (Hong Kong) LLP, 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 Companies Act, is on display on the websites as referred to in the section headed “Documents Available on Display” in Appendix V to this Document. 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.

**A. FURTHER INFORMATION ABOUT OUR GROUP**

**1. Incorporation of Our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act on April 6, 2018. Our registered office address is at PO Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands. As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, the Articles and the Memorandum. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Act” in Appendix III to this Document.

Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on November 29, 2021. Our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No.248 Queen’s Road East, Wanchai, Hong Kong. Ms. Au Wai Ching (區慧晶) has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong. The address of service of process is 40th Floor, Dah Sing Financial Centre, No.248 Queen’s Road East, Wanchai, Hong Kong.

As of the date of this Document, our Company’s head offices are located at Room 4001, Unit 1, Building 1, No. 89 Cuihua Road, Chengdu High-tech Zone, Pilot Free Trade Zone, Sichuan Province, PRC and Room 710, Building 1, No. 35, Shangdi East Road, Haidian District, Beijing, PRC.

**2. Changes in the Share Capital of Our Company**

As of the date of incorporation of our Company, our authorized share capital was US\$50,000.00 divided into 500,000,000 ordinary shares with an initial par value of US\$0.0001 each. On the same date, our Company allotted and issued 8,011,937 Ordinary Shares of a par value of US\$0.0001 each to each of Xiasen Limited and Xisen Limited, respectively.

The following sets out the changes in the issued share capital of our Company during the two years immediately preceding the date of this Document:

- (a) On June 1, 2020, our Company issued and allotted 2,442,002 Series D Preferred Shares to Beis Investment (BVI) Ltd.;
- (b) On April 9, 2021, our Company allotted and issued shares in the following manner:
  - (i) 410,411 Series F Preferred Shares to SCGC Holding Company Limited;
  - (ii) 4,104,113 Series F Preferred Shares to SVF II Cortex Subco (DE) LLC;
  - (iii) 1,231,234 Series F Preferred Shares to Mercer Investment (Singapore) Pte. Ltd.;
  - (iv) 1,231,234 Series F Preferred Shares to Bargate Investment Holdings One Limited;
  - (v) 663,808 Series F Preferred Shares to Fidelity China Special Situations PLC;
  - (vi) 552,070 Series F Preferred Shares to Fidelity Funds;
  - (vii) 15,356 Series F Preferred Shares to Fidelity Investment Funds;
  - (viii) 820,823 Series F Preferred Shares to Space Trek L.P.;
  - (ix) 410,411 Series F Preferred Shares to Matrix Partners China V Hong Kong Limited;

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- (x) 328,329 Series F Preferred Shares to GC HCM (BVI) Limited;
- (xi) 205,206 Series F Preferred Shares to GC HCM Holdings Limited; and
- (xii) 697,699 Series F Preferred Shares to SCC Growth VI Holdco E, Ltd.;
- (c) On April 9, 2021, our Company repurchased 100,642 ordinary Shares from Healthy GHY Limited;
- (d) On April 9, 2021, our Company repurchased 140,000 ordinary Shares from Lotusleaf Limited;
- (e) On April 9, 2021, our Company repurchased 366,300 Series D Preferred Shares from TJVCM Limited;
- (f) On April 9, 2021, our Company repurchased 122,100 Series D Preferred Shares from Uohope Limited; and
- (g) On April 26, 2021, our Company repurchased 412,000 Series D Preferred Shares from Zhide One Investment Co. Limited.

For details of our Company’s authorized and issued share capital and consideration relating to the allotment and repurchase of the Preferred Shares above, see “Share Capital—Authorized and Issued Share Capital” and “History, Reorganization and Corporate Structure—Major Corporate Development and Shareholding Changes of our Group”, “[REDACTED] Investments” and “—Reorganization”.

Save as disclosed above, there has been no alternation in our share capital within the two years immediately preceding the date of this Document.

### **3. Changes in the 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 Accountant’s Report set out in Appendix I to this Document.

The following sets out the changes in the share capital of our subsidiaries and Consolidated Affiliated Entity within the two years immediately preceding the date of this Document:

#### ***Onshore Holdco***

On April 27, 2021, the registered capital of Onshore Holdco decreased from RMB56,171,503 to RMB55,805,203.

#### ***Chengdu WFOE***

On April 20, 2021, the registered capital of Chengdu WFOE increased from US\$30 million to US\$110 million.

On August 9, 2021, the registered capital of Chengdu WFOE increased from US\$110 million to US\$130 million.

On October 14, 2022, the registered capital of Chengdu WFOE increased from US\$130 million to US\$150 million.

Save as disclosed above, there has been no alteration in the share capital of any subsidiaries and Consolidated Affiliated Entity within the two years immediately preceding the date of this Document.

Save for the subsidiaries and Consolidated Affiliated Entity mentioned in the Accountant’s Report set out in Appendix I to this Document, our Company has no other subsidiaries or Consolidated Affiliated Entity.

#### 4. Corporate Reorganization

In order to streamline the corporate structure and rationalize our corporate structure for the [REDACTED], our Group underwent the Reorganization. See “History, Reorganization and Corporate Structure—Reorganization of our Group” for details.

#### 5. Resolutions of our Shareholders dated [●], 2023

Written resolutions of our Shareholders were passed on [●], 2023, pursuant to which, among others:

- (a) the Memorandum and Articles of Association were approved and adopted with effect upon [REDACTED];
- (b) conditional upon all the conditions set out in section headed “Structure of the [REDACTED] – Conditions of the [REDACTED]” being fulfilled, each share in the then authorized share capital of the Company with a nominal value of US\$0.0001 each (whether issued or unissued) be [REDACTED] into [REDACTED] shares of the corresponding class with a nominal value of US\$[REDACTED] , and each of the issued Preferred Shares be converted into one Share by redesignation and re-classification of each Preferred Share in issue as a Share on a one-for-one basis, in each case, immediately before the completion of the [REDACTED]
- (c) conditional upon all the conditions set out in section headed “Structure of the [REDACTED] – Conditions of the [REDACTED]” being fulfilled:
  - (i) the [REDACTED] (including the [REDACTED]) was approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect the same as it thinks fit;
  - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue such number of Shares in connection with the [REDACTED];
  - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per [REDACTED] with the [REDACTED] and the [REDACTED]; and
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or 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, issued or dealt with, otherwise than pursuant to the [REDACTED] or pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be

allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], excluding any Shares to be issued pursuant to the exercise of the [REDACTED] or any options under the [REDACTED] Share Option Plan;

- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of the Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED], excluding any Shares to be issued pursuant to the exercise of the [REDACTED] or any options under the [REDACTED] Share Option Plan; and
- (f) the general mandate mentioned in paragraph (d) above be extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (e) above.

Each of the general mandates referred to in paragraphs (d) and (e) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

## 6. Repurchase of Our Shares

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.

### (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 [●], 2023, 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 immediately following completion of the [REDACTED] (excluding any Shares which may be issued under the [REDACTED], the [REDACTED] Share Option Plan or the RSU Plan), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise 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 Articles of Associations 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 out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

*(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 10% of the aggregate number of shares in issue. 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 canceled and the relevant certificates must be canceled and destroyed. Under the laws of



the Cayman Islands, unless the Directors resolve to hold the shares purchased by our Company as treasury shares prior to the purchase, shares purchased by our Company shall be treated as canceled and the amount of our 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.

*(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 its securities to the company.

**(b) *Reasons for Repurchases***

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 our Company or out of a new issuance of shares made for the purpose of the repurchase 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 our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

**(d) General**

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED], but assuming the [REDACTED] is not exercised, could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- 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;
- 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
- the date when it is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

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.

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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.

### B. FURTHER INFORMATION ABOUT OUR BUSINESS

#### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years immediately preceding the date of this Document which are or may be material:

- (a) the Series F Preferred Share Purchase agreement dated April 9, 2021 entered into among SCGC Capital Holding Company Limited, SVF II Cortex Subco (DE) LLC, Mercer Investments (Singapore) Pte. Ltd., Bargate Investment Holdings One Limited, Fidelity China Special Situations PLC, Fidelity Funds, Fidelity Investment Funds, Space Trek L.P., Matrix Partners China V Hong Kong Limited, GC HCM (BVI) Limited, GC HCM Holdings Limited, SCC Growth VI Holdco E, Ltd., Beijing WFOE, our Onshore Holdco, Beisen HK and our Company, in relation to the sale and purchase of 10,670,694 Series F Preferred Shares for an aggregate consideration of US\$260,000,000;
- (b) the fourth amended and restated shareholders agreement dated April 9, 2021 entered into among Mr. Wang, Mr. Ji, Xiasen Limited, Xisen Limited, SCGC Capital Holding Company Limited, Jingwei Chuangda (Hangzhou) Venture Capital Investment L.P. (經緯創達(杭州)創業投資合夥企業(有限合夥)), Max Woods Limited, Genesis Capital I LP, SCC Venture VII Holdco, Ltd., Shanghai Chuangji Investment Center L.P. (上海創稷投資中心(有限合夥)), Xinyin Holdings Limited, Beis Investment (BVI) Ltd., Zhide One Investment Co. Limited, Matrix Partners China V Hong Kong Limited, SVF II Cortex Subco (DE) LLC, Mercer Investments (Singapore) Pte. Ltd., Bargate Investment Holdings One Limited, Fidelity China Special Situations PLC, Fidelity Funds, Fidelity Investment Funds, Space Trek L.P., GC HCM (BVI) Limited, GC HCM Holdings Limited, SCC Growth VI Holdco E, Ltd., Lotusleaf Limited, Oakridge Beisen Limited, Healthy GHY Limited, Senyan International L.P., Beijing WFOE, our Onshore Holdco, Beisen HK and our Company, pursuant to which, shareholder rights were agreed among the parties;
- (c) a share repurchase agreement dated April 9, 2021 entered into between Healthy GHY Limited and our Company, pursuant to which, our Company agreed to repurchase 100,642 Ordinary Shares from Healthy GHY Limited at a cash consideration of US\$2,204,059.8;
- (d) a share repurchase agreement dated April 9, 2021 entered into between Lotusleaf Limited and our Company, pursuant to which, our Company agreed to repurchase 140,000 Ordinary Shares from Lotusleaf Limited at a cash consideration of US\$3,066,000;
- (e) a share repurchase agreement dated April 9, 2021 entered into between TJVCM Limited and our Company, pursuant to which, our Company agreed to repurchase 366,300 Series D Preferred Shares from TJVCM Limited at nil consideration;
- (f) a capital reduction agreement dated April 9, 2021 entered into between our Onshore Holdco and Tianjin Tianchuang Yingxin Venture Investment Partnership (Limited Partnership) (天津天創盈鑫創業投資合夥企業(有限合夥)), pursuant to which, our Onshore Holdco reduced its registered capital from RMB56,171,503 to RMB55,805,203 with the registered capital of RMB366,300 repurchased from Tianjin Tianchuang Yingxin Venture

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Investment Partnership (Limited Partnership) (天津天創盈鑫創業投資合夥企業(有限合夥)) at a cash consideration of US\$8,021,970 and Tianjin Tianchuang Yingxin Venture Investment Partnership (Limited Partnership) (天津天創盈鑫創業投資合夥企業(有限合夥)) ceased to be a shareholder of our Onshore Holdco thereupon;

- (g) a share repurchase agreement dated April 9, 2021 entered into between Uohope Limited and our Company, pursuant to which, our Company agreed to repurchase 122,100 Series D Preferred Shares from Uohope Limited at a cash consideration of US\$2,673,990;
- (h) an amended and restated exclusive option agreement dated April 9, 2021 entered into among Beijing WFOE, our Onshore Holdco and the Registered Shareholders, pursuant to which Beijing WFOE was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their shares held now or in the future in Onshore Holdco and/or purchase assets of our Onshore Holdco, at the lowest price permitted under PRC laws at the time of purchasing;
- (i) an amended and restated proxy agreement dated April 9, 2021 entered into among Beijing WFOE, Onshore Holdco and the Registered Shareholders, pursuant to which the Registered Shareholders irrevocably undertook to authorize Beijing WFOE to exercise all of their rights as a shareholder of Onshore Holdco;
- (j) an amended and restated power of attorney dated April 9, 2021 entered into among Beijing WFOE, our Onshore Holdco and the Registered Shareholders, pursuant to which the Registered Shareholders irrevocably undertook to authorize Beijing WFOE to exercise all of their rights as a shareholder of our Onshore Holdco;
- (k) an amended and restated share pledge agreement April 9, 2021 entered into among Beijing WFOE, our Onshore Holdco and the Registered Shareholders, pursuant to which its then Registered Shareholders pledged all of their respective equity interests in our Onshore Holdco to Beijing WFOE as collateral security to secure performance of their and our Onshore Holdco’s obligations under this agreement, the exclusive option agreement, exclusive business cooperation agreement, the power of attorney, the proxy agreement and, the loan agreement and its supplemental loan agreement;
- (l) a share repurchase agreement dated April 26, 2021 entered into between Zhide One Investment Co. Limited and our Company, pursuant to which, our Company agreed to repurchase 412,000 Series D Preferred Shares from Zhide One Investment Co. Limited at a cash consideration of US\$9,022,800;
- (m) an amended and restated exclusive business cooperation agreement dated December 27, 2021 entered into between Beijing WFOE and Onshore Holdco, pursuant to which our Onshore Holdco agreed to engage Beijing WFOE as its exclusive provider of consulting, technical support and other related services;
- (n) an amended and restated exclusive option agreement dated December 27, 2021 entered into among Beijing WFOE, our Onshore Holdco and the Registered Shareholders, pursuant to which Beijing WFOE was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests held now or in the future in our Onshore Holdco and/or purchase assets of our Onshore Holdco, at the lowest price permitted under PRC laws at the time of purchasing;

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- (o) an amended and restated loan agreement dated December 27, 2021 entered into between Beijing WFOE and Mr. Wang, pursuant to which Beijing WFOE shall provide to Mr. Wang interest-free loan(s) to pay for the business operation of our Onshore Holdco;
- (p) an amended and restated loan agreement dated December 27, 2021 entered into between Beijing WFOE and Mr. Ji, pursuant to which Beijing WFOE shall provide to Mr. Ji interest-free loan(s) to pay for the business operation of our Onshore Holdco;
- (q) an amended and restated proxy agreement dated December 27, 2021 entered into among Beijing WFOE, our Onshore Holdco and the Registered Shareholders, pursuant to which the Registered Shareholders irrevocably undertook to authorize Beijing WFOE to exercise all of their rights as a shareholder of our Onshore Holdco;
- (r) an amended and restated share pledge agreement dated December 27, 2021 entered into among Beijing WFOE, our Onshore Holdco and the Registered Shareholders, pursuant to which the Registered Shareholders pledged all of their respective equity interests in our Onshore Holdco to Beijing WFOE as collateral security to secure performance of their and Onshore Holdco’s obligations under this agreement, the Exclusive Option Agreement, Exclusive Business Cooperation Agreement, the Proxy Agreement and the Loan Agreements;
- (s) [the [REDACTED] agreement dated [●] entered into between the Company, [●]]; and
- (t) the [REDACTED].

2. Intellectual Property Rights

(a) Trademarks





As at the Latest Practicable Date, we had registered the following trademarks in the PRC that we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class	Registered Number	Expiry date
1.		Onshore Holdco	PRC	9	48460367	July 6, 2031
2.		Onshore Holdco	PRC	42	48443335	March 20, 2031
3.	(A) 	Our Company	Hong Kong	9,16,35, 42	305759380	September 28, 2031
	(B) 					
4.	(A) 	Our Company	Hong Kong	9,16,35, 42	305759399	September 28, 2031
	(B) 					

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As at the Latest Practicable Date, we have following trademarks pending registration in Hong Kong:

No.	Trademark	Registered Owner	Place of Registration	Class	Application Number	Date of Filing
1. (A)		Our Company	Hong Kong	9,16,42	305827465	December 9, 2021
(B)						
(C)						
(D)						

### (b) Domain Names

As at 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	Registered Owner	Expiry date
1.	beisen.com	Onshore Holdco	September 16, 2028
2.	italent.cn	Onshore Holdco	April 22, 2028

### (c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material in relation to our Group’s business:

No.	Name of Patent	Patent No.	Place of Registration	Registered Owner
1.	A method and apparatus for multilingual cloud-compiled dynamic micro-service invocation (一種多語言雲編譯的動態微服務調用方法及裝置)	2016105972742	PRC	Onshore Holdco
2.	A method and apparatus for dynamic micro-service scaling with multilingual cloud compilation (一種多語言雲編譯的動態微服務擴容方法及裝置)	2016105996501	PRC	Onshore Holdco
3.	A deep learning-based resume parsing method and system (一種基於深度學習的簡歷解析方法和系統)	202010728915X	PRC	Chengdu WFOE
4.	A method, apparatus and storage medium for accurate extraction of institutionalized information of complex web pages (一種複雜網頁結構化資訊精確提取方法、設備及存儲介質)	2021107016212	PRC	Chengdu WFOE

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### (d) Software Copyrights

As at the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material in relation to our Group’s business:

No.	Title	Copyright Registration No.	Place of Registration	Registered Owner
1.	Beisen iTalent (Android version) Software V5.4 (北森iTalent(Android版) 軟件V5.4)	2021SR1384167	PRC	Chengdu WFOE
2.	Beisen iTalent (IOS version) Software V5.4 (北森iTalent(IOS版) 軟件V5.4)	2021SR1384168	PRC	Chengdu WFOE
3.	Beisen Assessment Center System V1.0 (北森測評中心系統V1.0)	2019SR0114713	PRC	Chengdu WFOE
4.	Beisen Recruitment Management Software V1.0 (北森招聘管理軟件V1.0)	2019SR0119334	PRC	Chengdu WFOE
5.	Beisen Core HR Management System V2.0 (北森核心人力管理系統V2.0)	2019SR0143045	PRC	Chengdu WFOE
6.	Beisen Succession and Development Management System V1.0 (北森繼任與發展管理系統V1.0)	2019SR0241323	PRC	Chengdu WFOE
7.	Beisen Talent Management Platform V5.0 (北森人才管理平臺V5.0)	2019SR0114719	PRC	Chengdu WFOE
8.	Beisen Learning Cloud Enterprise Training Management Platform [abbreviated as: Beisen Learning Cloud V1.0] (北森學習雲企業培訓管理平臺[簡稱：北森學習雲V1.0])	2020SR1616210	PRC	Chengdu WFOE
9.	Beisen Agile Performance Management System V1.0 (北森敏捷績效管理系統V1.0)	2019SR0119441	PRC	Chengdu WFOE
10.	BeisenCloudPaaS Platform V1.0 (北森BeisenCloudPaaS平臺V1.0)	2016SR378066	PRC	Onshore Holdco

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group’s business.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS

### 1. Particulars of Directors’ Service Contracts

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the [REDACTED] and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the [REDACTED] and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Details of our Company’s remuneration policy is described in the section headed “Directors and Senior Management—Remuneration of Directors and Senior Management”.

### 2. Remuneration of Directors

The aggregate amount of remuneration of our Directors (including salaries, bonuses, allowances, benefits in kind, pension scheme contributions and other share-based compensation) of



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approximately RMB10.2 million, RMB11.4 million, RMB9.8 million, RMB15.0 million and RMB2.8 million, respectively, were paid and granted by our Group to our Directors in respect of fiscal years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022.

It is estimated that remuneration and benefits in kind (excluding share-based compensation, which may be paid to any Director) of approximately RMB16.0 million in aggregate will be paid to our Directors and proposed Directors in respect of the financial year ending March 31, 2023 under arrangements in force as of the date of this Document.

Under the arrangements currently in force, as of the Latest Practicable Date, none of our Directors had 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).

3. Disclosure of Interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the [REDACTED] and the [REDACTED]*

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED]; and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), the interests and/or short positions (as applicable) of our Directors and chief executive 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 they are taken or deemed to have taken 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 as set out in Appendix 10 to the Listing Rules (the “Model Code”), will be as follows:

(i) *Interest in the Shares*

<u>Name of Director or chief executive</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of Shares /underlying shares held immediately following completion of the [REDACTED] and the [REDACTED]<sup>(1)</sup></u>	<u>Approximate percentage of interest in our Company immediately following the completion of the [REDACTED] and the [REDACTED]<sup>(2)</sup></u>
Mr. Wang <sup>(3)</sup> .....	Beneficiary of a trust	[REDACTED]	[REDACTED]
	Founder of a trust	[REDACTED]	[REDACTED]
	Interest in controlled corporation	[REDACTED]	[REDACTED]
	Beneficial interest	[REDACTED]	[REDACTED]
	Interest of Spouse	[REDACTED]	[REDACTED]
Mr. Ji <sup>(4)</sup> .....	Beneficiary of a trust	[REDACTED]	[REDACTED]
	Founder of a trust	[REDACTED]	[REDACTED]
	Beneficial interest	[REDACTED]	[REDACTED]
Ms. Liu <sup>(5)</sup> .....	Beneficial interest	[REDACTED]	[REDACTED]

Notes:

(1) The number of Shares held assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis, and the letter “L” denotes the person’s long position in the Shares.



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- (2) The table above is calculated on the basis that the total of [REDACTED] Shares will be in issue immediately after completion of the [REDACTED] and the [REDACTED] assuming (i) and the [REDACTED] and the [REDACTED] the [REDACTED] is not exercised; (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED]; and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan.
- (3) Zhaosen is a limited liability company which is owned by Xiasen Limited as to 1%, an exempted company with limited liability wholly owned by Mr. Wang, and Huisen Holding Limited, as to 99%, a limited liability company incorporated in the BVI. Huisen Holding Limited is wholly owned by Sen Talent Holdings Limited, which is in turn wholly owned by Ark Trust (Singapore) Ltd. as the trustee for a trust established by Mr. Wang (as the settlor and protector) for the benefit of Mr. Wang and his family. As such, Mr. Wang is deemed to be interested in 81,054,370 Shares owned by Zhaosen under the SFO.  
As of the Latest practicable Date, Mr. Wang was granted 1,500,000 options pursuant to the [REDACTED] Share Option Plan on March 1, 2023, details of which are set out in “Statutory and General Information — D. [REDACTED] Share Option Plan — 2. Outstanding share options” in the Appendix IV.  
As of the Latest practicable Date, Ms. Zhou Dan (周丹), Mr. Wang’ spouse, was granted, taking into account of the [REDACTED], (i) 783,410 options on January 1, 2019 pursuant to the [REDACTED] Share Option Plan, which were all exercised and 783,410 Shares are to be issued pursuant to the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (ii) 1,277,160 options on March 1, 2023, which were not vested. For details, see “Statutory and General Information — D. [REDACTED] Share Option Plan — 2. Outstanding share options” in the Appendix IV. As such, Mr. Wang is deemed to be interested in 2,060,570 Shares Ms. Zhou Dan is interested in under the SFO.  
Senyan is our employee shareholding platform incorporated in the BVI with limited liability on July 16, 2019 with Xiasen Limited serving as its general partner. Xiasen Limited is wholly owned by Mr. Wang. As such, Mr. Wang is deemed to be interested in 30,670,350 Shares owned by Senyan under the SFO.
- (4) Weisen is a limited liability company which is owned by Xisen Limited as to 1%, an exempted company with limited liability wholly owned by Mr. Ji, and Guosen Holding Limited, as to 99%, a limited liability company incorporated in the BVI. Guosen Holding Limited is wholly owned by Sen Platform Holdings Limited, which is in turn wholly owned by Ark Trust (Singapore) Ltd. as the trustee for a trust established by Mr. Ji (as the settlor and protector) for the benefit of Mr. Ji and his family. As such, Mr. Ji is deemed to be interested in 80,644,370 Shares owned by Weisen under the SFO.  
As of the Latest practicable Date, Mr. Ji was granted 1,500,000 options pursuant to the [REDACTED] Share Option Plan on March 1, 2023, details of which are set out in “Statutory and General Information — D. [REDACTED] Share Option Plan — 2. Outstanding share options” in the Appendix IV.
- (5) Ms. Liu has been granted 173,099 options, all of which have been exercised, and 1,730,990 Shares are to be issued pursuant to the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED].

(ii) *Interests in associated corporations*

<u>Name of Director or chief executive</u>	<u>Name of associated corporation</u>	<u>Nature of Interest</u>	<u>Approximate percentage of interests</u>
Mr. Wang .....	Onshore Holdco	Beneficial interest	47.67%
Mr. Ji .....	Onshore Holdco	Beneficial interest	43.28%

(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 completion of the the [REDACTED] and the [REDACTED] (assuming that (i) the [REDACTED] is not exercised; (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED]; and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), 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 Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see “Substantial Shareholders”.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following completion of the [REDACTED] and the [REDACTED]

[REDACTED] (assuming that (i) the [REDACTED] is not exercised; (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED]; and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such share capital.

#### 4. Disclaimers

Save as disclosed in the sections headed “Directors and Senior Management”, “Financial Information”, “[REDACTED]”, “Substantial Shareholders” and “Statutory and General Information—Further Information about Our Directors”:

- (i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (ii) none of the Directors or the experts named in the sub-section headed “—Other Information — 4. Qualifications and Consents of Experts” in this section 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;
- (iii) no [REDACTED], discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this Document;
- (iv) 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;
- (v) taking no account of any Shares which may be taken up under the [REDACTED] and the [REDACTED] and allotted and issued pursuant to the [REDACTED] Share Option Plan, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of and the [REDACTED] and the [REDACTED], have interests or short positions in the Shares or 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; and
- (vi) none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying shares or debentures of our 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, to be notified to the Company and the Stock Exchange.

**D. [REDACTED] SHARE OPTION PLAN**

The [REDACTED] Share Option Plan of our Company was adopted by the Board on July 15, 2019, and amended on April 23, 2020, September 26, 2021 and December 31, 2021.

We have applied for, and have been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the information of the Options granted under the [REDACTED] Share Option Plan. For further details, see “Waivers and Exemptions—Waiver and Exemption in relation to the [REDACTED] Share Option Plan”.

The following is a summary of the principal terms of the [REDACTED] Share Option Plan. The terms of the [REDACTED] Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of options by our Company to subscribe for new Shares after [REDACTED].

**1. Summary of terms**

*(a) Purpose*

The purpose of the [REDACTED] Share Option Plan is to attract and retain the best available personnel, to provide additional incentives to the Directors, employees and consultants of the Company, and to promote the success of the Company’s business.

*(b) Who may join*

We may grant Awards (as defined below) to employees, consultants and directors of the Company and/or related entity(ies), which include, among others, the Onshore Holdco, Beijing WFOE and Chengdu WFOE.

*(c) Maximum number of Shares*

Taking into account the [REDACTED] adjustments, the maximum aggregate number of Shares which may be issued pursuant to all Awards shall not exceed 79,728,830 Shares (proportionally adjusted to reflect any share dividends, share splits, or similar transactions).

As of the Latest Practicable Date, taking into account the [REDACTED] adjustments, the Company has granted Awards in the form of options pursuant to the [REDACTED] Share Option Plan representing a total of [REDACTED] underlying Shares (including those that have been exercised but excluding those that were terminated or lapsed and reverted to the award pool). As of the Latest Practicable Date, a total of [55,963,810] underlying Shares to be granted in the form of options are outstanding under the [REDACTED] Share Option Plan.

Our Company will not grant any further options upon [REDACTED].

*(d) Administration*

The [REDACTED] Share Option Plan shall be administered by the Board or a committee designated by the Board (the “Administrator”) in accordance with any applicable laws, regulations, rules of any

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jurisdiction applicable to the Awards and the memorandum and the then effective articles of association of the Company. Once appointed, such committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board may authorize one or more officers or directors to grant the Awards and may limit such authority as the Board determines from time to time.

The Administrator determines and approves, among other things, the participants eligible to receive Awards, the number of Awards to be granted to each eligible participant, the forms of Award Agreements (as defined below) for use under the [REDACTED] Share Option Plan, and the terms and conditions of each Award granted including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any applicable performance criteria.

*(e) Awards*

The [REDACTED] Share Option Plan permits the share options approved by the board of directors (the “Awards”).

Award granted under the [REDACTED] Share Option Plan are evidenced by a written award agreement executed by the Company and the grantee (the “Award Agreement”).

*(f) Terms and conditions of the [REDACTED] Share Option Plan*

Unless terminated earlier, the [REDACTED] Share Option Plan has a term of ten (10) years. In general, the term of each Award shall be the term stated in the Award Agreement. Subject to the applicable laws, the Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the grantee, only to the extent and in the manner approved by the Administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee’s Awards in the event of the grantee’s death on a beneficiary designation form provided by the Administrator.

*(g) Exercise of Award*

Subject to applicable laws, any Award granted shall be exercisable at such times and under such conditions as determined by the administrator under the terms of the [REDACTED] Share Option Plan and specified in the Award Agreement.

An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price.

*(h) Exercise Price or Consideration*

Unless otherwise determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award, the exercise or purchase price, if any, for an Award under the [REDACTED] Share Option Plan shall be determined by the Administrator. In addition, subject to the applicable laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award under the [REDACTED] Share Option Plan including the method of payment, shall also be determined by the Administrator.

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*(i) Vesting Schedule*

The Awards to be issued to any grantee under the [REDACTED] Share Option Plan shall be subject to the vesting schedule as specified in the Award Agreement of such grantee. The Administrator shall have the right to adjust the vesting schedule of the Options granted to the Grantees.

*(j) [REDACTED] Adjustment*

Subject to any required action by the Shareholders, the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the [REDACTED] Share Option Plan but as to which no Awards have yet been granted or which have been returned to the [REDACTED] Share Option Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Awards may be granted to any grantee in any fiscal year of the Company, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) as the Administrator may determine in its discretion, any other transaction with respect to the Shares including a corporate merger, consolidation, acquisition of property or equity, separation (including a spin-off or other distribution of shares or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” Such adjustment shall be made by the Administrator and its determination shall be final, binding and conclusive.

*(k) Amendment, suspension or termination*

The Board may at any time amend, suspend or terminate the [REDACTED] Share Option Plan; provided, however, that no such amendment shall be made without the approval of the Shareholders to the extent such approval is required by applicable laws or if such amendment would adversely affect the grantee’s rights under an outstanding Award in material aspects. No Award may be granted during any suspension of the [REDACTED] Share Option Plan or after termination of the [REDACTED] Share Option Plan. Unless otherwise determined by the Administrator in good faith, the suspension or termination of the [REDACTED] Share Option Plan shall not materially adversely affect any rights under Awards already granted to a grantee.

*(l) Repurchase right*

Upon termination of the grantee’s services with the Company or a related entity (the “**Grantee’s Continuous Service**”) for any reason, all unvested Awards shall be terminated immediately without further effect. To the extent any vested share option is not terminated, following termination of the Grantee’s Continuous Service for any reason, the Company shall have the right (but not the obligation) to repurchase from the grantee all or any portion of the vested share options or the Shares obtained by the grantee upon exercise of the share option. The repurchase right may be exercised by the Company at any time within two (2) years or other extended period determined by the Administrator after termination of the Grantee’s Continuous Service.

*(m) Termination*

The Board may at any time amend, suspend or terminate the [REDACTED] Share Option Plan; provided, however, that no such amendment shall be made without the approval of the Company’s shareholders to the extent such approval is required by applicable laws. No Award may be granted during any suspension of the [REDACTED] Share Option Plan or after termination of the [REDACTED] Share Option Plan. Unless otherwise determined by the Administrator in good faith, the suspension or termination of the [REDACTED] Share Option Plan shall not materially adversely affect any rights under Awards already granted to a Grantee.

**2. Outstanding share options**

Taking into account the [REDACTED], as of the Latest Practicable Date, (i) share options to subscribe for an aggregate of [REDACTED] Shares had been granted to Directors, senior management and employees of the Group, of which (1) share options to subscribe for 23,761,790 Shares had been exercised and will be issued immediately after the completion of the [REDACTED] and the [REDACTED], and (2) options to subscribe for [55,963,810] Shares were outstanding and held by grantees. No further Options will be granted after [REDACTED].



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Details of the share options granted (including the options that have been exercised as of the Latest Practicable Date and the options that remained outstanding and unexercised as of the Latest Practicable Date) under the [REDACTED] Share Option Plan are set out below:

Name of grantee	Position	Address	Exercise price (US\$/Share), taking into account the [REDACTED]	Date of grant	Vesting period	Total number of Shares underlying the exercised options taking into account the [REDACTED]	Total number of Shares underlying the outstanding and unexercised options taking into account the [REDACTED]	Underlying Shares of the outstanding and unexercised options as a percentage of issued Shares immediately after completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>
<b>DIRECTOR AND SENIOR MANAGEMENT</b>								
Ms. Liu	Executive Director and Chief Financial Officer	1-1-1102, Taida Garden, Yong'an Road, Hexi District, Tianjin	[REDACTED]	November 1, 2018 to April 1, 2021	exercised	[REDACTED] <sup>(2)</sup>	[REDACTED]	[REDACTED]
			[REDACTED]	March 1, 2023	48 months	[REDACTED]	[REDACTED] <sup>(2)</sup>	[REDACTED]%
Mr. Wang	Co-founder, chairman of the Board and executive Director of our Company	No. 58 Qianmachang Hutong Xicheng District, Beijing PRC	[REDACTED]	March 1, 2023	48 months	[REDACTED]	[REDACTED] <sup>(2)</sup>	[REDACTED]%
Mr. Ji	Co-founder, executive Director and chief executive officer of our Company	Room 801, Unit 1, Building 4, Ruyuan South Lane Yongfeng Road Haidian District, Beijing PRC	[REDACTED]	March 1, 2023	48 months	[REDACTED]	[REDACTED] <sup>(2)</sup>	[REDACTED]%
<b>CONNECTED PERSONS</b>								
Mr. He <sup>(3)</sup>	Former executive Director and President	B1 803, Haobo International Apartment, No.50 West Third Ring North Road, Haidian District, Beijing	[REDACTED]	January 1, 2018	exercised	[REDACTED] <sup>(2)</sup>	[REDACTED]	[REDACTED]
Ms. Zhou Dan (周丹) <sup>(4)</sup>	Head of Employee Success Department	2-1-402, Hejing Yingyue Platform, Haidian District, Beijing	[REDACTED]	January 1, 2019	exercised	[REDACTED] <sup>(2)</sup>	[REDACTED]	[REDACTED]
			[REDACTED]	March 1, 2023	48 months	[REDACTED]	[REDACTED] <sup>(2)</sup>	[REDACTED]%
<b>Total</b>						[REDACTED]	[REDACTED]	[REDACTED]%
<b>OTHER EMPLOYEES AND FORMER CONSULTANT OF OUR GROUP</b>								
Other [397] employees and one former consultant of our Group				January 1, 2009—	vested -	[REDACTED] <sup>(5)</sup>	[REDACTED] <sup>(5)</sup>	[REDACTED]%
			[REDACTED]	March 1, 2023	48 months	[REDACTED] <sup>(5)</sup>	[REDACTED] <sup>(5)</sup>	[REDACTED]%
<b>Total</b>						[REDACTED]	[REDACTED]	[REDACTED]%

Note:

- Approximate percentage of shareholding is calculated as the number of Shares subject to the options granted to a grantee and divided by [REDACTED] Shares, being the total number of Shares in issue immediately upon completion of the [REDACTED] and the [REDACTED]



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- [REDACTED], but assuming the [REDACTED] is not exercised and 23,761,790 Shares are issued under the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and no other Shares are issued under the [REDACTED] Option Plan.
2. Taking into account the [REDACTED], as of the Latest Practicable Date, under the [REDACTED] Share Option Plan, each of Ms. Liu, Mr. Wang, Mr. Ji, Mr. He, and Ms. Zhou Dan was granted 2,843,150 options, 1,500,000 options, 1,500,000 options, 4,460,600 options, and 2,060,570 options, respectively, amongst which, 1,730,990 options (for Ms. Liu), 4,460,600 options (for Mr. He) and 783,410 options (for Ms. Zhou Dan) were exercised and Shares of the same number of the forgoing exercised options will be issued to the Employee Shareholding Platform immediately after the completion of the [REDACTED] and the [REDACTED], pursuant to the terms and conditions of the [REDACTED] Share Option Plan.
  3. Mr. He was a Director and the president of our Company who resigned from such positions with effect from November 30, 2022.
  4. Ms. Zhou Dan is the spouse of Mr. Wang, our Co-founder, executive Director, and Chairman of the Board.
  5. Taking into account the [REDACTED], as of the Latest Practicable Date, an aggregate of [67,361,280] options have been granted to an aggregate of [397] employees and one former consultant of our Group. Among these [67,361,280] options, [16,786,790] options have been exercised and [16,786,790] Shares will be issued to each of these employees in proportion to the number of Shares underlying the options that each of them has exercised, upon [REDACTED] pursuant to the terms and conditions of the [REDACTED] Share Option Plan. The remaining [50,574,490] options remain outstanding and unexercised and will be exercisable in accordance with their vesting schedules.

Assuming full exercise of options granted but unexercised under the [REDACTED] Share Option Plan and taking into account the 23,761,790 Shares that will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], the shareholding of our Shareholders immediately following the [REDACTED] and the [REDACTED] will be diluted by approximately [REDACTED]%, if calculated on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and assuming that the [REDACTED] is not exercised and without taking into account any further Shares to be issued under [REDACTED] Share Option Plan. The consequent impact on the earnings per ordinary share for the years ended March 31, 2019, 2020, 2021, 2022 and six months ended September 30, 2022 is nil, nil, nil, nil and nil, respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

### E. RSU PLAN

The Company has conditionally adopted the RSU Plan by Shareholders’ resolutions dated December 31, 2021 (as amended by further resolutions of the Shareholders on [\*], 2023, with effect from the [REDACTED]). The RSU Plan is expected to be compliant with amended provision in Chapter 17 of the Listing Rules which became effective from January 1, 2023. The Company may appoint a trustee (the “**RSU Trustee**”) to administer the RSU Plan with respect to the grant of any Award (as defined below), by way of restricted share unit(s) (the “**RSU(s)**”), which may vest in the form of Shares (the “**Award Shares**”) or the actual selling price of the Award Shares in cash in accordance with the RSU Plan.

#### 1. Eligible Persons to the RSU Plan

Any individual, being an employee (the “**Employee**”), Director (including executive Directors, non-executive Directors and independent non-executive Directors) or a person (other than an employee, a Director or a Director of any member of the Group or any affiliate of the Group, solely with respect to rendering services in such persons’ capacity as an employee or director of any member of the Group or any affiliate) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (the “**Service Provider**”) of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them but excluding “investee companies”) (an “**Eligible Person**” and, collectively “**Eligible Persons**”) who the Board considers, in its sole discretion, to have contributed or will contribute to the Group or any affiliate is eligible to receive an

award granted by the Board (an “Award”), by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the RSU Plan.

## 2. Purpose of the RSU Plan

The purpose of the RSU Plan is to align the interests of Eligible Persons’ with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group.

## 3. Awards

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board, it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

The Company will comply with Chapter 14A of, and other applicable rules under the Listing Rules, for Shares to be granted to connected persons under the RSU Plan after [REDACTED].

## 4. Grant of Award

### (i) Making the Grant

The Board may, from time to time, at their absolute discretion, select any Eligible Person to be a selected participant (the “Selected Participant”) and grant an Award to a Selected Participant by way of an award letter (the “Award Letter”). The Award Letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions (including the Performance Target(s)), the Vesting Date and such other details as the Board may consider necessary.

In determining the Selected Participants, the Board may take into consideration matters including the present and expected contribution of the relevant Selected Participant to the Group. The performance targets attached to the relevant grants that may be used by the Board in granting Awards shall include one or more of, among others, the following, as determined and subject to changes by the Board with reference to such Selected Participant’s seniority and position(s) held within the Group, with a weighted combination of performance valuation indicators from both the corporate and individual perspectives:

- Corporate business achievements; and
- Personal key tasks resolving and completion.

Notwithstanding any other clause of the RSU Plan to the contrary, when a Selected Participant fails to meet his/her Performance Targets, such relevant Selected Participant’s Award Shares and/or Related Income shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company’s clawback policy, as it may be amended from time to time (the “Clawback Policy”). The Selected Participant agrees and consents to the Company’s

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application, implementation and enforcement of (i) the Clawback Policy or any similar policy established by the Company that may apply to the Selected Participant and (ii) any applicable law relating to cancellation, rescission, payback or recoupment of Related Income, and expressly agrees that the Company may take such actions as are necessary to effectuate the Clawback Policy, any similar policy (as applicable to the Selected Participant) or applicable law without further consent or action being required by the Selected Participant. To the extent that the terms of the RSU Plan and the Clawback Policy or any similar policy conflict, then the terms of the Clawback Policy or such other similar policy shall prevail. Any Award so affected by the Clawback Policy will be treated as lapsed and will not be counted for the purpose of calculating the RSU Plan Limit.

(ii) Restrictions on Grants and Timing of Grants

The Board may not grant any Award to any selected participant in any of the following circumstances:

- A. where any requisite approval from any applicable regulatory authorities has not been granted;
- B. where any member of our Group will be required under applicable securities laws, rules or regulations to issue a Document or other **[REDACTED]** documents in respect of such Award or the RSU Plan, unless the Board determines otherwise;
- C. where such Award would result in a breach by any member of our Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;
- D. but for the relevant waivers from the Stock Exchange or approval of Shareholders or independent Shareholders, where such grant of Award would result in a breach of the RSU Plan Limit (as defined below), the Individual Limit (as defined below), Service Providers Limit (as defined below) and the Director, Substantial Shareholder Limit and Chief Executive Limit (as defined below) or the 25% minimum public float requirement as required under the Listing Rules (or such other percentage as approved or agreed by the Stock Exchange), or would otherwise cause our Company to issue Shares in excess of the permitted amount approved by the Shareholders;
- E. where an Award is to be satisfied by way of issue of new Shares to the RSU Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount approved by the Shareholders;
- F. after inside information has become to our Company's knowledge until (and including) the trading day after our Company has announced the information;
- G. during the period commencing one month immediately before the earlier of:
  - 1. the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - 2. the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

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- H. during the period of 60 days immediately preceding the publication of the annual results of our Company or, if shorter, the period from the end of the relevant financial year up to the publication date of the results;
- I. during the period of 30 days immediately preceding the publication date of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results; and
- J. during any period of delay in the publication of a results announcement.

### 5. Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the RSU Plan (excluding Award which have been lapsed in accordance with the RSU Plan) will not exceed 6% of the issued share capital of the Company as of December 31, 2021 without Shareholders’ approval (the “**RSU Plan Limit**”). The Company may seek (i) to refresh the RSU Plan Limit once every three years with Shareholders’ approval by way of an ordinary resolution, or (ii) to refresh the RSU Plan Limit within the aforementioned three-year period with independent Shareholders’ approval by way of an ordinary resolution, in accordance with the Listing Rules. For the avoidance of doubts, unless otherwise waived by the Stock Exchange, the RSU Plan Limit shall not exceed 10% Shares of issued Shares at the relevant time. On December 31, 2021, the Shareholders resolved to issue 30,000,000 Shares (taking into account the [REDACTED]) upon the appointment of the RSU Trustee by the Board.

Save as the RSU Plan Limit or as otherwise approved by Shareholders by way of an ordinary resolution in accordance with the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any Selected Participant shall not exceed 1% of the total number of the issued Shares at the relevant time (the “**Individual Limit**”) without Shareholders’ approval by way of an ordinary resolution in accordance with Rule 17.03D(1) of the Listing Rules.

Subject to the RSU Plan Limit or as otherwise approved by the Shareholders by ordinary resolution in accordance with the Listing Rules, the maximum aggregate number of Shares which may be issued upon the vesting or exercise of the Awards to be granted to Service Providers pursuant to the RSU Plan shall not exceed 0.5% (the “**Service Providers Limit**”) of the issued Shares at the relevant time without Shareholders’ approval by way of an ordinary resolution.

Subject to the Individual Limit, if the grant of Awards to a Director (including an independent non-executive director) of any member of the Group or any affiliate of the Group, a substantial Shareholder or the chief executive of the Company would result in the Shares issued and to be issued in respect of all Awards granted to such person in any 12-month period exceeding 0.1% of the total number of the issued Shares at the relevant time, such grant of Awards must be approved by the independent Shareholders by way of an ordinary resolution in accordance with Rule 17.04(4) of the Listing Rules (the “**Director, Substantial Shareholder Limit and Chief Executive Limit**”).

### 6. Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participants even though the RSUs have not yet vested, the selected participant only has a contingent interest in the Award underlying an Award unless and until such Award are actually transferred to the selected participant, nor does he/she have any rights to any related income until the RSUs are vested.

The Award Letter may require the selected participant to grant a power of attorney to the Board or any Person designated by the Board to exercise the voting rights with respect to the Shares and the Company may require the selected participant exercising such Award to acknowledge and agree to be bound by the provisions of the currently effective Articles, the Shareholders Agreements and other documents of the Company in relation to the Shares (if any), as if the Selected Participant is a holder of Ordinary Shares thereunder.

**7. Issue of Shares and/or transfer of funds to the RSU Trustee**

Our Company shall, within a reasonable period as determined by the Board (or its duly appointed administrator), from the Grant Date, (i) issue and allot Shares to the RSU Trustee and/or (ii) transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards. The Trustee holding unvested Shares, whether directly or indirectly, shall abstain from voting on matters that require Shareholders’ approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner’s direction and such direction is given.

Our Company shall not issue or allot Award Shares nor instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws from time to time. Where such a prohibition causes the prescribed timing imposed by the RSU Plan Rules or the trust deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action.

**8. Assignment of Awards**

Unless express written consent is obtained from the Board, any Award granted under the RSU Plan but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so, unless a waiver is granted by the Stock Exchange to allow a transfer of Awards to a vehicle (including a trust or a private company) for the benefit of the Selected Participant and his/her family member (e.g. for estate planning or tax planning purposes), provided such transfer would continue to meet the purpose of the RSU Plan and other requirements under Chapter 17 of the Listing Rules.

**9. Vesting of Awards**

The Board may from time to time while the RSU Plan is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested. The vesting period of any Award granted under the RSU Plan, and as specified in the relevant Award Letter, should not be less than 12 months, unless a shorter vesting period is approved by the Board. Specific circumstances where Awards may be granted with a shorter period include:

- Grants of “make-whole” Awards to new joiners to replace the share awards they forfeited when leaving the previous employer. Their vesting period would normally reflect the remainder of the vesting period on the forfeited awards that was left to run, which may be less than 12 months;



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## STATUTORY AND GENERAL INFORMATION

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- Awards to a Selected Participant whose employment is terminated due to death or disability or occurrence of any out of control event. In those circumstances the vesting of Awards may accelerate;
- Awards with performance-based vesting conditions in lieu of time-based vesting criteria;
- Awards that are made in batches during a year for administrative and compliance reasons. They may include Awards that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which an Award would have been granted; and
- Awards with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of 12 months.

Any such arrangements must be clearly disclosed in the circular for the adoption of the RSU Plan, with an explanation by the Board (and the Remuneration Committee where the arrangements may apply to grants of Awards to the Directors and senior management of the Company) as to why the arrangements are appropriate and how the grants of Awards align with the purpose of the RSU Plan.

Within a reasonable time period as agreed between the RSU Trustee and the Board from time to time prior to any vesting date, the Board will send a vesting notice to the relevant selected participant and instruct the RSU Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the selected participant or be sold as soon as practicable from the vesting date. Subject to the receipt of the vesting notice and notification from the Board, the RSU Trustee will transfer and release the relevant Award in the manner as determined by the Board or sell the relevant Award Shares and pay the actual selling price to the selected participant within a reasonable time period (in both cases with the related income, if any).

If there is an event of change in control of our Company by way of a merger, a privatization of our Company by way of a scheme or by way of an offer, all Awards will become vested and exercisable immediately and no longer be subject to forfeiture or repurchase right of our Company, according to the terms of the RSU Plan at such times and under such conditions as determined by the Board and set forth in the letter containing the offer or grant of the relevant Awards unless the Board determines otherwise.

### **10. Consolidation, subdivision, bonus issue and other distribution**

In the event our Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the RSU Plan for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The RSU Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the RSU Plan rules for the purpose of the RSU Plan.

In the event of an issue of Shares by our Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the RSU Trustee shall be deemed to be an accretion to such

Award Shares and shall be held by the RSU Trustee as if they were Award Shares purchased by the RSU Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding RSUs of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the RSU Plan for the selected participants. Our Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the RSU Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event of other non-cash and non-scrip distributions made by our Company not otherwise referred to in the RSU Plan rules in respect of the Shares held upon trust, the RSU Trustee shall sell such distribution and the net sale proceeds thereof shall be deemed as related income of the Award Shares or returned trust funds of the returned Shares held upon trust as the case may be.

#### **11. Termination of Continuous Service**

Except as otherwise determined by the Board at the time of the grant of the Award or thereafter, upon termination of an employee's continuous service the applicable restriction period, all Awards that are at that time unvested shall lapse or repurchased in accordance with the Award Letter; provided, however, that the Board may (a) provide in any Award Letter that restrictions or forfeiture and repurchase conditions relating to Awards will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Awards.

#### **12. Alteration of the RSU Plan and the Awards**

The RSU Plan may be altered in any respect (save for the RSU Plan Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the RSU Plan, except:

- (i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date; or
- (ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date
- (iii) as required by the Listing Rules or other applicable laws and/or regulations.

Any change to the terms of Awards in any respect must be approved by the approving authority (which may include the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders) making the initial grant.

Notwithstanding any other clause of the RSU Plan to the contrary, any alternations to the terms and conditions of the RSU Plan which are of a material nature or any alternations to the provisions relating to the matters set out under Rule 17.03 of the Listing Rules to the advantage of a Selected Participant must be approved by Shareholders of the Company in general meeting.



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## STATUTORY AND GENERAL INFORMATION

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### 13. Termination

The RSU Plan shall terminate on the earlier of:

- (i) the end of the period of ten years commencing on the date on which this scheme is adopted except in respect of any non-vested RSUs granted hereunder prior to the expiration of the RSU Plan, for the purpose of giving effect to the vesting in the form of Award Shares of such RSUs or otherwise as may be required in accordance with the provisions of the RSU Plan; and
- (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the RSU Plan, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the RSUs already granted to a selected participant.

### 14. Administration of the RSU Plan

The RSU Plan shall be subject to the administration of the Board in accordance with the RSU Plan and, where applicable, the trustee deed. The authority to administer the scheme may be delegated by the Board to a committee of the Board or any person(s) as deemed appropriate at the sole discretion of the Board.

### 15. General

As of the Latest Practicable Date, no RSU had been granted or agreed to be granted under the RSU Plan. The grant and vesting of any RSUs which may be granted pursuant to the RSU Plan will be in compliance with Rule 10.08 of the Listing Rules.

## F. 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.

### 2. Litigation

Save as disclosed in “Risk Factors” and “Business—Legal Proceedings” and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

### 3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the [REDACTED], (ii) the [REDACTED], (iii) the [REDACTED] Share Option Plan and (iv) the RSU Plan.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. China International Capital Corporation Limited (“CICC”) is the holding company of China International Capital Corporation Hong Kong Securities Limited, one of the Joint

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Sponsors. CICC, through Zhide One, a wholly-owned subsidiary of CICC, is interested in approximately 0.42% of the total issued shares of our Company as of the Latest Practicable Date, and 0.40% immediately following the completion of the [REDACTED] and the [REDACTED] (assuming (i) [REDACTED] is not exercised, (ii) 23,761,790 Shares will be issued pursuant to the exercised options under the [REDACTED] Share Option Plan immediately after the completion of the [REDACTED] and the [REDACTED], and (iii) no other Shares are issued pursuant to the [REDACTED] Share Option Plan), respectively. As the shareholding interests of CICC in our Company is minor and does not, and will not, exceed 5% of the total issued Shares, China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules despite the aforementioned shareholdings of CICC. Each of the Joint Sponsors will receive a fee of US\$50.0 million for acting as a sponsor for the [REDACTED].

### 4. Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this Document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included:

<u>Name</u>	<u>Qualification</u>
Morgan Stanley Asia Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588)
Han Kun Law Offices	Company's PRC Legal Advisor
Maples and Calder (Hong Kong) LLP	Company's Cayman Islands legal adviser
China Insights Industry Consultancy Limited	Independent industry consultants

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### 5. 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.

### 6. 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 (Exemption of

Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**7. Preliminary Expenses**

Our Company did not incur any material preliminary expense.

**8. Other Disclaimers**

(a) Save as disclosed in this Document, within the two years immediately preceding the date of this Document:

- (i) 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;
- (ii) 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; and
- (iii) no [REDACTED], discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in “Financial Information”, “[REDACTED]” and “Risk Factors”:

- (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (iii) no [REDACTED], discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for [REDACTED] or agreeing to [REDACTED], or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the sub-section headed “Further Information about our Business—1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this Document), have any interest, direct or indirect, 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoters. 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.

(e) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

(f) Our Directors confirm that there is no arrangement under which future dividends are waived or agreed to be waived.

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**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

1. a copy of the **[REDACTED]**;
2. the written consents referred to in the subsection headed “Statutory and General Information—F. Other Information—4. Qualifications and Consents of Experts” in Appendix IV to this Document; and
3. a copy of each of the material contracts referred to in the subsection headed “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**

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.beisen.com](http://www.beisen.com) during a period of 14 days from the date of this Document:

1. the Memorandum of Association and the Articles of the Company;
2. the Accountant’s Report and the report on the unaudited **[REDACTED]** financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendix I and II to this Document, respectively;
3. the audited consolidated financial statements of our Company for the four financial years ended March 31, 2019, 2020, 2021 and 2022 and the six months ended September 30, 2022;
4. the PRC legal opinions issued by Han Kun Law Offices, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
5. the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Document;
6. the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in “Industry Overview”;
7. the written consents referred to under the section headed “Statutory and General Information—F. Other Information—4. Qualifications and Consents of Experts” in Appendix IV to this Document;
8. 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;
9. the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information—C. Further Information about our Directors—1. Particulars of Directors’ service contracts” in Appendix IV to this Document;

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF  
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10. the terms of the [REDACTED] Share Option Plan;
11. the terms of the RSU Plan; and
12. the Cayman Companies Act.

**DOCUMENT AVAILABLE FOR INSPECTION**

A copy of a list of grantees under the [REDACTED] Share Option Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Document.